

Overview of existing programmes and policies to assist adaptation activities (including an overview of existing decisions relating to assistance for adaptation)

I. Introduction

1. The Conference of the Parties (COP), by its decision 10/CP.7, decided that an Adaptation Fund would be established. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), by its decision 28/CMP.1, adopted initial guidance to an entity entrusted with the operation of the financial mechanism of the Convention for the operation of the Adaptation Fund and decided to adopt, at its second session, further guidance on policies, programme priorities and eligibility criteria for the operation of the Adaptation Fund.

2. In order to prepare a draft decision on this matter, the COP/MOP invited Parties to submit to the secretariat, by 13 February 2006, for consideration by the Subsidiary Body for Implementation (SBI) at its twenty-fourth session, their views on:

- (a) Specific policies, programme priorities and eligibility criteria;
- (b) Possible arrangements for the management of the Adaptation Fund¹.

3. The secretariat has received 13 submissions by Parties which are contained in documents FCCC/SBI/2006/MISC.7 and FCCC/SBI/2006/MISC.7/Add.1. Six submissions from Intergovernmental Organizations were compiled in document FCCC/SBI/2006/MISC.5.

4. The COP/MOP has, in addition, requested the secretariat to organize, before SBI 24 a workshop to promote an exchange of views on further guidance for the operation of the Adaptation Fund.

5. This document has been prepared as background information to assist Participants to the Adaptation Fund workshop. It attempts to provide an overview of policies, programme priorities and eligibility criteria for the funding of adaptation, taking into account existing relevant decisions by the COP and COP/MOP and other existing funds and arrangements under the financial mechanism of the Convention (including the Special Climate Change Fund, the Least Developed Countries Fund and the Global Environment Facility (GEF) Trust fund).

6. Funding for adaptation under the United Nations Convention on Climate Change (UNFCCC) has evolved over time with decisions taken at a number of COPs. These are summarised in Section II on background. The existing programmes and policies on adaptation in response to relevant decisions by the COP / COP/MOP are summarised in section III.

¹ Views on this issue were also requested from relevant intergovernmental organizations.

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7. In addition to this paper, the following three background papers have been prepared by the secretariat to assist discussions at the workshop:

- (a) Summary of submissions on specific policies, programme priorities and eligibility criteria and possible arrangements for the management of the Adaptation Fund;
- (b) Share of proceeds to assist with the costs of adaptation;
- (c) Overview of existing institutional arrangements for managing funds.

II. Background

A. Mandates regarding adaptation in the Convention and the Kyoto Protocol

8. Under **Article 4.1** of the UNFCCC, both developed and developing countries have obligations with respect to adaptation. These obligations are found in Articles 4.1(b), 4.1(e) and 4.1(f).

9. Article 4.1(b): All Parties shall “Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, and measures to facilitate adequate adaptation to climate change.”

10. Article 4.1(e): All Parties shall “Cooperate in preparing for adaptation to the impacts of climate change; develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods.”

11. Article 4.1(f): All Parties shall “Take climate change considerations into account, to the extent feasible, in their relevant social, economic and environmental policies and actions, and employ appropriate methods, for example impact assessments, formulated and determined nationally, with a view to minimizing adverse effects on the economy, on public health and on the quality of the environment, of projects or measures undertaken by them to mitigate or adapt to climate change.”

12. In addition, UNFCCC Articles 4.3, 4.5, 4.8 and 4.9 address funding, insurance and technology transfer to assist developing countries in addressing adaptation obligations and needs.

13. Under **Article 4.3**, Annex II Parties are mandated to provide “*new and additional funding* to meet the agreed full costs” of developing countries’ national communication obligations, as well as “such financial resources needed by developing country Parties to meet the *agreed full incremental costs* of implementing measures” covered by Article 4.1

14. **Under Article 4.4** Annex II Parties are committed to “assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of

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adaptation to those adverse effects.” *Under Article 4.5* Annex II Parties are mandated to take steps to promote, facilitate and finance the transfer of technologies to developing country Parties to enable Convention implementation. This is understood to include adaptive technologies. *Article 4.8* requires the Parties to fully consider what actions are necessary with respect to funding, insurance and technology transfer to meet the specific needs and concerns of developing countries Parties arising from the adverse effects of climate change - especially on small island countries, countries with low-lying coastal areas, countries prone to natural disasters, countries liable to drought and desertification and other listed groups. *Article 4.9* requires the Parties to take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.

15. The Conference of the Parties to the Convention assigned the operation of the financial mechanism of the Convention to the GEF on an on-going basis, subject to review every four years. The financial mechanism is accountable to the COP, which decides on its policies, programme priorities, and eligibility criteria as relates to the Convention.

16. The GEF has its own constitutional structure, internal operational modalities and established operating programmes. These are set out in the Instrument for the Establishment of the Restructured Global Environment Facility (GEF Instrument, 1994).² Under the GEF Instrument, the GEF operates “for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits’ in four focal areas: climate change, biodiversity, international waters and ozone layer depletion. The agreed incremental costs of activities concerning land degradation, primarily desertification and reforestation, as they relate to the four focal areas, are also eligible for funding”.³ “Agreed” means as agreed between the developing country Party and the Convention’s financial mechanism. “New and additional” is defined under the GEF as to mean additional to expected flows of development assistance.⁴ “Incremental cost” refers to the cost differential between a baseline action to address a national need and the additional cost of an action which generates “global environmental benefits”.⁵ A “global environmental benefit” is distinct from the achievement of a development benefit or local environmental benefits.⁶ In the GEF’s climate change focal area, global environmental benefits are understood to mean reduction of greenhouse gas emissions.⁷ The incremental cost concept is problematic in the context of adaptation, as most adaptation projects are adopted for their local benefits, rather than their “global environmental benefits”.

² Instrument for the Establishment of the Restructured Global Environment Facility, 1994, para. 2.

³ Id., para. 3.

⁴ See Global Environment Facility, Operational Strategy (GEF, 1996), Chapter 1, Strategic Considerations (“The GEF should ascertain that its resources are applied as new and additional funding, not substitutes for regular sources of development finance. The principle that GEF funds will be additional to the funds required for national sustainable development helps to ensure that scarce resources are not diverted from development financing and to maximize global impact of GEF resources”). Available at www.gefweb.org.

⁵ See Global Environment Facility, Operational Strategy (GEF, 1996).

⁶ OPS-3: Progressing Toward Environmental Results, Third Overall Performance Study of the GEF (June 2005) at 84, citing a 1996 GEF Policy Paper (GEF/C.7/Inf.5).

⁷ OPS-3 of GEF (2005).

17. *Article 10, subparagraph (b) of the Kyoto Protocol* stipulates that all Parties are to:

“Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change and measures to facilitate adequate adaptation to climate change:

(i) Such programmes would, inter alia, concern the energy, transport and industry sectors as well as agriculture, forestry and waste management. Furthermore, adaptation technologies and methods for improving spatial planning would improve adaptation to climate change; and

(ii) Parties included in Annex I shall submit information on action under this Protocol, including national programmes, in accordance with Article 7; and other Parties shall seek to include in their national communications, as appropriate, information on programmes which contain measures that the Party believes contribute to addressing climate change and its adverse impacts, including the abatement of increases in greenhouse gas emissions and enhancement of and removals by sinks, capacity building and adaptation measures.”

18. In accordance to *Article 11, paragraph 2 (b) of the Kyoto Protocol*, “through the entity or entities entrusted with the operation of the financial mechanism of the Convention, the developed country Parties and other developed Parties included in Annex II to the Convention shall...provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of advancing the implementation of existing commitments under Article 4, paragraph 1, of the Convention that are covered by Article 10 and that are agreed between a developing country Party and the international entity or entities referred to in Article 11 of the Convention, in accordance with that Article.”

19. *Article 12, paragraph 8 of the Kyoto Protocol* further stipulates that “the COP/MOP shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”

B. Overview of COP and COP/MOP guidance on financial assistance for adaptation

20. The Parties gave initial guidance to the financial mechanism on adaptation funding at COP 1 in 1995, through *decision 11/CP.1*. That decision envisaged that adaptation would require short, medium and long-term strategies to be implemented sequentially in stages:

(a) *Stage I* would address planning, including studies of possible impacts of climate change, to identify particularly vulnerable countries or regions and policy options for adaptation and appropriate capacity building;

(b) *Stage II* would address measures, including further capacity-building, which may be taken to prepare for adaptation, as envisaged in Article 4.1(e);

- (c) **Stage III** would address measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and Article 4.4.⁸

21. At COP 1, the Parties gave the GEF the mandate (as an interim entity entrusted with the operation of the financial mechanism), to meet the agreed full costs of activities required under Article 12.1 (national communications). This was expressly to include the agreed full costs of relevant adaptation activities undertaken in formulating national communications, which could include studies of the possible impacts of climate change, identification of options for implementing the adaptation provisions (especially the obligations contained in Article 4.1(b) and 4.1(e) of the Convention), and relevant capacity building. COP 4 subsequently gave the GEF the mandate to fund and implement Stage II activities in particularly vulnerable countries and regions identified in Stage I (**decision 2/CP.4**)⁹.

22. At COP 7 it was decided that there was a need for funding that is new and additional to contributions which are allocated to the climate change focal area of the GEF and to multilateral and bilateral funding, for Convention implementation, and that to meet the commitments under Articles 4.1, 4.3, 4.4, 4.5, 4.8 and 4.9, Annex II Parties, and other Annex I Parties in a position to do so, should provide funding for developing country Parties, through increased GEF replenishment, a new Special Climate Change Fund (SCCF), a new Least Developed Countries Fund (LDCF), and bilateral and multilateral sources (**decision 7/CP.7**). At the same time, **decision 10/CP.7** separately mandated the establishment the Adaptation Fund under the Kyoto Protocol.

23. Decisions **5/CP.7 and 6/CP.7** provided a list of activities related to vulnerability and adaptation, to be funded by the GEF and other bilateral and multilateral sources. (It also listed activities to be funded through the new funds). The COP decided among other things that the GEF, among other entities, ‘shall’ in accordance with Articles 4.3, 4.5 and 11.1, provide financial resources to developing countries, and in particular small island developing states and least developed countries, to:

“establish[] pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide *real benefits*, and may be integrated into national policy and sustainable development planning, on the basis of information provided in the national communications, or of in-depth studies including NAPAs *and of the staged approach* endorsed by the Conference of the Parties in its decision 11/CP.1.”¹⁰

24. The GEF was also requested to provide financial resources to developing country Parties, in particular Least Developed Countries (LDCs) and Small Island Developing States (SIDS), for “developing and implementing, as appropriate, prioritized projects identified in national

⁸ Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995 (FCCC/CP/1995/7/Add.1), 6 June, 1995, decision 11/CP.1.

⁹ Report of the Conference of the Parties on its fourth session, held at Buenos Aires from 2 to 14 November 1998 (FCCC/CP/1998/16/Add.1), 20 January 1999, decision 2/CP.4.

¹⁰ Marrakesh Accords, decisions 5/CP.7 and 6/CP.7.

communications”¹¹ and was encouraged to improve its responsiveness to country needs.

25. At COP 8, by **decision 6/CP.8**, the COP directed the GEF to provide financial resources sufficient to cover the requirements of the revised national communication guidelines on an agreed full cost basis, as well as capacity-building activities relating to the preparation of national communications – which include support for vulnerability assessments and consideration of measures to prepare for adaptation.¹²

26. COP 9, by **decision 3/CP.9**,¹³ noted that the GEF had established a new strategic priority in the climate change focal area (Piloting an operational approach to adaptation) “that will build upon and demonstrate linkages to activities in the other focal areas by expanding opportunities within those focal areas to demonstrate important adaptation response measures”. Decision 4/CP.9 urged the GEF to operationalise the GEF’s new strategic priority in the climate change focal area as soon as possible.¹⁴

27. At COP 10, by **decisions 1/CP.10 and 8/CP.10**, the COP requested that the GEF report at subsequent sessions on how vulnerability and adaptation activities under decision 5/CP.7 have been supported, and the barriers, obstacles and opportunities to their implementation, through: the strategic priority “Piloting an Operational Approach to Adaptation”; the GEF’s small grants programme (SGP); efforts to address adaptation in the climate change focal area and mainstream adaptation into other focal areas of the Global Environment Facility; the LDCF; and the SCCF.¹⁵ The GEF was requested to make further resources available to implement activities under decision 5/CP.7, and to ‘expand support for the elaboration of adaptation strategies as part of the national communication process in non-Annex I Parties’.¹⁶

28. COP 11 requested the GEF, by **decision 5/CP.11**, in accordance with Article 12.4 and decision 11/CP.1, to assist non-Annex I Parties, if requested, “in formulating and developing project proposals identified in their national communications when Parties are formulating their national programmes to address climate change issues”; and to report at COP 12 on its progress.

29. Initially, most GEF Trust Fund resources for adaptation were provided to countries in the context of the preparation of national communications and for capacity building for adaptation¹⁷. After COP 7, further funding was provided through projects under the GEF Trust Fund’s pilot programme - Strategic Priority on Adaptation (SPA).

30. In addition to the GEF Trust Fund’s resources, COP 7 established through the Marrakech

¹¹ Id., para. 1(g).

¹² See GEF Assistance to Address Adaptation (GEF/C.23/Inf.8), 28 April, 2004, Annex B. These guidelines are annexed to decision 17/CP.8.

¹³ Report of the Conference of the Parties on its ninth session, held at Milan from 1 to 12 December 2003 (FCCC/CP/2003/6/Add.1), 22 April, 2004, decision 3/CP.9.

¹⁴ Ibid, decision 4/CP.9.

¹⁵ Report of the Conference of the Parties on its tenth session, held at Buenos Aires from 6 to 18 December 2004 (FCCC/CP/2004/10/Add.1), 19 April, 2005, decisions 1/CP.10, decision 8/CP.10.

¹⁶ Id, decision 1/CP.10, para. 7.

¹⁷ See GEF Assistance to Address Adaptation (GEF/C.23/Inf.8), 28 April, 2004 at 5. Over 130 non-Annex I Parties received financial support for Initial National Communications.

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Accords – the LDCF, SCCF and Adaptation Fund. These funds include operational criteria that depart from the GEF Trust Fund’s global environmental benefits and incremental costs criteria. The LDCF and SCCF are both already operational and are managed by the GEF¹⁸.

III. Overview of existing funds and arrangements to assist with adaptation

31. There are presently four funds for adaptation: (1) GEF Trust Fund (national communications support and Strategic Priority on Adaptation); (2) LDCF; (3) SCCF; and (4) Adaptation Fund. Each fund’s eligibility criteria, priority activities, disbursement guidance, criteria/scope, activities, and amount of funding are set out below.

A. GEF Trust Fund

1. National Communications

32. **Eligibility criteria:** Under decision 11/CP.1, “developing countries” that are Parties to the Convention are eligible to receive funding under the Convention through the financial mechanism, in accordance with Article 4.3. GEF grants made available within the framework of the financial mechanism of the UNFCCC must conform to eligibility criteria decided by the COP.

33. **Priority activities:** Non-Annex I Party reporting on their implementation of the Convention, including their obligations on adaptation.

34. **Criteria/Scope:** Guidelines for non-Annex I national communications were initially set out in the annex to decision 10/CP.2. These guidelines, which were used for first national communications, invited developing countries to provide information on their specific needs and concerns arising from the adverse effects of climate change.¹⁹ They were requested to use numerical indicators where possible, e.g., affected percentage of land area, population and gross domestic product.²⁰ They were also encouraged to provide a description of steps taken to implement the Convention, including: policy options for adequate monitoring systems and response strategies for climate change impacts; policy frameworks for implementing adaptation measures and response strategies in coastal zone management, disaster preparedness, agriculture, fisheries and forestry, for integration into the national planning process; reporting on financial and technological needs related to measures to facilitate adequate adaptation to climate change, and relating to the assessment of national, regional, and sub-regional vulnerability to the adverse effects of climate change.²¹

¹⁸ See sections III. B and C below.

¹⁹ Mace, M.J., *Adaptation Under the UN Framework Convention on Climate Change: The International Legal Framework*, in *Fairness in Adaptation to Climate Change* (N. Adger, J. Paavola, S. Huq and M. Mace, eds, MIT Press, 2006, forthcoming).

²⁰ *Id.*

²¹ *Id.*

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35. At COP 8 new guidelines were adopted for non-Annex I Parties national communications in the annex to decision 17/CP.8. These guidelines now require more detailed vulnerability and adaptation assessments. Countries are requested to identify their most critical vulnerable areas, provide information on strategies and measures for adapting to climate change in these key areas including those of highest priority, provide information on projects for financing under Article 12.4 and opportunities for pilot or demonstration adaptation projects, and identify barriers to adaptation projects.

36. For many developing countries, the national communication process serves as the primary vehicle for conducting vulnerability and adaptation studies.

37. **Disbursement guidance:** For national communications, agreed ‘full cost’ funding is available. Most developing countries have used the GEF’s expedited procedures to access GEF funding for national communications, due to the additional burden of accessing greater amounts of funding.²² These procedures place a cap on the amount of funding available for national communications through expedited procedures. For initial national communications a total of USD 350,000 per national communication was made available, from which a maximum of USD 130,000 was available for assessing both mitigation and vulnerability and adaptation under the GEF’s expedited procedures.²³ The UNFCCC guidelines for national communications contain an expanded scope for vulnerability and adaptation assessments. For non-Annex I Parties, a ceiling of USD 150,000 (out of a total of USD 420,000 per national communication) is available, under expedited procedures, for assessing both mitigation and vulnerability and adaptation under GEF’s expedited procedures.²⁴ Countries can allocate these resources according to their national priorities.²⁵

38. A number of countries have begun the process of preparing their second and third national communications with greater focus on vulnerability assessments and identifying adaptation options and activities.

39. **Activities:** As of 1 December 2005, 129 non-Annex I Parties had submitted their initial national communications, and three non-Annex I Parties had submitted their second national communications.²⁶ As of the same date, nineteen non-Annex I Parties had yet to submit their initial national communications.²⁷

40. **Amount of Funding:** By June 2004, the GEF had provided approximately USD 70 million for initial national communications.²⁸ Most non-Annex I Parties had submitted

²² Mace, M.J., *Funding for Adaptation to Climate Change: UNFCCC and GEF Developments since COP 7*, 14:3 RECIEL (2005) at 234.

²³ *Id.* and n.74

²⁴ *Id.*

²⁵ *Id.*

²⁶ See UNFCCC website at http://unfccc.int/national_reports/items/1408.php (last visited 12 April 2006).

²⁷ *Id.*

²⁸ Mace, M.J., *Funding for Adaptation to Climate Change: UNFCCC and GEF Developments since COP 7*, 14 (3) RECIEL 225, 228, n. 29 (2005).

their initial national communications by 2004. Another USD 60 million is earmarked for second national communications.²⁹ As of August 2005, a little over USD 10 million had been approved to fund the preparation of second national communications by non-Annex I Parties.³⁰ As explained in paragraph 37 above, it should be noted, however, that the funding for vulnerability and adaptation corresponds only to part of these amounts.

41. In addition, about USD 60 million were also allocated to support Stage II activities on capacity building for adaptation in targeted vulnerable countries and regions.

2. Strategic Priority ‘Piloting an Operational Approach to Adaptation’ (SPA)

42. **Eligibility criteria:** As for national communications, eligibility criteria are set by decision 11/CP.1, “developing countries” that are Parties to the Convention are eligible to receive funding under the Convention through the financial mechanism, in accordance with Article 4.3.

43. **Priority activities:** Mainstreaming adaptation to climate change into GEF focal areas: biological diversity, climate change, international waters, land degradation, ozone layer depletion, and persistent organic pollutants.

44. The GEF established the Strategic Priority “Piloting an Operational Approach to Adaptation” as a pilot programme, to support pilot and demonstration projects that both address local adaptation needs and generate global environmental benefits in the GEF focal areas. The SPA aims to ensure that climate change concerns are incorporated in the management of ecosystems through GEF focal area projects. It will support pilot demonstration projects concerned with the management of ecosystems to show how climate change adaptation planning and assessment can be practically integrated into national policy and sustainable development planning.³¹ The objective is to increase the resilience and adaptive capacity of ecosystems and communities vulnerable to the adverse effects of climate change; projects must focus on reducing vulnerability to climate change impacts as their primary objective.

45. **Criteria/Scope:** In developing an SPA portfolio, the GEF will support particularly vulnerable regions, sectors, geographic areas, ecosystems and communities.³² The selection of particularly vulnerable sectors will be based on information contained in national communications under the UNFCCC, NAPAs, and other major national or regional studies. The SPA also offers an opportunity to promote synergies between the Rio Conventions and Multilateral Environmental Agreements (MEAs) in general.

46. Under the SPA, only projects that “build upon or incorporate a rigorous methodology to assess climate change vulnerability, identify adaptation measures and integrate them into policy

²⁹ Id.

³⁰ See FCCC/CP/2005/3, Report of the Global Environment Facility to the Conference of the Parties (Eleventh session, 20 October, 2005).

³¹ <http://www.undp.org/gef/adaptation/funds/04_1.htm>

³² <http://www.undp.org/gef/adaptation/funds/04c_i.htm>

planning, as well as generate global environmental benefits³³ are eligible. If the project's focus is primarily on benefits in development sectors—such as health, agriculture, water or infrastructure—the proposed projects will have to access funding through the LDCF or SCCF instead.³⁴

47. **Disbursement guidance:** Disbursement guidance is found in “*Operational Guidelines for the Strategic Priority ‘Piloting an Operational Approach to Adaptation’ (SPA)*” (GEF/C.27/Inf. 10) (October 14, 2005), according to which:

- (a) Projects must generate global environmental benefits in one or more of the GEF's focal areas of biodiversity, international waters, land degradation, persistent organic pollutants and climate change;
- (b) Global environmental benefits as defined by these GEF focal areas will apply and will be used as a criterion to screen eligibility of projects;
- (c) Multiple global environmental benefits across the focal areas are desirable, but not necessary.

48. The SPA will use incremental cost reasoning, and the GEF's contribution will be directly proportional to the generation of global environmental benefits. In other words, the contribution will correspond to activities that would be implemented anyway in the absence of adverse climate change impacts.

49. Project proponents are expected to outline first a baseline scenario. This baseline scenario may represent the “activities that would be implemented anyway” or “business-as-usual”. The difference between relative costs associated with the baseline scenario and the alternative scenario are the incremental costs. Only those costs associated with the second part of the alternative scenario—those necessary to ensure the robustness of the global environmental benefits—will be funded from the SPA. The cost associated with the first part of the alternative scenario—those necessary to deliver the global benefits in the absence of global warming—will be funded from the focal area allocations of the GEF Trust Fund:

“27. ...conceptually, projects under the SPA will have a “double increment.” For example, in the case of the management of a protected area (PA), in addition to the incremental cost to address root causes of biodiversity loss due to current stresses, a second incremental cost is considered to assess vulnerability to climate change of the ecosystems included in the PA, identify adaptation options, and implement them. This additional intervention, and the associated costs, will significantly increase the long-term sustainability of the PA project and will provide useful lessons to be replicated throughout the vast PA portfolio of the GEF. In this way, the lessons of the SPA can be “mainstreamed” into GEF focal area work. The project will likely include a “package” of

³³ GEF Council, Operational Guidelines for the Strategic Priority “Piloting an Operational Approach to Adaptation” (SPA), GEF/C.27/Inf.10 (14 October, 2005), para. 22.

³⁴ Id at 2.

activities that increase resilience to climate related stresses and adverse impacts combined with other activities that need to be implemented to address current (not necessarily climate-related) stresses that cause biodiversity loss. Consequently, the incremental costs for SPA projects might be expected to be proportionally higher than for more traditional (non-SPA) GEF projects. In practice, the “double-increment” associated with the GEF project scenarios will be blended into a single grant.” – (excerpted from C.27/Inf. at 7).

50. In practice³⁵, the baseline scenario is taken to be the situation without the project, and the alternative scenario is that which is required to ensure that the community and/or ecosystem are/is resilient to future climate change. The difference between the two scenarios is the incremental cost.

51. Co-financing for each project depends upon the additional costs associated with actions necessitated by climate change, and the degree of adaptive capacity building and the delivery of global environmental benefits. The larger the project, the greater the expected cost sharing.

52. The SPA includes a mixture of small-size, medium-sized and full-sized projects.

53. **Activities:** The activities to be supported will largely prioritise capacity building for managing and ensuring the sustainable use of natural resources under climate change.³⁶ Some activities may be similar to those already funded through other focal area projects. In this case, where a need to modify such activities can be attributed to climate change, 'top-up' funding from the SPA is justified. Funding for investments will be eligible to the extent that incremental reasoning is applied.³⁷ According to information provided by the GEF secretariat, there are now 14 SPA projects, 8 approved and 6 on the pipeline.

54. Approved projects include:

- Kiribati Adaptation Project – Pilot adaptation measures and mainstreaming of adaptation into national economic planning
- Colombia – High Mountain Ecosystems, Colombia's Caribbean Insular Areas and Human Health (INAP)
- Hungary – Lake Balaton Integrated Vulnerability Assessment, Early Warning and Adaptation Strategies – scientific work to facilitate the development and implementation of adaptation strategies
- Regional, Caribbean – Implementation of Pilot Adaptation Measures in coastal areas of Dominica, St. Lucia and St. Vincent & the Grenadines – incorporate major MEAs within national planning processes

³⁵ UNDP website see above.

³⁶ UNDP website see above.

³⁷ UNDP website see above.

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- Regional, West Africa – Adaptation to Climate Change: Responding to Shoreline Change and its human dimensions in West Africa through integrated coastal area management
- Regional, Southern & Eastern Africa – Kenya, Tanzania and Mozambique – Integrating Vulnerability and Adaptation to Climate Change into Sustainable Development Policy Planning & Implementation in Southern & Eastern Africa
- Global – Bangladesh, Bolivia, Niger, Samoa – Community-Based Adaptation Program
- Global – Adaptation Learning Mechanism – development of knowledge base to facilitate mainstreaming adaptation to climate change.

55. PDF A (preparation phase) include:

- Uruguay – Implementing Pilot Climate Change Adaptation Measures in Coastal Areas of Uruguay
- Swaziland – Adaptation to Climate Change in Lubombo Region
- Namibia – Adapting to Climate Change through the Improvement of Traditional Crops and Livestock Farming Systems.

56. Under review:

- Mozambique – Sustainable Land Management under the Market-Oriented Smallholder Development Project in the Zambezi Valley, Mozambique
- Regional, Africa – Ethiopia, Kenya, Mozambique, Zimbabwe – Coping with Drought and Climate Change in Africa
- Regional, Asia – Bhutan, China, India, Nepal, Pakistan, Kyrgyzstan, Tajikistan – Monitoring and Early Warning Systems for Glacial Lake Outburst Floods: A Tool for Adaptive Land Use Planning and Management.

57. The SPA will also provide support to adaptation activities under the GEF's Small Grants Programme. Activities here will focus on initial pilot activities in Bolivia, Niger, Samoa and Bangladesh.³⁸ Six more countries will be selected for inclusion after the preparation phase is completed.³⁹

58. The experiences and results obtained during this pilot phase will be fully evaluated. Depending upon the outcomes and recommendations flowing from this evaluation, the GEF has

³⁸ Please refer to the approved project above on Community-based adaptation. Report of the Global Environment Facility to the Conference of the Parties, FCCC/CP/2005/32 (20 October 2005) at 16.

³⁹ Id.

identified the following possible options for further support to adaptation: 1) a new operational programme designed to support adaptation under the GEF Trust Fund, including activities and objectives that complement but do not duplicate the LDCF and SCCF; 2) future adaptation work mainstreamed into GEF focal area programming in the form of 'safeguard' provisions; and 3) GEF adaptation efforts redesigned to continue as a separate funding window under future GEF replenishments. Although these possible options are neither mutually exclusive nor exhaustive, it should be anticipated that adaptation to climate change will form a permanent part of future GEF programming following the completion of the SPA.⁴⁰

59. **Monitoring and evaluation (M&E):** Projects under the SPA will have to demonstrate that adaptive capacity has been created and/or climate resilience has been enhanced, and that a global environmental benefit in the selected focal area(s) has been generated. For this purpose, a multiple set of indicators will be required to track both project outcomes and programme objectives.⁴¹

60. **Amount of funding:** An initial allocation of USD 50 million was included in the GEF Business Plan in November 2003. Within the SPA is a USD 5 million programme to provide support to community-based adaptation activities under the GEF's Small Grants Programme. As explained in paragraph 58 above the continuation of funding beyond the initial allocation of USD 50 million will depend on an evaluation of the SPA.

B. Least Developed Countries Fund (LDCF)

61. **Eligibility criteria:** The LDCF was created to support a work programme for the least developed country (LDCs) Parties, hence only LDCs that are Parties to the Convention may access this funding. Out of the 50 countries currently designated as least developed countries by the General Assembly of the United Nations, 48 are Parties to the Convention.

62. **Priority Activities:** prioritization and implementation of most urgent and immediate adaptation projects to address the needs of LDCs.

63. The LDCF was created to provide support for the work programme for the LDC, which includes:

- (a) Strengthening existing and, where needed, establishing, national climate change secretariats and/or focal points to enable the effective implementation of the Convention and the Kyoto Protocol, in LDC Parties;
- (b) Providing training in negotiating skills and language to develop the LDC negotiators to participate effectively in the climate change process;
- (c) Supporting the preparation and implementation of national adaptation

⁴⁰ GEF Council, Operational Guidelines for the Strategic Priority "Piloting an Operational Approach to Adaptation" (SPA), GEF/C.27/Inf.10 (14 October, 2005).

⁴¹ Id.

programmes of action (NAPAs)⁴²;

- (d) Promotion of public awareness programmes to ensure the dissemination of information on climate change issues;
- (e) Development and transfer of technology, particularly adaptation technology (in accordance with decision 4/CP.7);
- (f) Strengthening of the capacity of meteorological and hydrological services to collect, analyse, interpret and disseminate weather and climate information to support implementation of NAPAs.

64. The central activity is the preparation of National Adaptation Programmes of Action (NAPA). NAPAs reflect a bottom-up, country-driven process, through which LDCs identify their own most urgent needs. The process results in a prioritised list of *urgent and immediate* adaptation projects, identifying those priority activities ‘whose further delay could increase vulnerability, or lead to increased costs at a later stage’.

65. National multidisciplinary NAPA teams synthesize available information on adverse effects of climate change and coping strategies, assess vulnerability to current climate variability and extreme weather events, assess where climate change is increasing associated risks, and identify key adaptation measures.

66. **Scope/Criteria:** At COP 9, by decision 6/CP.9, the Parties requested that the GEF develop operational guidelines for the LDC Fund, based on a number of agreed elements, and called for the LDC Fund to support the implementation of NAPAs as soon as possible after their completion. Agreed operational guidelines included:

- (a) Ensuring a country-driven approach, in line with national priorities, which promotes cost-effectiveness and complementarity with other funding sources;
- (b) Equitable access by LDCs to funding for implementation;
- (c) Criteria for supporting activities on an agreed full-cost basis, taking account of the level of funds available;
- (d) Guidelines for expedited support;
- (e) Urgency and immediacy of adapting to the adverse effects of climate change;
- (f) Prioritization of activities.⁴³

67. At COP 11, further guidance on the LDCF was agreed under decision 3/CP.11. Parties

⁴² Decision 5/CP.7, part III.

⁴³ Report of the Conference of the Parties on its Ninth Session, held in Milan 1 to 12 December 2003 (April 2004), decision 6/CP.7.

agreed that operation of the LDCF should be consistent with the following principles:

- (a) A country-driven approach, supporting the implementation of urgent and immediate activities identified in NAPAs, as a way of enhancing adaptive capacity;
- (b) Supporting the implementation of activities identified in NAPAs, and other elements of the LDC work programme to promote the integration of adaptation measures in national development and poverty reduction strategies, plans or policies, with a view to increasing resilience to the adverse effects of climate change;
- (c) Supporting a learning-by-doing approach.

68. **Disbursement guidance:** In response to decision 6/CP.9, during the transition phase in view of more guidance on the operationalization of the LDCF, the GEF Secretariat circulated an information paper entitled *Elements to be Taken into Account in Implementing NAPAs under the LDC Fund*.⁴⁴

69. At COP 11, by decision 3/CP.11, the Parties subsequently agreed that:

- (a) Full-cost funding shall be provided to meet the '**additional costs**' of activities to adapt to the adverse effects of climate change as identified and prioritized in the NAPAs; 'additional costs' means "the costs imposed on vulnerable countries to meet their immediate adaptation needs";⁴⁵
- (b) The GEF will develop a **co-financing scale** for supporting activities identified in NAPAs, taking into account the circumstances of least developed countries;
- (c) Activities identified in NAPAs that are not supported through full-cost funding will be co-financed through the co-financing scale;
- (d) The GEF is requested to develop **flexible modalities** that ensure balanced access to resources given the level of funds available, in accordance with decision 6/CP.9.

70. A draft programming paper on the implementation of NAPAs under the LDCF was prepared by the GEF. The draft includes modalities on additional cost for adaptation approach (as opposed to the incremental cost); focus on development needs related to adaptation; and a streamlined project cycle. The paper was discussed in a recent consultation meeting with LDCs held by the GEF in Dhaka, Bangladesh, in April 2006.

⁴⁴ Elements to be Taken into Account in Funding the Implementation of NAPAs under the LDC Fund (GEF/C.24/Inf.7), 26 October, 2004.

⁴⁵ Decision 3/CP.11, footnote 1.

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71. **Activities:** As of September 2005, projects for the preparation of NAPAs had been approved in 44 of 48 LDCs, as well as for 2 global support programmes, for a funding total of USD 9.6 million.

72. **Amount of funding:** At 28 February 2006, the LDC Fund had received USD 41.4 million in contributions and investment income.⁴⁶ Allocations of USD 11.6 million had been made and USD 29.8 million remained available for allocation. Expended funds were directed to projects (USD 9.6 million), implementing agency fees (USD 1 million), and GEFSEC and Trustee administrative fees (USD 950,000). In September 2005, net *funds available for allocation stood at USD 29.8 million*.

73. As at September 2005, 12 donors had pledged contributions to the LDC Fund: Canada – USD 8,620,690; Denmark – USD 1,685,575; Finland – USD 604,595; France – USD 1,027,811; Germany – USD 18,137,848; Ireland – USD 767,677; Italy – USD 1,000,000; Netherlands – USD 2,100,000; Norway – USD 1,363,636; Spain – USD 508,223; Sweden – USD 385,109; Switzerland – USD 307,692.⁴⁷

C. The Special Climate Change Fund (SCCF)

74. **Eligibility criteria:** As for national communications, the eligibility criterion is set by decision 11/CP.1, “developing countries” that are Parties to the Convention are eligible to receive funding under the Convention through the financial mechanism, in accordance with Article 4.3.

75. **Priority activities:** activities, programmes and measures in the development sectors most affected by climate change (water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management, disaster preparedness and management, health).

76. The fund became operational in October 2005⁴⁸. Under decision 7/CP.7, the SCCF is to finance activities, programmes and measures that are complementary to those funded by the climate change focal area of the GEF in four broad areas:

- (a) Adaptation, in accordance with paragraph 8 of decision 5/CP.7;
- (b) Transfer of technologies, in accordance with decision 4/CP.7;
- (c) Energy, transport, industry, agriculture, forestry and waste management;
- (d) Activities to assist developing country Parties referred to in Article 4.8(h) (fossil fuel dependent economies) in diversifying their economies⁴⁹.

⁴⁶ Status Report on the Climate Change Funds, (GEF/C.27/9), 17 October, 2005 at 2, 6.

⁴⁷ Id. Note that the amounts are converted to dollars using the April exchange rate of the UN.

⁴⁸ http://www.undp.org/gef/adaptation/funds/04_1.htm.

⁴⁹ Id.

77. Adaptation activities under paragraph 8 of decision 5/CP.7 include:
- (a) Initiating the implementation of adaptation activities promptly where sufficient information is available to warrant such activities, *inter alia*, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management;
 - (b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems;
 - (c) Building capacity in the areas of preventative measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;
 - (d) Strengthening national and regional centres and information networks for rapid response to extreme weather events.

78. **Scope/Criteria:** In May 2003, the SBI concluded that of the four categories of activities set out in paragraphs 2 (a) through 2 (d) of decision 7/CP.7, adaptation activities to address the adverse impacts of climate change were a “top priority” for funding, and technology transfer and capacity building were ‘also essential’.⁵⁰ By November 2005, Parties were still unable to reach agreement on detailed guidelines for SCCF funding. The COP requested the GEF to arrange for expedited access to the SCCF, in keeping with current GEF practices, taking into account the need for adequate resources to implement eligible activities, programmes and measures.⁵¹ It was agreed that:

- (a) The SCCF should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources;
- (b) Activities to be funded should be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies;
- (c) Adaptation activities to address the adverse impacts of climate change shall have top priority for funding;
- (d) Technology transfer and its associated capacity-building activities shall also be essential areas to receive support from the Fund

79. **Disbursement guidance:** In November 2004, the GEF Council endorsed the GEF programming document for the SCCF and approved it as an operational basis for funding

⁵⁰ Report of the Subsidiary Body for Implementation on its Eighteenth Session, held at Bonn, from 4 to 13 June 2003 (FCCC/SBI/2003/8), 31 July 2003 at 7-8. Efforts were made by OPEC countries to

⁵¹ Report of the Conference of the Parties on its Ninth Session, held at Milan from 1 to 12 December 2003 (FCCC/CP/2003/6/Add.1) 22 April, 2004, decision 5/CP.9.

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activities under the SCCF: *Programming to Implement the Guidance for the Special Climate Change Fund Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session* (GEF/C.24/12) (October 15, 2004).

80. The paper addresses programming under paragraphs 2(a) and 2(b) of decision 7/CP.7, as negotiations on the scope of activities under 2(c) and 2(d) had not been concluded. The paper addresses how the SCCF could be programmed during an initial five-year period to respond to guidance provided at COP-9.⁵² Under the GEF's approach, separate trust fund administration agreements will be concluded with each individual donor, governing the uses of the donor's contributions to the fund.⁵³

81. The SCCF programming paper introduced an approach to GEF support for adaptation that departs from the incremental cost and the generation of global benefits. The SCCF programming document also proposed a tool to simplify the calculation of the costs for adaptation, through a co-financing sliding scale. The Fund would provide a portion of the funds needed for the entire project, which includes a baseline (development activities that would be implemented in absence of climate change adverse impacts, including variability), and the costs needed to address the adverse impacts of climate change (additional costs of adaptation). The ratio of co-financing for baseline activities is estimated to be depending upon the overall scale of the project.⁵⁴ As in practice it may be difficult to disaggregate baseline costs from adaptation-related costs, the proposed sliding scale may be used. Projects falling within the sliding scale could go forward without project-by-project negotiations on the determination of additional costs of adaptation. For projects that require proportionally more co-financing than is allowed by the scale, a justification for the additional costs of adaptation would have to be made.⁵⁵

Proposed Sliding Scale for Co-financing – SCCF	
Project Size (USD)	Fund pays
Up to 2 million	Up to 50% of the total (up to 1 million of SCCF contribution for adaptation)
From 2.1-15 million	Up to 33% of the total (up to 5 million of SCCF contribution for adaptation)
Over 15 million	Up to 25% of the total cost (over 5 million for adaptation)

⁵² *Programming to Implement the Guidance for the Special Climate Change Fund Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session* (GEF/C.24/12), 15 October, 2004, at 1, para. 5.

⁵³ *Id.* at 8, paras. 36-37.

⁵⁴ In proposing this co-financing, the GEF relied on decision 5/CP.9's statement that the SCCF should serve as a 'catalyst to leverage additional resources from bilateral and multilateral sources' and that 'expedited access' should be arranged to the SCCF 'in keeping with current practices of the GEF, taking into account the need for adequate resources to implement eligible activities'.

⁵⁵ *Id.* See GEF/C.24/12 at 11-12.

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82. At COP 10, the Alliance of Small Island States (AOSIS), the LDC Group, and the African Group registered concerns with the sliding scale contained in the GEF Programming document for the SCCF, arguing that the co-financing required would preclude many countries from accessing the Fund.⁵⁶ They also objected to what they perceived as the GEF's creation of new conditionalities for accessing these funds. At COP 11 the GEF had consultations with the AOSIS constituency to discuss the rationale of the sliding scale and the "additional cost" approach. As a result of these consultations a project (Regional, Pacific Islands Adaptation to Climate Change Project) was developed and submitted to the GEF and is currently in SCCF pipeline with an allocation of over USD 11 million.

83. **Activities:**

84. Approved SCCF Projects:

- Tanzania, Mainstreaming Climate Change in Integrated Water Resources Management in Pangani River Basin.

85. Pipeline SCCF Projects:

- Regional (Bolivia, Ecuador, Peru), Design and Implementation of Pilot Climate Change Adaptation Measures in the Andean Region.
- Ecuador, Adaptation to Climate Change through Effective Water Governance
- Global, Piloting Climate Change Adaptation to Protect Human Health (Barbados and Fiji (low-lying developing), Uzbekistan and Jordan (desert/desert-fringe), Bhutan, Kenya and China (highland populations)
- India, Climate-resilience Development and Adaptation
- Regional, Pacific Islands Adaptation to Climate Change Project (PACC)

86. Projects Under Review:

- Vietnam, Implementing long-term adaptation measures that increase the resilience of national development sectors to the impacts of climate change

⁵⁶ See Earth Negotiations Bulletin, coverage of Subsidiary Body on Implementation, Daily Bulletin, 7 December, 2004 (available at <http://www.iisd.ca/climate/cop10/>) (noting that AOSIS, supported by the African Group, LDCs, Namibia, Cuba and Uganda, expressed concern over the interpretation of COP guidance by the GEF in the context of the SCCF and that vulnerable countries would face difficulty in accessing these funds due to the burden of co-financing requirements, the existence of additional criteria and indicators not adopted by the COP, and the narrow scope of adaptation projects eligible); Earth Negotiations Bulletin, 8 December, 2004 coverage. See also Status Report on the Least Developed Countries Fund for Climate Change and the Special Climate Change Fund (GEF/C.25/4/Rev.1), May 2, 2005 at 4.

- Chile, Targeted research on climate change impacts on southern mid-latitude ice masses

87. **Monitoring and evaluation:** The GEF project cycle, including expedited procedures, and monitoring and evaluation policies and procedures will be applied in preparing and managing projects and programs. Other existing criteria for GEF funding concerning project effectiveness, such as country drivenness, ecological and financial sustainability, replicability, stakeholder involvement, monitoring and evaluation procedures, will also be applied to the projects financed under the SCCF.⁵⁷

88. **Amount of funding:** Total original pledges for the SCCF are USD 34 million. Total cash receipts in the SCCF stood at USD 32.526 million as of 28 February 2006.⁵⁸ Of this sum, USD 28.5 million was pledged for the SCCF's Programme for Adaptation and USD 2.7 million for the SCCF's Programme for Transfer of Technology. After deductions for administration, total funds available for allocation were USD 29.8 million.

89. At 29 September 2005, the following pledges had been made: Denmark – USD 2,431,118; Finland – USD 423,216; Germany – USD 6,045,949; Netherlands – USD 2,902,055; Norway – USD 1,515,152; Portugal – USD 229,746; Sweden – USD 1,283,697; Switzerland – USD 461,539; United Kingdom USD 17,391,304⁵⁹. A pledging meeting was scheduled on 28 April 2006 in Copenhagen, Denmark.

D. The Adaptation Fund

90. **Eligibility criteria:** Developing country Parties to the Kyoto Protocol, particularly those that are particularly vulnerable to the adverse effects of climate change, are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change.

91. In accordance with Article 12, paragraph 8, of the Kyoto Protocol the share of the proceeds from CERs of CDM project activities is to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

92. The COP/MOP, by its decision 28/CMP.1, further clarified that the Adaptation Fund shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Protocol. It also recognized that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change.

⁵⁷ GEF Council, Programming to Implement the Guidance for the Special Climate Change Fund Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session, GEF/C.24/12 (15 October, 2004), at 3.

⁵⁸ Status Report on the Climate Change Funds, GEF/C.27/9 (17 October, 2005) and updated note from the Trustee, 28 February, 2006.

⁵⁹ Id. Note that the amounts are converted to dollars using the April exchange rate of the UN.

93. **Priority activities:** concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change, as well as activities identified in decision 5/CP.7, paragraph 8.

94. Article 12.8 of the Kyoto Protocol provides that the COP serving as the meeting of the Parties to the Protocol ‘shall ensure that a share of the proceeds’ from certified Clean Development Mechanism (CDM) activities is used ‘to assist developing countries that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.’ (Kyoto Protocol Art. 12.8). The fund is to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol. It is also to fund activities identified in decision 5/CP.7, paragraph 8 (see above for SCCF).

95. **Scope/Criteria:** Under decision 28/CMP.1, the Adaptation Fund, established under decision 10/CP.7, shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in decision 5/CP.7, paragraph 8. The Fund is to function under the guidance of the COP/MOP and be accountable to the COP/MOP. Its operation is to be guided by:

- (a) A country-driven approach;
- (b) Sound financial management and transparency;
- (c) Separation from other funding sources;
- (d) A learning-by-doing approach.

96. Further guidance on policies, programme priorities and eligibility criteria for the operation of the Adaptation Fund will be considered at COP/MOP-2.

97. **Disbursement guidance:** Financing modalities are yet to be determined.

98. **Activities:** The specific activities to be supported by the Adaptation Fund have not yet been elaborated by the COP/MOP.

99. **Amount of funding:** The amount of funding for the Adaptation Fund will be a function of the revenues generated from the 2% share of the proceeds from Clean Development Mechanism projects, together with additional contributions to the Adaptation Fund⁶⁰.

IV. Summary remarks

100. The Adaptation Fund will join an existing group of funds to support adaptation in developing countries both within the UNFCCC (the LDCF and SCCF, both managed by the GEF) as well as the GEF Trust Fund (SPA). In developing modalities for the Adaptation Fund, Parties

⁶⁰ For more information on estimated amount of funding from the share of proceeds of 2% of CERs, please refer to the background paper for the adaptation fund workshop on “Share of Proceeds to assist in meeting the costs of adaptation”

may need to consider the already existing guidelines, eligibility criteria as well as working modalities for other funds.

101. The guidance and implementation of funds supporting adaptation have evolved with some level of complementarity with respect to priority issues, criteria, activities and amounts of funding. The first of these funds to become operational, the LDCF has initially supported LDCs to prepare their NAPAs, and is planned to initiate support for the implementation of the adaptation projects prioritized in these NAPAs; while the SCCF is open to all developing countries (not just the LDCs) and is not for adaptation alone. Its adaptation funding criteria focuses on specific sectors. The SPA is also open to all developing countries who are eligible for GEF funding and stands at USD 50 million over 3 years.

102. There is however a distinct possibility of overlap between the Adaptation Fund and all other funds, particularly as the LDCF as both the SCCF and LDCF move towards funding adaptation actions as opposed to studies and capacity building (where there may be less overlap). Parties may need therefore to develop guidance to ensure clear distinctions between what the different funds will be able to support in terms of both country as well as project eligibility.

103. One of the difficulties of funding adaptation, namely the problem of applying the incremental cost reasoning, has been solved in the SPA by allowing a broader definition of global benefits and also in the LDCF and SCCF by totally dispensing with this reasoning in favour of using a sliding scale. Some developing countries have however continued express concern with regards to co-financing requirements and conditionalities for funding adaptation projects⁶¹.

104. Another issue, namely allowing country needs to be prioritised, has been solved for the LDCF by allowing the NAPAS to prioritise their activities through a country-driven process.

105. Each of the GEF Funds have made efforts to use existing guidance from COP / COP/MOP in a flexible manner to enable the adjustment of existing programmes and institutional principles to finance adaptation activities which allow for local benefits. This has resulted, for example, in the revised definition of Global Environmental Benefits for the SPA and more flexible adaptation activities under the SCCF and LDC Fund as described above. The learning-by-doing approach adopted has also enabled lesson-learning to be incorporated in the evolution of the Funds.

⁶¹ Submission by Tuvalu on Behalf of the AOSIS, Views on Specific, Policies, Programmes, Priorities and Eligibility Criteria of the Adaptation Fund, contained in document FCCC/SBI/2006/MISC.7.

Background paper on Overview of existing programmes and policies to assist adaptation activities (including an overview of existing decisions relating to assistance for adaptation)

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Annex

Examples of GEF adaptation funded projects

- CPACC -- Caribbean Planning for Adaptation to Global Climate Change (CARICOM) (regional, WB) GEF USD 6.82 million; Total USD 6.82 million.
- PICCAP -- Pacific Islands Climate Change Assistance Project (regional, UNDP) GEF USD 3.44 million, Total 3.44 million.
- MACC -- Caribbean Mainstreaming Adaptation to Climate Change (regional, WB -- builds on CPACC) GEF USD 5.98 million, Total USD 9.64 million.
- Capacity Building for Stage II Adaptation to Climate Change (Central America, Mexico and Cuba) (regional, UNDP) GEF USD 3.64 million; Total USD 4.90 million
- AIACC -- Assessments of Impacts and Adaptation to Climate Change in Multiple Regions and Sectors (global, UNEP) GEF USD 8.23 million; Total USD 12.46 million.

Projects under (SPA)

Approved Projects:

- Kiribati Adaptation Program – Pilot Implementation Phase (KAP-II) (GEF USD 2.07 million; Total USD 6.69 million) (WB)
- Integrated National Adaptation Pilot: High Mountain Ecosystems, Colombia's Caribbean Insular Areas and Human Health (INAP) (GEF USD 6.07 million; Total USD 17.47 million) (WB).
- Implementation of Pilot Adaptation Measures in coastal areas of Dominica, St. Lucia and St. Vincent & the Grenadines, Regional Caribbean (GEF USD 2.61 million; Total USD 6.40 million) (WB).
- Lake Balaton Integrated Vulnerability Assessment, Early Warning and Adaptation Strategies, Hungary (GEF USD 1.13 million; Total USD 4.07 million) (UNDP)
- Adaptation Learning Mechanism: Learning by Doing (GEF USD 0.78 million; Total USD 1.36 million) (UNDP)
- Integrating Vulnerability and Adaptation to Climate Change into Sustainable Development Policy Planning & Implementation in Southern & Eastern Africa (Kenya, Tanzania, & Mozambique—(GEF USD 1 million; Total USD 2.25 million) (UNEP).
- Community-Based Adaptation Program (CBA) (UNDP);
- Adaptation to Climate Change: Responding to Shoreline Change in West Africa (UNDP);

SPA Pipeline:

- Copying with Drought and Climate Change in Africa (UNDP); and

Background paper on Overview of existing programmes and policies to assist adaptation activities (including an overview of existing decisions relating to assistance for adaptation)

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Under review:

- Sustainable Land Management under the Market-Oriented Smallholder Development Project in the Zambezi Valley, Mozambique (WB).

Projects Under the SCCF

SCCF Pipeline (Full size projects):

- Adaptation to Climate Change through Effective Water Governance, Ecuador (UNDP) SCCF (est. GEF USD 3.35 million; Total USD 9.35 million)
- Piloting Climate Change Adaptation to Protect Human Health, Barbados and Fiji (low-lying developing), Uzbekistan and Jordan (desert/desert-fringe), Bhutan, Kenya and China (highland populations) (UNDP/WHO) SCCF (est. GEF USD 6.46 million; Total USD 24.46 million)
- Design and Implementation of Pilot Climate Change Adaptation Measures in the Andean Region (WB) Bolivia, Ecuador, Peru, SCCF (est. GEF USD 7.29 million; Total USD 9 million).
- India, Climate-resilience Development and Adaptation (UNDP) GEF/SCCF USD 4 million, total USD 20 million.
- Regional, Pacific Islands Adaptation to Climate Change Project (PACC) (UNDP) GEF/SCCF USD 11.25 million, total USD 82.5 million.

Medium-Sized Project Approved under the SCCF:

- Mainstreaming Climate Change in Integrated Water Resources Management in Pangani River Basin (UNDP) MSP Tanzania SCCF GEF USD 1.09 million; Total USD 2.57 million).
