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GEF ASSISTANCE TO ADDRESS ADAPTATION

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INTRODUCTION

1. Within the international community's deliberations on global environmental issues, and climate change in particular, increasing attention is being given to the issue of the needs of developing countries to adapt to the impacts of climate change. This paper presents a framework in which to consider the GEF's approach to assisting countries to strengthen their capabilities to adapt to climate change. The paper builds upon an earlier GEF paper "A Proposed GEF Approach to Adaptation to Climate Change" (GEF/C.21/Inf.10), and the proposed framework takes fully into account the decisions of the United Nations Framework Convention on Climate Change (UNFCCC), including guidance approved by the Conference of the Parties (COP) with respect to its financial mechanism together with the decisions of the COP to establish new funds to provide financial assistance to developing country Parties. It is also recognized that other conventions, such as the Convention on Biological Diversity, are considering issues relating to adaptation, and as the GEF moves forward in its work, it will seek to be responsive to their decisions as well.

2. Within the GEF Business Plan for FY05-07 that was considered by the Council at its meeting in November 2003, it is proposed that resources be allocated to a strategic priority "Piloting an Operational Approach to Adaptation" (SPA). This paper provides guidelines on how that new strategic priority will be implemented. The guidelines are designed to ensure that the resources allocated under the priority will lead to broad based results and lessons that will inform the international community as it seeks effective ways to respond to the issue of adaptation.

3. This paper has been prepared in collaboration with the Implementing Agencies and STAP. The Secretariat of the UNFCCC Convention also contributed to the discussion on the paper and is collaborating with the GEF to analyze and summarize the results of the vulnerability and adaptation sections of first and, when available, second national communications.

ADAPTATION AS A GLOBAL PHENOMENON

4. Since industrialization, greenhouse gas emissions resulting from human activities (including burning of fossil fuels and land use/land use change) have contributed to the recent changes of the earth's climate. As a result, global average land surface temperature has increased over the 20th century by about 0.6C, global average sea level has risen and ocean heat content has increased, as reported by the IPCC's Third Assessment Report (TAR, 2001). Global average temperature and sea level are projected to rise, most likely at an accelerating rate. Snow cover and ice extent have decreased and are projected to decrease further, while glaciers and ice caps are projected to continue their widespread retreat during the last 21st century.

5. Global warming and climate change are expected to significantly exacerbate climate variability that already produces impacts with important socio-economic and environmental consequences. All countries and regions in the world are now and will continue to be affected by climate change impacts, but not equally. Some countries and regions are more vulnerable than others, due to their specific economic and geo-physical characteristics. Climate change and sea

level rise pose a serious threat to small island states in the ocean regions of the Pacific, Indian, and Atlantic oceans as well as the Caribbean and the Mediterranean seas. African water resources and food security are highly vulnerable to climate change. With over 60% of the world's population, Asia's resilience to climate change, in all sectors, starting with agriculture and food security, is a high priority. Climate change in the polar region is expected to be among the greatest of any region on Earth.

6. Adaptation to climate change is increasingly recognized as significant to the attainment of sustainable development and as essential for the achievement of many global environmental objectives. While many scientific uncertainties exist, the scope and magnitude of the risks now known to be associated with climate change represent a challenge to environmental and economic goals that must be taken into account today. (see Annex A, Scientific Background on Climate Change Impacts, Vulnerability and Adaptation (IPCC WG II).

7. As summarized by IPCC reports, the understanding of human response to climate change is still at an early stage, with much to be learned from historical experience. However, in general it is known that the capacity to adapt is determined by access to resources, information and technology, the skill and knowledge to use them, and the stability and effectiveness of cultural, economic, social, and governance institutions that facilitate or constrain how human systems respond. Those with the least resources have the least capacity to adapt and are the most vulnerable.

8. In response to urgent needs of vulnerable countries, the UNFCCC in the last few years has given increasing recognition to the issue of climate change vulnerability and adaptation. This has included guidance to the GEF to finance a number of activities relating to adaptation (See Annex B, *Synopsis of UNFCCC Convention Guidance*). In addition, a growing number of governments, bilateral agencies and international institutions have begun to work with countries to better understand the potential impacts of climate change and how best to respond to those impacts. For example, the Vulnerability and Adaptation Resource Group (VARG), coordinated by the World Bank, aims at exploring the operational implications of adaptive capacity building and the integration of climate concerns in poverty reduction strategies.

Definition of Adaptation

The following definitions of adaptation are considered in this paper, including in the first place the scientific definition from IPCC (endorsed by the Climate Convention), and the operational definition from the Adaptation Policy Framework of UNDP.

From the IPCC

Adaptation: adjustment ... in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

Adaptive capacity: the ability of a system to adjust to climate change, including climate variability and extremes, to moderate potential damages, to take advantage of opportunities, or to cope with the consequences.

Vulnerability: the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes.

Sensitivity: the degree to which a system is affected, either adversely or beneficially, by climate-related stimuli. Climate-related stimuli encompass all the elements of climate change, including mean climate characteristics, climate variability, and the frequency and magnitude of extremes.

From UNDP APF

Adaptation is a **process** by which strategies to moderate, cope with, and take advantage of the consequences of climate events are enhanced, developed and implemented.

Adaptive capacity is the property of a system to adjust its characteristics or behavior, in order to expand its coping range under existing climate variability, or future climate conditions.

ASSESSMENT OF VULNERABILITY AND ADAPTING TO CLIMATE CHANGE

9. Responding to adaptation follows a logical sequencing and is a multi-phased process. The phases include planning and assessment, including methodological improvement and dissemination, which are incorporated in regional and national assessments. Once vulnerability is assessed and adaptation measures are identified, it is then possible to move from the preparation to the implementation phase. The relevant COP decisions reflect this organized approach to adaptation.

10. Adapting to climate change involves developing strategies, policies, and measures. To inform this process, both technical information and policy instruments are needed. National assessments of vulnerability and adaptation can provide the basic climatic and socio-economic information for formulating adaptation strategies, and for prioritizing policies and measures in a

number of key economic sectors. Adaptation activities should be developed within the context of a clear implementation plan.

11. UNFCCC guidance on adaptation to the GEF began by adopting a staged-approach to adaptation (Decision 11/CP.1)(1995). In this decision, the financial mechanism was asked to consider criteria for supporting planning and studies of climate change impacts under the first stage. The second stage progresses onto measures to prepare for adaptation. The third, and most advanced stage, is concerned with measures to facilitate adaptation. It is the spirit of this early COP-1 decision, which has largely influenced the range of activities that later became eligible for GEF support under the Non Annex 1 (NAI) National Communications.

12. Through the GEF, 131 countries received financial support for their Initial National Communications. The majority of these enabling activities contained activities for developing policy frameworks for adaptation measures and response strategies, with a view to integrating climate change into national planning. Resources are available for assessing both mitigation and vulnerability and adaptation under the expedited GEF procedures.

13. With the experience of the ‘first generation’ of national communications behind them, Parties approved the new guidelines for national communications at COP7 in 2002. The new guidelines contain an expanded scope for vulnerability and adaptation assessments. For each non-Annex I Party, a ceiling of \$150,000 (out of a total of \$420,000) is available for assessing both mitigation and vulnerability and adaptation under the expedited GEF procedures. Countries can allocate these resources according to their national priorities.

14. The second round of enabling activities is now beginning and is expected to fill the gaps identified in the first round. As the project lifetimes of enabling activities are 3 years, preliminary results may be available from mid-2007 onwards.

MAINSTREAMING ADAPTATION INTO SUSTAINABLE DEVELOPMENT; AN OVERARCHING GOAL OF GEF ASSISTANCE

15. Adverse impacts of climate change will negatively affect a country’s sustainable development in diverse ways and across a number of key areas, including water resources, energy, health agriculture, and biodiversity. Consequently, activities to address the challenges of adaptation will need to be placed within the context of a country’s sustainable development policies and strategies. The overall goal of GEF’s support in the area of adaptation will be to assist countries to mainstream adaptation into their development planning.

16. The linkages between adaptation and sustainable development can be made at several different scales or levels:

- (a) *Local level:* The most severely impacted communities in the developing countries will be those communities living in regions most exposed to climatic impacts (e.g. flood and drought prone areas within countries). As these people are often poorer than

the rest of the population within the country, they are in special need of targeting in providing support for adaptation to climate change.

- (b) *Sectoral level:* Within countries the most adversely impacts sectors would include agriculture, water resource management, coastal zone management as well as disaster (e.g. floods, cyclones and droughts) management. Policy makers, planners and managers in those sectors would need to take on board the future impacts of climate change in their sectoral planning.
- (c) *National level:* At the national level policy makers will need to take into account the potential adverse impacts of climate change in planning their development strategies within and across sectors. An important feature of national policy making will be the need to strengthen existing policies (and actions) which enhance a country's ability to respond to its vulnerabilities to climate change, while seeking to cease policies and actions that may lead to "maladaptation" to climate change.
- (d) *Regional and sub-regional level:* Much of the climate change impacts will be felt acutely at the regional and sub-regional level in a number of key parts of the world (e.g. West Africa, Eastern Africa, southern Africa, South Asia). Thus regional and sub-regional planning and coordinated actions may be called for (e.g. for river basins or major drought prone areas such as the Sahel).
- (e) *Global level:* The global nature of the challenge will require the global community to act together under the UNFCCC as well as to respond collectively to the impacts of climate change within other development efforts. For example many of the Millennium Development Goals (MDGs) may be in danger of not being achieved due to the adverse impacts of climate change.

17. It is clear from the above that reducing a country's vulnerability to the adverse impacts of climate change is inherently linked to the country's sustainable development and development activities at the local, sectoral and national levels. Thus adaptation to climate change must entail the incorporation of potential impacts of climate change into ongoing sectoral, national and regional development strategies and plans.

18. This can be well illustrated by the water sector where planners and managers developing water management strategies (e.g. for reservoirs) will now have to plan for a future hydrological regime which includes potential climate change (in other words they can no longer assume that the hydrological regimes of the past will be the same as in the future). In order to assist such planners and managers to incorporate the new dimension of adaptation into their regular planning, they need to be made aware of methodologies and relevant tools for incorporating the climate change dimension into their planning.

PILOTING AN OPERATIONAL APPROACH TO ADAPTATION

19. More recently, guidance called for the GEF 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 national studies, including NAPAs. In November 2003, the Business Plan included an allocation of \$50 million during the FY05-07 period to support adaptation projects through a strategic priority in the climate change focal area called "Piloting an Operational Approach to Adaptation." Further guidance by COP9 requested the GEF to implement the strategic priority on adaptation as soon as possible.

20. The strategic priority on adaptation seeks to implement the UNFCCC guidance by supporting a portfolio of projects which will be designed to maximize the opportunity for learning and capacity building and will be representative of particularly vulnerable regions, sectors, geographic areas, ecosystems and communities. Such an approach will provide the GEF and its partners with the opportunity to implement and learn about adaptation within a wide scope, thereby providing valuable lessons and guidance for the international community as it moves forward in assisting developing countries to adapt to the impacts of climate change.

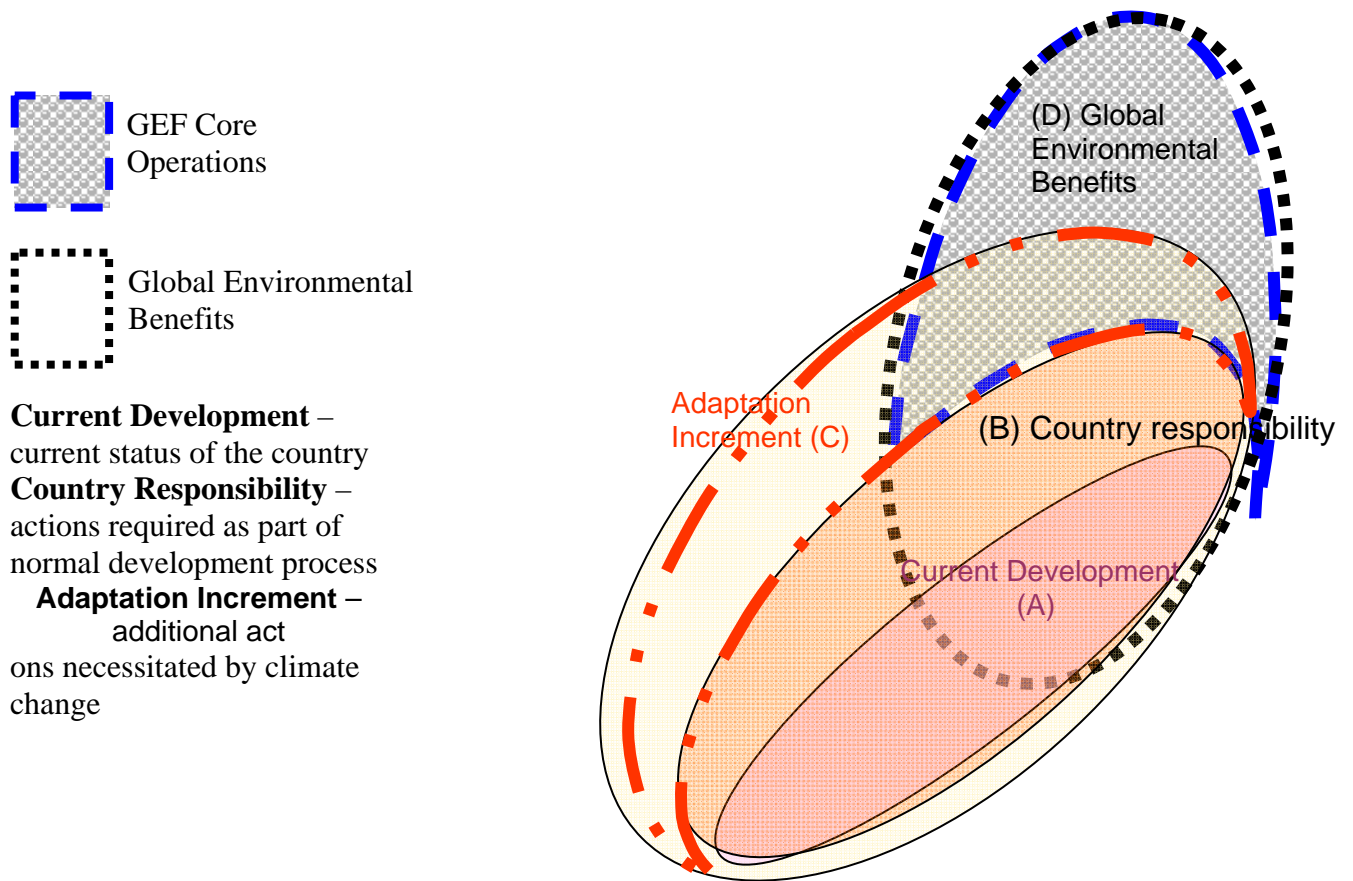
21. Under the pilot, the GEF will fund the incremental cost of those adaptation activities that generate global environmental benefits as well as the incremental cost of selected adaptation activities that are identified as high priorities by national communications. Baseline activities will be funded by the governments, NGOs, bilateral and other sources of financing. Figure 1 below illustrates the issues of adaptation and incrementality.

22. Annex C sets forth the operational guidelines that will be followed in developing projects for the strategic priority. The following points merit highlighting:

- (f) Projects under the pilot will address adaptation in the context of countries meeting their national development objectives. Adaptation activities must be country-driven and integrated into national sustainable development planning and poverty-reduction strategies;
- (g) The pilot will offer the opportunity to test selected adaptation measures in key vulnerable sectors. The experiences and lessons from the pilot should assist the global community as it seeks to address the issue of adaptation to climate change;
- (h) The selection of particularly vulnerable sectors will be based on information contained in the national communications to the UNFCCC, NAPAs, and other major national or regional studies;
- (i) The pilot will include a mixture of large and medium sized projects. Financing will also be provided through the Small Grants Program; and

- (j) The level of GEF financing will be determined on the basis of incremental cost reasoning. GEF resources will be related to the generation of global environmental benefits and will be determined on the basis of the incremental cost principle. In addition, GEF, when appropriate, will finance the incremental cost of additional activities that a country must include within its development planning in order to address climate change impacts.
- (k) It is expected that the approach to incrementality and co-financing will be consistent with GEF overall portfolio experience. Co-financing for each project will depend on the delivery of global environmental benefits, additional costs associated with actions necessitated by climate change, and the degree of capacity building. The larger the project, the greater the expected cost sharing. The operational guidelines provides guidance for co-financing.

Figure 1. Adaptation and Incrementality



Current Development represents a business as usual (BAU) baseline (what would happen in the absence of climate change) (A);

Country responsibility includes measures that help avoiding maladaptation, such as policy distortions, etc – as a responsibility of the government (B);

Adaptation increment includes the incremental cost of adaptation activities that generate global environmental benefits as well as the incremental cost of activities that increase resilience to climate change vulnerability not directly overlapping with GEBs but part of a strategy to help the global community to address the global dis-benefit of climate change (C);

The diagram also includes incremental cost of activities that generate GEB but do not necessarily increase resilience to climate change(D).

SMALL GRANTS PROGRAM AND THE STRATEGIC PRIORITY

23. Recognizing that small communities are often the most severely affected, yet the least equipped to deal with the impacts of climate change, it is proposed that up to 10% of the resources under the strategic priority will be allocated to the Small Grants Programme which will work with the GEF Secretariat and the Implementing Agencies to pilot community adaptation initiatives through its existing small grant programs. The SGP will: (i) develop community based capacity and tools to respond to the adverse impacts of climate change; (ii) finance diverse community-based adaptation projects in a number of selected countries; and (iii) capture and disseminate lessons learned at the community level.

MAINSTREAMING ADAPTATION INTO THE OTHER GEF FOCAL AREAS

24. The projects funded under this Strategic Priority will build on and expand the scope of the existing adaptation experience of the GEF portfolio, which generates global environmental benefits and emphasizes linkages among all focal areas.

25. Vulnerability and adaptation to climate change are becoming increasingly more relevant components in projects across all GEF focal areas. The GEF portfolio in biodiversity, international waters, and land degradation includes selected examples of activities that build capacity or support measures that help countries respond to the consequences of climate change. However, this support is typically indirect and rarely if ever undertaken specifically due to ongoing or expected climate risks. There would appear to be untapped opportunities to integrate adaptation concerns into these focal areas, thereby strengthening within GEF-financed projects the linkages between climate change and the attainment of other global environmental objectives.

The GEF will work with its partners to ensure that greater attention is paid in all GEF projects to the issue of adaptation. At the end of the pilot, in addition to the lessons that are learned from the project directly financed under the strategic priority the GEF should also be able to point to a strengthened portfolio of activities in all areas that serve to enhance the capabilities of countries to adapt to climate change impacts in all focal areas. At the end of the pilot, adaptation should be fully mainstreamed in the GEF portfolio.

THE GEF KNOWLEDGE BASE ON ADAPTATION

26. A monitoring and learning program for learning and dissemination and lessons during the development and implementation of the pilot will be an integral part of the program. This aspect of the pilot should serve to assess key areas of GEF interventions, based on analysis of the adaptation portfolio and key vulnerabilities among regions and sectors; to assess existing methods and tools, to develop adaptation indicators; to evaluate good practice in project design; and to identify long-term approaches for enhancing adaptation capacity in countries.

OTHER FUNDS AND ADAPTATION

27. COP7 requested the GEF to manage three new climate change funds. The first, a special climate change fund, is to finance activities complementary to those funded by the GEF climate change focal area in four areas: adaptation to climate change; transfer of technologies; measures related to several defined sectors including, energy, transport, industry, agriculture, forestry and waste management; and steps to diversify economies in developing country Parties under Article 4, paragraph 8(h). Contributions to the fund are voluntary.

28. The second fund is a least developed countries fund, also operating on the basis of modalities to be decided by the COP. A specifically identified role for this fund is the support of national adaptation programmes of action (NAPAs).

29. The third fund, the adaptation fund, will receive revenues from a share of the proceeds from clean development mechanism projects under the Kyoto Protocol and will finance “concrete adaptation projects and programmes.” Additional voluntary contributions are also encouraged.

Least Developed Countries Fund and Funding for Adaptation

30. Consistent with the guidance of the COP, the GEF has moved forward in mobilizing resources under this fund to finance the preparation of National Adaptation Programs of Actions (NAPAs). NAPAs are aimed at identifying the most vulnerable areas and sectors and at prioritizing urgent adaptation measures to be implemented by LDCs. As of April 15, 2004, 45 countries have received or are working with the Implementing Agencies to prepare NAPA projects.

31. Further to guidance approved by COP8 four regional workshops were organized in 2003 to assist countries to prepare their NAPAs.

32. COP9 adopted a decision entitled *Further guidance for the operation of the Least Developed Countries Fund.*(see document GEF/C.23/6, *Institutional Relations.*) The parties requested the GEF to support the implementation of NAPAs as soon as possible after their completion and developed a first set of draft operational guidelines for the LDC fund.

33. As requested in the decision, the GEF will be preparing operational proposals for financing the implementation of NAPAs of action taking into account the elements identified in the decision. These proposals will be presented to the Council at its meeting in November 2004.

Special Climate Change Fund and Funding for Adaptation

34. COP 9 provided guidance to the GEF for the operation of the Special Climate Change Fund (SCCF). In particular, the guidance provides that the fund should give priority to supporting activities related to adaptation and technology transfer.¹

35. With regard to adaptation, the guidance identifies activities in priority areas, such as water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems (including mountain ecosystems) and integrated coastal zone management. The guidance also calls for activities to improve monitoring of diseases and vectors affected by climate change, and related forecasting and early warning systems, and in this context to improve disease control and prevention. The SCCF is also to support capacity building for preventive 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. The Fund is also to assist in strengthening existing and, where needed, establishing national and regional centers and information networks for rapid response to extreme weather events.

36. The GEF was invited to make the necessary arrangements to mobilize resources to make the fund operational without delay. The GEF was also requested to arrange for expedited access to the SCCF in keeping with current practices of the GEF, taking into account the need for adequate resources to implement eligible activities, programs and measures.

37. The GEF is preparing programming guidance as to how the decision of the COP could be operationalized and will use the programming proposals as a basis to mobilize resources for the SCCF prior to the tenth meeting of the Conference of the Parties to be convened in December 2004. Two meetings of potential donors will be convened during 2004.

38. In preparing programming proposals, the GEF will seek to identify how the resources to address adaptation provided under the various climate change funds as well as the GEF Trust Fund will complement each other.

¹ The decision also provides that activities under paragraph 2(c) and (d) in decision 7/CP.7 are also to be funded by the Special Climate Change Fund and to this effect invites Parties to submit to the Secretariat, by September 15, 2004, further views on activities, programs and measures in these areas, for further consideration by the Subsidiary Body for Implementation, at its twenty-first session, in order for the Conference of the Parties to take a decision on this matter at its tenth session. The GEF will propose steps to respond to any additional guidance after such guidance is approved by the COP.

ANNEX A: SCIENTIFIC BACKGROUND ON CLIMATE CHANGE IMPACTS, VULNERABILITY AND ADAPTATION (IPCC WG II)

1. As reported by the IPCC's Third Assessment Report (SAR, 2001), emissions of greenhouse gases due to human activities alter the atmosphere in ways that affect the climate.
2. Concentrations of atmospheric greenhouse gases and their radiative forcing have continued to increase as a result of human activities, including burning fossil fuels and land use changes and deforestation.
3. An increasing body of observations gives a collective picture of a warming world and other changes in the climate system. Observations include: Global average surface temperature increased over the 20th century by about 0.6C, global average sea level risen and ocean heat content increased. Global average temperature and sea level are projected to rise under all IPCC scenarios. Snow cover and ice extent have decreased, and are projected to decrease further, while glaciers and ice caps are projected to continue their widespread retreat during the last 21st century.
4. Changes have also occurred in other important aspects of climate, such as significant changes in precipitation, frequency and intensity of droughts, extremes of weather and climate.
5. Natural and human ecosystems are expected to be exposed to climatic variations (due to human induced global warming and climate change, besides climate variability) such as changes in the average, range and variability of temperature and precipitation, as well as the frequency and severity of weather events. Indirect effects from climate change, such as sea level rise, soil moisture changes, changes in land and water condition, changes in the frequency of fire and pest infestation, and changes in the distribution of infectious disease vectors and hosts, will affect natural and human systems. The potential for a system to sustain adverse impacts is moderated by adaptive capacity. The capacity to adapt human management of systems is determined by access to resources, information and technology, the skill and knowledge to use them, and the stability and effectiveness of cultural, economic, social, and governance institutions that facilitate or constrain how human systems respond.
6. Sectors affected by climate change impacts include: water resources, agriculture and food security, terrestrial and freshwater ecosystems, coastal zones and marine ecosystems, human settlements, energy and industry, insurance and other financial services, and human health.
7. All countries and regions in the world are now and will continue to be affected by climate change impacts. However, some countries and regions are more vulnerable than others, for their specific economic and geo-bio-physical characteristics. Climate change and sea level rise pose a serious threat to small island states, in the ocean regions of the Pacific,

Indian, and Atlantic oceans as well as the Caribbean and the Mediterranean seas. Africa is highly vulnerable to climate change. Climate change in the polar region is expected to be among the greatest of any region on Earth. With over 60% of the world's population, Asia's resilience to climate change, in all sectors, starting with agriculture and food security, is a high priority. Global warming and climate change are expected to significantly exacerbate climate variability that already produces impacts with important socio-economic and environmental consequences.

8. The current state of understanding of vulnerability and adaptation to climate change includes a number of findings, such as:
 - (a) Recent regional climate changes, particularly temperature increase, have already affected many physical and biological systems;
 - (b) Some human systems have been affected by recent increases in floods and droughts;
 - (c) Natural systems are vulnerable to climate change, and some will be irreversibly damaged;
 - (d) Projected changes in climate extremes could have major consequences;
 - (e) Adaptation is a necessary strategy to complement climate change mitigation efforts;
 - (f) Those with the least resources have the least capacity to adapt and are the most vulnerable; and
 - (g) Adaptation, sustainable development, and enhancement of equity can be mutually reinforcing.

Glossary/Definitions:

9. **Adaptive capacity:** the ability of a system to adjust to climate change, including climate variability and extremes, to moderate potential damages, to take advantage of opportunities, or to cope with the consequences.
10. **Vulnerability:** the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.
11. **Sensitivity:** the degree to which a system is affected, either adversely or beneficially, by climate-related stimuli. Climate-related stimuli encompass all the elements of climate change, including mean climate characteristics, climate variability, and the frequency and magnitude of extremes. The effect may be direct (e.g. a change in crop yield in response

to a change in the mean, range or variability of temperature) or indirect (e.g. damaged caused by an increase in the frequency of coastal flooding due to sea-level rise).

12. **Radiative forcing** is a measure of the influence a factor has in altering the balance of incoming and outgoing energy in the Earth-atmosphere system, and is an index of the importance of the factor as a potential climate change mechanism. (Radiative forcing is expressed in Watts per square meter (Wm^{-2}). Changes in climate occur as a result of both internal variability within the climate system and external factors on climate that can be broadly compared using the concept of radiative forcing.
13. **Direct effects** from climate change: Exposure to climate variations (changes in the average, range, and variability of temperature and precipitation, frequency and severity of extreme events)
14. **Indirect effects** from climate change: sea level rise, soil moisture changes, changes in land and water condition, changes in the frequency of fire and pest infestation, changes in the distribution of infectious disease vectors and hosts.
15. Natural and human systems are exposed to direct and indirect effects from climate change.
16. The potential for a system to sustain adverse impacts is moderated by adaptive capacity.

ANNEX B: SYNOPSIS OF UNFCCC CONVENTION GUIDANCE:

From the Climate Convention

1. All parties are required to undertake actions relating to Adaptation (Article 4.1).

Decisions of the Conferences of the Parties

2. **COP1** (Berlin, 1995) – Decision 11/CP.1: Adaptation will require short, medium and long-term strategies, to be implemented sequentially in Stage I, II and III. Stage I consists of planning (studies on climate change impacts); Stage II includes identification of measures to prepare for adaptation (including further capacity building); Stage III includes measures to facilitate adequate adaptation. At COP1 the GEF had the mandate to fund Stage I activities through national communications.
3. **COP4** (Buenos Aires, 1998) – Decision 2/CP.4: the GEF had the mandate to fund and implement Stage II activities in particularly vulnerable countries and regions identified in Stage I.
4. **COP7** (Marrakech, 2001) -- the Marrakech Accords addressed vulnerability and adaptation in several decisions (CP7 Decisions n. 5, 6, 7, 10) and established three new funds, including two convention (LDC and Special Climate Change) funds with significant adaptation components, and the Kyoto protocol-related Adaptation fund. All funds will be managed by the Global Environment Facility.
 - (a) **Decision 7/CP.7**: creation of the Least Developed Countries Fund, managed by the GEF to support the preparation of National Adaptation Programs of Action (NAPAs); and establishment of the Special Climate Change Fund to support adaptation, technology transfer, and other activities to assist developing countries in diversifying their economies;
 - (b) **Decision 10/CP.7** establishment of the Adaptation Fund under the Kyoto Protocol;
 - (c) **Decision 5/CP.7** is particularly relevant to adaptation, as it states that actions related to adaptation should follow an assessment and evaluation process based on national communications or other relevant information so as to prevent maladaptation and to ensure adaptation actions. This decision lists a number of vulnerability and adaptation related activities (to be supported by the GEF or other donors), such as:
 - (i) Enabling activities for V&A assessment;
 - (ii) Technical training for V&A assessments;

- (iii) Capacity building to integrate adaptation into sustainable development programs;
 - (iv) Capacity building for preventive measures, planning, preparedness of disasters relating to climate change, including contingency planning for droughts and floods; and
 - (v) Promotion of adaptation technologies.
- (d) **Decision 6/CP.7:** Under additional guidance to the operating entity of the financial mechanism, the GEF is requested to:
- (i) 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
 - (ii) building the capacity, including, where appropriate, institutional capacity, for preventive measures, planning, preparedness for disasters related to climate change, including in particular, contingency planning for droughts and floods in areas prone to extreme weather events;
 - (iii) strengthening existing and, where needed, establishing early warning systems for extreme weather events in an integrated and interdisciplinary manner to assist developing country Parties, in particular those most vulnerable to climate change.
5. **COP8 (Delhi, 2002)** – Parties agreed on improved guidelines for the second national communications, which provide expanded scope for support of vulnerability assessments and considerations of measures to prepare for adaptation.
 6. **COP9 (Milan, 2003)** At the 9th Conference of the Parties to the UN Framework Convention on Climate Change (COP9 -- Milan, December 2 – 12, 2003) a number of decisions were made with operational implications to the GEF adaptation portfolio.
 7. The most immediate follow up action is related to the Decision on “Additional Guidance to an operating entity of the financial mechanism (Decision -/CP9, 2. (b) (c)) which states as follows:
 8. The Conference of the Parties requests the Global Environment Facility to operationalize the new strategic priority in the climate change focal area (Piloting an operational approach to adaptation) as soon as possible; and to include in its report to COP 10 information on specific steps undertaken to implement this decision.

ANNEX C: OPERATIONAL GUIDELINES FOR THE STRATEGIC PRIORITY “PILOTING AN OPERATIONAL APPROACH TO ADAPTATION” (SPA)

1. The following operational guidelines are proposed for the pilot:
2. The guidance from the Convention requests the GEF to establish “pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into national policy and sustainable development planning”.
3. Also “activities to be funded should be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies”. The adaptation measures will be guided such preparatory work as the first and second national communications, NAPAs, and other relevant country studies.
4. The SPA portfolio is designed to maximize the opportunity for learning and capacity building and will be representative of particularly vulnerable regions, sectors, geographic areas, ecosystems, communities.
5. The experiences and lessons from the SPA projects should be applicable in a wide context. The GEF will use experience from the SPA to develop good practices and estimates of the costs of adaptation to better mainstream adaptation into the full range of GEF activities.
6. The pilot or demonstration projects must include: (i) activities within a natural resources management context that generate global environmental benefits, and (ii) adaptation measures that provide other major development benefits (e.g. WEHAB, i.e. water, energy, health, agriculture, biodiversity).
7. The existing eligibility criteria for GEF funding, such as country drivenness, ecological and financial sustainability, replicability, stakeholder involvement, M&E, etc. will be applied to the projects submitted under SPA.
8. The SPA is funded to \$50M over three years and will require a mixture of 20 to 30 large and medium size projects to construct an appropriate portfolio. It is envisaged that about \$5M will be set aside for the Small Grants Program.
9. It is expected that the approach to incrementality and co-financing will be consistent with GEF practices and overall portfolio experience. Co-financing for each project will depend on the delivery of global environmental benefits, additional costs associated with actions necessitated by climate change, and the degree of capacity building. The larger the project the greater the expected cost sharing.
10. A monitoring and learning program to achieve active learning and dissemination during the development and implementation of the whole portfolio will be considered.
11. The pilot on adaptation will be operational as of July 1, 2004.