ADAPTATION FUND

PRE-CONCEPT FOR A REGIONAL PROJECT

PART I: PROJECT INFORMATION

Project category:	Regular Project
Countries:	Azerbaijan and Iran
Title of Project:	Urbanisation and Climate Change Adaptation in the Caspian Sea Region
Type of Implementing Entity:	Multilateral Implementing Entity (MIE)
Implementing Entity:	United Nations Human Settlements Programme (UN-Habitat)
Executing Entities:	**Government of Azerbaijan:** Ministry of Ecology and Natural Resources (leading), State Committee on Urban Planning and Architecture (supporting). **Government of Iran:** Director General for International Environmental and Sustainable Development Affairs of the Ministry of Foreign Affairs (co-leading), Ministry of Roads and Urban Development as well as Department of Environment (supporting).
Amount of Financing Requested:	14 Million US Dollars
Project duration:	4 years

Project Background and Context:

Increasingly, communities along the Caspian Sea shores have been affected by severe climate change hazards, including sea level variation, intensified floods and acute draughts. Simultaneously, urbanization particularly in Azerbaijan and Iran have accelerated, reducing biodiversity, aggravating desertification and lessening agricultural land and water filtration surfaces, putting additional stress on food and water security. The urban heat island effect is also a result of these combined climate change and urbanization phenomena. Hence, the Governments of Azerbaijan and Iran have requested the support of UN-Habitat – in conjunction with the UN system - in addressing the combined impacts of climate change and rapid urbanization, with a specific focus on vulnerable communities.

The Caspian Sea is the world's largest inland water body confined by Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. It is climatically diverse encompassing the Volga and Ural river basins in the North, semi-arid and hot arid plains in the east, and humid Caucasus and Elburz mountains in the south-west. The endorheic Caspian Sea spreads around 1,200 km from north to south with an average width of 320 km and covers a region of 390,000 km2 with two deep basins occupying its central and southern areas, leading to horizontal differences in temperature, salinity, and ecology. The water body plays an important role in atmospheric processes, regional water balance as well as microclimate linked to northern Atlantic fluctuations in atmospheric air pressure and variations affecting temperatures, moisture and winter storms across Europe including the Volga basin and rainfall over the Caspian basin. Being a closed water body, considerable fluctuations of the Caspian Sea water level are an intrinsic property. However, climate change and its consequences, including changes in the sea water level, have a significant negative impact on the environment in the Caspian Sea region. The faster the sea level changes, the severer the consequences. This is affecting different sectors of countries' economies such as fisheries, transport and the construction sector, including urban development. Climate change forces them to adapt to changing conditions, which sometimes require significant capital and operating costs. The main climate change hazards and their effects on communities:

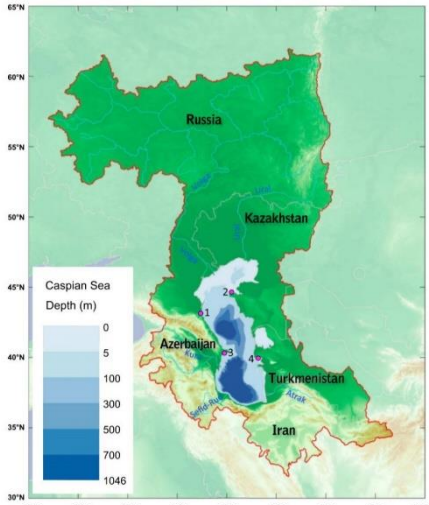

Figure 1:Caspian Sea Depth (Gridarendal)

i) Sea level decrease: The Caspian Sea is a complex system of mutual influence of geological, hydro climatic, anthropogenic and space factors (UNFCCU, 2010). Being an endorheic water body, considerable fluctuations of the water level are inherent. Since the 1930, the Caspian Sea level decreased by 3 meters (Panin, 2007), between 1979 – 1995 increased by 12 cm and since 1996, it has been steadily falling by 7 cm per year up to a total of 1.4 meters (Chen et al, 2017). Since 1979, warmer surface air temperature has been registered as a likely result of climate change, with a total rise of 1°C (Chen et al, 2017). Evaporation due to increased temperature contributed equally to seawater decline as well as the combined effects of precipitation and river discharge changes. If the current trend continues,

it will take 75 years for the northern Caspian Sea and areas less than 5 meters to vanish. Human factors are responsible for less than 5% of the sea level variation (Mammadov, 1996). Increased salinity also poses a threat for biodiversity, soil degradation, machinery corrosion, public health risks and subsequent loss of livelihoods along several hundred kilometres around the former coastline.

ii) Increased extreme weather events: The amount of precipitation decreased in the overall territory of Azerbaijan during 1991-2010 and Iran during 1975-2010 . (UNFCCU, 2010) (UNFCCU, 2017). Calculations according to all scenarios of GCM models forecast an increase of monthly average temperature of up to 1.58°C in Azerbaijan. Seasonal and annual precipitation variation in Iran from 1975 to 2010 is not significant, but there has been an increase in the amount of ConsecutiveDryDay (CDD), resulting in a shortage of available water resources for the country. Extreme weather patterns are common in the Caspian region, but are increasing due to climate change. It is estimated that average annual flood damages in the region amounts to $18-25 million for infrastructure alone. On the other hand, Azerbaijan just came out of a prolonged drought, which scientists believe would affect agriculture in the coming years. Crops have been damaged beyond recovery in some parts of the country, and vegetation of the summer pastures died out, impacting tens of thousands of livestock. (UNDP). At the same time, it is expected that climate change-related droughts will likely reduce water supply by 23% during the next 3 decades in Azerbaijan (UNDP). The increasing temperature will also cause water losses through evaporation and will cause water shortages for the agriculture sector, which at the same time is expected to increase the volume of irrigation water by 10-15% (UNFCCU, 2010).

iii) Urbanization and desertification: Urbanization along the shorelines of the Caspian Sea has amplified in recent years, with an ever-increasing pressure on the land-based and marine environment. Population densities along the Caspian Sea shorelines are uneven, and most of the population is concentrated in major urban centres in Azerbaijan, the Russian Federation and Iran. While the metropolitan area of Baku in Azerbaijan represents the largest urban agglomeration, the Iranian coastlines have witnessed rapid unplanned urban sprawl. Despite variations between the countries, the most significant impacts of rapid planned and/ or unplanned urbanisation, amplified economic development and higher levels of consumption are the generation of urban heat islands. Further critical impacts are the reduction of biodiversity and agricultural land both related to desertification as well as rapid land resources consumption due to urban sprawl. Unplanned urbanization is also linked to the reduction of agricultural land affecting food security, and decreased water filtration that results in both increased surface runoff water and subsoil water scarcity. Climate change also poses challenges to local economic development linked to tourism and recreational activities being disrupted by precipitation and temperature variation.

iv) Impacted population, habitats and most vulnerable groups: The coasts of Azerbaijan, Iran and Russia are the most densely populated, and in this sense, it is in these three countries were the impact of climate change related hazards to urban and rural populations will be larger in absolute numbers. It is estimated that between 80 to 100 million people leave in the Caspian See region and will be potentially affected by hazards related to climate change. (Valentine, 2018). More than 4 million Azerbaijanis (UNFCCU, 2010) live near the sea and would be affected directly or indirectly by sea level decrease, increased floods, more acute draughts and desertification. In all three countries, sea level decrease will affect the livelihoods of coastal communities, which already experience a drastic decline in economic activities such as fisheries and in particular sturgeon catch. Declining water levels will decrease trade access, the size of vessels that can sail in the sea, access to the Volga river navigation and access to main port infrastructure. The construction sector will also be affected, as main infrastructure in place will be rendered useless, and new infrastructure will need to be progressively put in place, following the precedent case of the Aral Sea. More intense floods and more acute draughts will affect infrastructure, housing and service provision. Increased extreme weather events as well as droughts and floods impacting urban and rural areas are already affecting agricultural production (UNDP), a sector that represent 5.3% of the GDP of Azerbaijan but employs over 40% of the population (UNFCCU 2010). In Iran, agriculture sector accounts for about 18 percent of the GDP and more than 20% of population employment.

Figure 2: Population Density Distribution

Climate change will also pose challenges to local economic development linked to tourism and recreational activities, which are already being disrupted by precipitation and temperature variation that trigger phenomena such as the thermohaline circulation of colder water to the surface of the sea, reducing the aptitude of water for recreational activities.

Floods and flash floods pose a significant threat to the population of Azerbaijan and Iran. Floods are observed mainly in the basins of transboundary rivers of Kura and Aras in Azerbaijan. They generally come out of the shore and vast territories appear under the water. In August 2001, the worst flash flooding event of the Iranian Caspian Sea region in over two centuries claimed over 300 lives after a weekend of heavy rainfall and brought about a devastating disaster in the Mother-Soo catchment, province of Golestan. Economic loss caused by flood amounts to many million dollars (economical loss in Azerbaijan was 65 million dollars at the downstream of the Kura in 2003), (Imanov et al, 2009). The main reasons for the magnitude of the loss related to flash floods in the Iranian Caspian region were existence of bare soil in the catchment, movable material, steep slopes, high rainfall intensity, deterioration of pasture and forest land, and inappropriate agriculture and development practices as well as climate change are the main factors for the occurrence of flash floods in the Iranian Caspian region. (Sharifi, 2011)

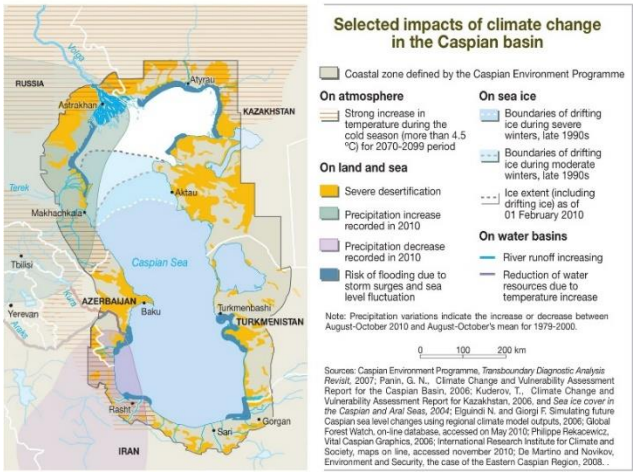

Figure 3: Selected impacts of climate change in the Caspian basin (GridArendal)

The main areas of the Caspian Sea where population is vulnerable to impacts of climate change as shown in Figure 3 are for desertification, more than 50% of the Azeri coastline and interior areas in Iran. Risk of flooding due to storm surges and sea level fluctuation south from Baku, north from Rasht and the coastal area between Sari and Gorgan.

Biodiversity in the Caspian Sea will also be severely affected, as the sea supports many of the unique and ancient species from the Mesozoic era, which live in the shallow areas and use the northern area as spawning grounds, including 90% of the world's sturgeons. Higher temperatures have also contributed to eutrophication, which cuts oxygen levels needed by other organisms. In addition, a trend towards warmer winters seems to be reducing the seasonal ice cover that forms in the northern section, prime breeding habitat for the endemic Caspian seal.

Adaptation areas linked to the identified hazards:

Sea level decrease: Adaptation measures suggested for coastal zones are the creation of special mode boundaries for economic activities, protection measures to protect the areas from water pressing and avoid the increase of groundwater level, prohibition to carry out major construction projects in coastal zones, resettlement of infrastructure, services and facilities to safe areas and construction of protective devices in coastal areas.

Increased floods and more intense draughts: Adaptation measures could be reduction of water loss, use of rainwater, purified seawater and recycled water, water flow regulation during droughts, forest restoration in flood risk regions, construction of small hydropower plants, engineering protective infrastructure in basins and rivers, etc (UNFCCU, 2010).

Urbanization and desertification: Adaptation measures could be the adequate territorial and urban planning of the urban areas to control urban sprawl, strong legal framework to ensure the conservation and classification of rural, not developable and urban land, agricultural land and activities preservation, reforestation activities.

Project Objectives:

The project aims at tackling the impacts of the main identified hazards, i) sea level decrease, ii) increased floods and iii) more intense droughts and iv) desertification in the Caspian coasts of Azerbaijan and Iran. The proposed adaptation measures for the four main hazards will be considered in relation to urbanization processes and through the integrated approach of spatial and coastal planning, innovation, knowledge sharing, access to resources and management capacity.

Hence, the overall project objectives are summarized as follows:

i. Strengthened technical and institutional capacity of national and local governments in selected locations in Azerbaijan and Iran to develop integrated coastal zone management planning (territorial/spatial and maritime) with special focus on climate change adaptation planning and drafting and implementation of concrete bankable projects for the sustainable development of the Caspian region. *(AF outcomes 1, 2 and 7 to increase countries and cities resilience to climate change through the implementation of transformative adaptation measures.)*

ii. Strengthened technical and institutional capacity of national and local governments in selected locations in Azerbaijan and Iran to draft and implement concrete bankable projects for resilience and climate adaptation. *(AF outcomes 1, 2 and 7 to increase countries and cities resilience to climate change through the implementation of transformative adaptation measures.)*

iii. Strengthened community and private sector capacity and awareness to implement climate change adaptation strategies and projects including revenue-generating community projects and business development based on adaptation measures.

(alignment with AF outcomes 2 and 3 to increase countries and cities capacity, awareness and ownership to reduce climate related risks.)

iv. Improved international and national institutional and legal frameworks, and knowledge management mechanisms in the Caspian Region. *(AF outcomes 1, 4, 5 and 6 to increase regional, countries and cities resilience to climate change through the implementation of catalytic adaptation projects at local level, by addressing sustainable natural resource and ecosystems management and by applying livelihood approaches.)*

Project Components and Financing:

Interventions will take place at national and local level in both Azerbaijan and Iran. They will be upscaled to all Caspian littoral states by utilizing the vehicles outlined by the Teheran Convention.

Project Components	Expected Outcomes	Expected Outputs	Amount (US$)
1. Climate change adaptation planning at the national/ sub-national level	National and local level decision makers in Azerbaijan and Iran are enabled to define enhanced strategies at the national and municipal level aligned with the normative frameworks and national climate adaptation priorities.	1.1 National/ sub-national Integrated Spatial Planning and Coastal Zone Management for sustainable and climate resilient development of coastal areas along the Caspian Sea coast in Azerbaijan and Iran building on regional and sub-national risk assessments. Integration of coastal and territorial instruments applying coherent tools aligned with national urban planning and environmental protection legislation. 1.2 Workshops with international, national and municipal key stakeholders, decision makers to coordinate integrated coastal zone management and territorial planning along the Caspian Sea coastlines of Azerbaijan and Iran.	1,000,000
2. Climate change adaptation planning at city and community level	Local government institutions and communities are capacitated to anticipate and respond to climate change related hazards. Local communities are more resilient and experience reduced exposure to climate change related hazards.	2.1 Application of priorities outlined in Integrated Coastal Zone Management Plan and respective territorial plans for Azerbaijan and Iran Caspian Sea coast, building on regional and sub-national risk assessments in selected locations/cities. 2.2 Support the development of territorial planning instruments (local adaptation plans) in alignment with national legislation to address the urbanization challenges related to climate change adaptation. 2.3 On-the-job training for city leaders and municipal technical teams to understand and implement strategies and projects to reduce climate change related impacts and enhance urban resilience. 2.4 On-the-job training for municipal technical staff and communities to ensure the management and long-term financial feasibility and operation of implemented interventions. 2.5 City and neighbourhood level participatory workshops identifying priorities and pilot projects for climate action. 2.6 Report of collected and spatial data related to urban planning and climate change adaptation strategies, including data analysis and prioritisation. 2.7 Resilience Framework for Action for each of the selected cities (definition of Integrated Coastal Zone Management Plan / Spatial Plan including prioritization of transformative and catalytic projects) 2.8 Peer-to-peer city learning and exchange workshops between locations in Azerbaijan and Iran. 2.9 Workshops, seminars and field visits on innovative and successful technologies and approaches used to address floods, erosion, planned city extensions and urban densification.	1,500,000
3. Transformative projects at national and municipal level	Increased adaptive capacity of the built environment and ecosystems resilience through the implementation of infrastructure projects, identified and prioritized at national and municipal levels. Local government and municipal staff as well as communities have acquired the capacity to manage and maintain priority interventions for upscaling.	3.1 Implemented transformative infrastructure projects / nature-based solutions at municipal level identified by Integrated Coastal Zone Management Plan / Spatial Plan utilizing a participatory planning approach and involvement of key stakeholders.	3,500,000
4. Catalytic projects at city and	Increased adaptive capacity of the built environment and ecosystems resilience through the implementation of local scale projects, identified and prioritized	4.1 Implemented catalytic civil and environmental projects to strengthen local resilience identified by Integrated Coastal Zone Management Plan / Spatial plans, engaging local government and community with contributions of civil society and private sector.	4,500,000

community level	in Resilience Framework for Action at city and neighbourhood level. Increased local socio-economic development by community-based projects. Local government and municipal staff as well as communities have acquired the capacity to manage and maintain priority interventions for upscaling.		
5. Climate change adaptation – legal, and knowledge sharing component	National and municipal institutional, legal, finance and monitoring policies and frameworks are reviewed and updated to include lessons learnt from pilot interventions in selected locations in Azerbaijan and Iran as well as related coordination on knowledge sharing activites between Caspian littoral states enhanced considering the implementation of the Teheran Convention	5.1 Review of national regulations on climate change adaptation and resilience and alignment between countries institutional, legal frameworks. 5.2 Report on lessons learnt from pilot interventions in Azerbaijan and Iran and inclusion into regional, national and municipal institutional, legal policies and frameworks. 5.3 Establishment/ support of Caspian Urban and Environmental Observatory and monitoring system to provide evidence base for urban policy makers at regional and national level on advancement of strategy implementation, sharing of lessons and scientific research in the Caspian Sea.	1,200,000
Total components			11,700,000.00
Project Execution Cost (9.5%)			1,110,000.00
Total Project Cost			12,810,000.00
Total Project Cycle Management Fee charged by the Implementing Entity (8.5%)			1,190,000.00
		Amount of Financing Requested	**14,000,000.00**

PART II: PROJECT JUSTIFICATION

Regional Approach and Project components

The project proposes a regional approach required to shed further evidence on the current sea level dynamics of the Caspian Sea, which need a holistic understanding of evaporation dynamics but also water inflows from the different watersheds in the different countries. The adaptation policies, strategies and project to be implemented need to be deducted from a regional perspective, with an understanding of the dynamics of the Caspian countries and their influence towards the system as a whole. Additionally, the regional approach is also needed to understand in perspective the phenomena of urban sprawl, floods, droughts, desertification, salinization and migration. Both at the policy level and at the project implementation level, the adaptation measures need to be adopted progressively by all Caspian countries to ensure a high impact and adaptation sustainability. Although the project proposes to start working with two of the Caspian Sea countries, the long-term goal of the project is to be scaled up to the additional countries of Russia, Kazakhstan and Turkmenistan, supporting the existing knowledge and research institutions focused in the Caspian Sea, such as CASPISNET, the Teheran Convention and related protocols.

Furthermore, infrastructure and/ or ecosystem-based interventions need to be designed and modelled at a regional scale to understand the environmental implications of the interventions. Particularly, coastal erosion dynamics are transboundary and need to be understood both at the regional and at the national scales to be able to propose long-term adaptation strategies. There is a need to understand clearly which are the effects of climate change that can be successfully reverted, and which ones are part of larger scale geological transformations. Through a regional approach the project can avoid overlap of actions or even harmful effects of national interventions in neighbouring countries. Hence, all Caspian littoral states need to work together in a coordinated manner, at the technical and political levels.

Considering this transboundary condition, component 1 addresses national capacity, component 3 tackles regional scale infrastructure projects to generate coordinated and large-scale resilience interventions. Component 4 will scale down such interventions at local level through community-based projects. Adaptation to climate change and resilience will be ensured by these interventions at different levels not just by reinforcing the built and natural environment, but also by strengthening the socio-economic dynamics. The other project components play a key role in this socio-economic aspect as they are the supporting tools to properly analyse and understand the challenges, adequately define the strategies and priorities, and implement projects in an integrative manner.

Promotion of new and innovative solutions and cost-effectiveness

The project promotes **new and innovative solutions.** Spatialization of climate change challenges through urban planning is an innovative methodology to promote sustainable and resilient development that has been successfully applied. Hence, territorial planning focusing on coastal areas while linking urban and maritime planning is a powerful tool to analyse, understand and propose concrete strategies and projects to climate change adaptation challenges in an integrative manner. Population growth, coastal erosion, spatial development, watershed management, biodiversity and waste management, among others are inherent

layers of such Integrated Coastal Zone Management planning processes. In this regard, the UN-Habitat and UN Environment partnership provides support to national and municipal governments in the development and implementation of bankable projects that promote the linkages between sustainable urban and maritime development and thematic areas such as planning for adaptation to climate change, disaster risk reduction, urban and environmental regeneration and management innovation. As part of the methodology, policies and normative documents are deducted from concrete projects, providing an innovative approach to understanding and tackling the key barriers for the implementation of urban planning and resilience policies.

The development of Integrated Coastal Zone Management Plans and implementation requires the mobilization of resources and stakeholders across different scales (intra-regional, national, sub-national and local) to propose effective initiatives. These can only be achieved through a regional scope project and long-term sustainable solutions will only be possible by developing a resource mobilization strategy that benefits from economies of scale. From a strategic point of view, the **cost-effectiveness** of planning and managing urban and maritime development as well as adaptation to climate change strategies in advance is proven to be more cost effective rather than being responsive to natural hazards or once informal urban sprawl has occurred. In relation to cost-effectiveness of project management, the presence of UN-Habitat and UN Environment at country and regional scales, supported by the Resident Coordinator's offices in addition to the existence of on-going projects by various development partners ensure that human and financial resources will be managed in the most cost-effective manner, building on a solid know-how and networks of professionals to develop project activities.

Consistency with national or sub-national strategies

At the political level, both Azerbaijan and Iran have taken up the challenge and in their Intended Nationally Determined Contributions (INDC) have outlined targets for adaptation contributions. Azerbaijan has committed to addressing adaptation measures for decreasing or minimizing the losses that may occur at national, local and community levels per sector in addition to guiding the urbanisation process, including the land-use change towards preservation of agricultural land, open spaces and increased biodiversity, while addressing the impacts of droughts, floods and heat island effect. In Iran, public and private investments are steered towards contributing to sustainable water management, environmental conservation and the protection of natural resources in addition to innovations in the agricultural, forestry, water and industrial sectors as well as the introduction of early warning and monitoring systems for climate observation. The proposed project aligns with regional, national and local policy priorities, strategies and plans. It aims to contribute to the localization and furthering the implementation of elements of those.

- *Regional:* (i) Framework Convention for Protection of Marine Environment of Caspian Sea - Teheran Convention
- *Azerbaijan:* the project will help achieving the goals of Azerbaijan's INDC which is based on the reduction of vulnerabilities of Azerbaijan towards climate change impacts, particularly developing relevant adaptation measures for decreasing or minimizing the losses that may occur at national, local and community levels. More specifically, it addresses the objectives, strategies and priority actions specified by national development plans, National Climate Change Adaptation, Disaster Risk Reduction, Environmental and Urbanization Strategies. Relevant key documents identified are: INDC Azerbaijan (2015); National Caspian Action Plan (2002); 3rd Communication to UNFCCU (2010,) Azerbaijan 2020, Law of the Republic of Azerbaijan on Fundamentals of Urban Development (1999); and Law of the Republic of Azerbaijan on Architectural Activity.
- *Iran:* the project will help achieving the goals of Iran's INDC which is based on the reduction of vulnerabilities of Iran towards climate change impacts, particularly developing relevant adaptation measures for decreasing or minimizing the losses that may occur at national, local and community levels. More specifically, it addresses the objectives, strategies and priority actions specified by national development plans and resolutions, National Climate Change Adaptation, Disaster Risk Reduction, Environmental and Urbanization Strategies. Relevant key documents identified are: INDC Iran (2015); 3rd Communication to UNFCCU (2017), National Communication (2017), Environmental Policies and National Urban Policy in Iran – Abstract Diagnostic Report (2018).

Learning and knowledge management

t regional, national and local levels is vital, with focus on awareness raising and knowledge sharing of climate change adaptation strategies and from concrete initiatives. This will ensure the uptake of knowledge and tools developed during the project, and it will strengthen the co-operation among countries in the Caspian Sea region by enabling lessons learnt from the project to be applied in other regional and national initiatives as well as policy recommendations through platforms such as the Teheran Convention and its web-based hub Caspian Environment Information Centre. Moreover, the project will apply a **capacity development** approach at in relation to resilience and climate change adaptation. Building on the experience from the nearby Aral Sea region as well as the Dead Sea, a "community of practice" across the Caspian littoral states will bring together a community of urban development and resilience experts to provide technical support and jointly develop bankable projects for climate change adaptation alongside policy support.

Consultative process

A consultative process is central to respond to development needs of all key stakeholders with special attention to communities and local population. In order to define the scope of the project various consultations have taken place with key stakeholders both in Azerbaijan and Iran as well as with the Secretariat of the Teheran Convention and scientific entities (November 2018 - August 2019). This approach will be expanded during the implementation of the project, including with national and local

governments, communities and civil society entities, regional think tanks, universities and academia, private sector and other relevant stakeholders including development partners and United Nations Country Teams, in order to select target areas for intervention areas. A major focus will be on communities along the coastal belt and feeding rivers as well as their delta areas. Additional consultations will be conducted under the framework of the Tehran Convention to engage all Caspian littoral states for regional learning and up-scaling.

Sustainability of the project

The sustainability of the project is linked to the involvement of regional initiatives, such as the Teheran Convention, national and local governments, local communities and civil society entities, regional think tanks, universities and academia, private sector and other relevant stakeholders during the processes. This will ensure that priorities are aligned with the visions and objectives of partners, and that strategies and projects are aligned to regional and national priorities, and large-scale funds for urban, regional coastal development and resilience.

In addition, the project is conceived as an articulation of different revenue-generating activities to be developed and adopted by communities and in collaboration – partnership with the private sector. The establishment of required management and maintenance mechanism in the developed projects at the different levels would ensure that human and financial resources are allocated to the projects until they are able to reach a break-even point.

Economic, social and environmental benefits

The project will promote economic, social and environmental development in conjunction with regional and national priorities to mobilize resources for implementation by developing transformative climate adaptation projects that have the potential to act as catalysers for job creation and economic activities. In addition, the sustainable development of coastal zones will safeguard these economic hubs at regional and national scales. This will contribute to food security, supporting the most vulnerable communities who have natural resource-based livelihoods. Environmental benefits appear also at different levels. At the national scale, the project will deduct specific recommendations for climate change adaptation frameworks and at local levels, spatial and marine planning will define adaptation strategies and concrete initiatives positively impacting biodiversity, preservation of agricultural and environmental areas, coastal protection against erosion and floods and sea level rise adaptation through anticipation and construction of infrastructure. Additional environmental benefits would be the adequate management of watersheds through drainage networks, waste management schemes and reforestation of coastal areas linked to a more efficient and compact utilization of urban land.

Compliance with Adaptation Fund Environmental and Social Policy

The proposed project seeks to fully align with the Adaptation Fund's Environmental and Social Policy (ESP). For the concept note, the entire project, project components and activities will be screened to identify potential environmental and social risks and impacts using the 15 Adaptation Fund Principles. For the potential risks and impacts identified, mitigation measures will be proposed. Compliance will be further developed during the concept and project proposal phases.

Overlap with other funding sources

The project will avoid overlapping with projects that have been conducted or are ongoing both in Azerbaijan and Iran and seek complementarity in the climate change adaptation and disaster risk reduction field as well as addressing environmental and urban challenges, such as the International Climate Finance for Eastern Europe, the Caucasus, and Central Asia (EECCA, 2016,)UNDP Managing draughts and floods in Azerbaijan (UNDP), the Increasing Representation of effectively managed marine ecosystems in Azerbaijan (UNDP GEF, 2012), Integrating Climate Change Risk Management in Azerbaijan (UNDP, ongoing), the Ecosystem-based adaptation Programme. For Iran, current ongoing initiatives to coordinate and integrate with this proposal are Reducing Vulnerability to Climate Change in the Lake Bakhtegan Basin (UNDP, AF not approved status).The proposed regional project will be learning from previous initiatives in the relevant sectors and will complement them by addressing the challenge of coastal erosion along the Caspian Sea shores. However, the proposed components in the project present a more specific and unique approach to action, based on spatial and maritime planning and implementation of concrete adaptation initiatives. It promotes an integrative and multi-sectoral approach to climate change adaptation and resilience, and it will be more distinctively focused on urban planning and design as a key tool to address the described challenges at regional and local level. Considering coastal area challenges are essentially related to the use of land, population growth and spatial development, this approach becomes crucial. Further possible overlaps will be analysed in more detail during the concept and project proposal phases.

PART III: IMPLEMENTATION ARRANGEMENTS

The proposed regional project will be supported by the United Nations Resident Coordinator Offices (RCOs) both in Azerbaijan and Iran. UN-Habitat will be the main implementing entity, technically supported by UN Environment and the respective United Nations Country Teams. The regional project will establish office in Baku, Azerbaijan where the regional project management unit will be hosted. It will coordinate with the UN-Habitat Iran country office based in Teheran. Moreover, the project would leverage the existing networks and resources available in both countries, and in Iran would reinforce the resources of the team by hiring further staff that would oversee the implementation of the project.

B. Implementing Entity certification

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans, especially the 2015 INDC and Vision 2020 from Azerbaijan and 2017 INDC from Iran and subject to the approval by the Adaptation Fund Board, commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.
For Dmytro O.I.C. **Raf Tuts** Director, Programme Division UN-Habitat
Date: 1st August 2019 | Tel.: +254207623726 E-Mail: raf.tuts@un.org
Project Contact Person: Katja Schaefer
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AZƏRBAYCAN RESPUBLİKASI
EKOLOGİYA VƏ TƏBİİ SƏRVƏTLƏR
NAZİRLİYİ

MINISTRY OF ECOLOGY
AND NATURAL RESOURCES OF
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№ 4/2243-08 «31» 04 2019 il

The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for Project "*Urbanisation and Climate Change Adaptation in the Caspian Sea Region*".

Dear Madame/sir,

In my capacity as designated authority for the Adaptation Fund in Azerbaijan, I confirm that the above regional project proposal is in accordance with our national and Caspian sea regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the Caspian sea region.

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the project will be implemented by the United Nations Human Settlements Programme (UN-Habitat) and executed by the Ministry of Ecology and Natural Resources (leading) and the State Committee on Urban Planning and Architecture (supporting).

Sincerely,

Emin Garabaghli

Head
Division for International Cooperation

MINISTRY OF FOREIGN AFFAIRS
OF THE ISLAMIC REPUBLIC OF IRAN

Letter of Endorsement

4 August 2019

To: The Adaptation Fund

c/o Adaptation Fund Board Secretariat

email: Secretariat@Adaptation-Fund.org

subject: Endorsement for Project: "Urbanization and Climate Change Adaptation in Caspian Sea Region".

Dear Madam/Sir

In my capacity as designated authority for the Adaptation Fund in the Islamic Republic of Iran, I confirm that the above regional project proposal is in accordance with our national and Caspian Sea regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the above region.

It is to be noted that the pre-concept, submitted by the UN-HABITAT, will be further reviewed and the elaboration of the final project document will be conducted jointly by all relevant stakeholders, in close collaboration with the Ministry of Foreign Affairs. The project, if approved, will be implemented by the United Nations Human Settlement Program (UN-HBITAT) and executed by relevant national institutions.

Yours sincerely

Seyed Alimohammad Mousavi

Director General for

International Environmental and

Sustainable Development Affairs

Project Formulation Grant (PFG)

Submission Date: 05-08-2019

Adaptation Fund Project ID:	
Countries:	Azerbaijan and Iran
Title of Project:	Urbanisation and Climate Change Adaptation in the Caspian Sea Region
Type of IE:	Multilateral
Executing Entities:	Ministry of Ecology and Natural Resources Azerbaijan State Committee on Urban Planning and Architecture Azerbaijan Ministry of Foreign Affairs Iran

A. Project Preparation Timeframe

Start date of PFG	**14-10-2019**
Completion date of PFG	**Submission date concept note in 2020**

B. Proposed Project Preparation Activities ($)

Describe the PFG activities and justifications:

List of Proposed Project Preparation Activities	Output of the PFG Activities	USD Amount
1. Bring together leading regional stakeholders, ministries from Azerbaijan and Iran and municipal governments to: o Agree on approach, priority interventions and target areas	Workshop reports, meeting minutes	6.000
2. Conduct detailed vulnerability / risk mapping of target communities and conduct area level and vulnerable groups consultations	Vulnerability assessment / consultation reports	12.300
PSC	8.5%	1.700
Total Project Formulation Grant		20.000

C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Rafael Tuts		5 Aug 2019	Katja Schaefer Javier Torner	+254723697563	Katja.Schaefer@un.org Javier.torner@un.org

ADAPTATION FUND

Project Formulation Grant (PFG)

Submission Date: 05-08-2019

Adaptation Fund Project ID:	
Countries:	Azerbaijan and Iran
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