



## ADAPTATION FUND

AFB/PPRC.25/32  
30 September, 2019

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Adaptation Fund Board  
Project and Programme Review Committee  
Twenty-Fifth Meeting  
Bonn, Germany, 7-9 October, 2019

Agenda Item 5 i)

### **PROPOSAL FOR AZERBAIJAN, IRAN (ISLAMIC REPUBLIC OF)**

## Background

1. The strategic priorities, policies and guidelines of the Adaptation Fund (the Fund), as well as its operational policies and guidelines include provisions for funding projects and programmes at the regional, i.e. transnational level. However, the Fund has thus far not funded such projects and programmes.

2. The Adaptation Fund Board (the Board), as well as its Project and Programme Review Committee (PPRC) and Ethics and Finance Committee (EFC) considered issues related to regional projects and programmes on a number of occasions between the Board's fourteenth and twenty-first meetings but the Board did not make decisions for the purpose of inviting proposals for such projects. Indeed, in its fourteenth meeting, the Board decided to:

- (c) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision had been taken by the Board, and that they would be provided with further information pursuant to that decision*

*(Decision B.14/25 (c))*

3. At its eighth meeting in March 2012, the PPRC came up with recommendations on certain definitions related to regional projects and programmes. However, as the subsequent seventeenth Board meeting took a different strategic approach to the overall question of regional projects and programmes, these PPRC recommendations were not included in a Board decision.

4. At its twenty-fourth meeting, the Board heard a presentation from the coordinator of the working group set up by decision B.17/20 and tasked with following up on the issue of regional projects and programmes. She circulated a recommendation prepared by the working group, for the consideration by the Board, and the Board decided:

- (a) To initiate steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million;*
- (b) That the pilot programme on regional projects and programmes will be outside of the consideration of the 50 per cent cap on multilateral implementing entities (MIEs) and the country cap;*
- (c) That regional implementing entities (RIEs) and MIEs that partner with national implementing entities (NIEs) or other national institutions would be eligible for this pilot programme, and*

- (d) To request the secretariat to prepare for the consideration of the Board, before the twenty-fifth meeting of the Board or intersessionally, under the guidance of the working group set up under decision B.17/20, a proposal for such a pilot programme based on consultations with contributors, MIEs, RIEs, the Adaptation Committee, the Climate Technology Centre and Network (CTCN), the Least Developed Countries Expert Group (LEG), and other relevant bodies, as appropriate, and in that proposal make a recommendation on possible options on approaches, procedures and priority areas for the implementation of the pilot programme.*

*(Decision B.24/30)*

5. The proposal requested under (d) of the decision above was prepared by the secretariat and submitted to the Board in its twenty-fifth meeting, and the Board decided to:

- (a) Approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;*
- (b) Set a cap of US\$ 30 million for the programme;*
- (c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; and*
- (d) Request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.*

*(Decision B.25/28)*

6. Based on the Board Decision B.25/28, the first call for regional project and programme proposals was issued and an invitation letter to eligible Parties to submit project and programme proposals to the Fund was sent out on 5 May 2015.

7. At its twenty-sixth meeting the Board decided *to request the secretariat to inform the Multilateral Implementing Entities and Regional Implementing Entities that the call for proposals under the Pilot Programme for Regional Projects and Programmes is still open and to encourage them to submit proposals to the Board at its 27th meeting, bearing in mind the cap established by Decision B.25/26.*

*(Decision B.26/3)*

8. At its twenty-seventh meeting the Board decided to:

- (a) Continue consideration of regional project and programme proposals under the pilot programme, while reminding the implementing entities that the amount set aside for the pilot programme is US\$ 30 million;*
- (b) Request the secretariat to prepare for consideration by the Project and Programme Review Committee at its nineteenth meeting, a proposal for prioritization among regional project/programme proposals, including for awarding project formulation grants, and for establishment of a pipeline; and*
- (c) Consider the matter of the pilot programme for regional projects and programmes at its twenty-eighth meeting.*

*(Decision B.27/5)*

9. The proposal requested in (b) above was presented to the nineteenth meeting of the PPRC as document AFB/PPRC.19/5. The Board subsequently decided:

a) *With regard to the pilot programme approved by decision B.25/28:*

*(i) To prioritize the four projects and 10 project formulation grants as follows:*

*1. If the proposals recommended to be funded in a given meeting of the PPRC do not exceed the available slots under the pilot programme, all those proposals would be submitted to the Board for funding;*

*2. If the proposals recommended to be funded in a given meeting of the PPRC do exceed the available slots under the pilot programme, the proposals to be funded under the pilot programme would be prioritized so that the total number of projects and project formulation grants (PFGs) under the programme maximizes the total diversity of projects/PFGs. This would be done using a three-tier prioritization system: so that the proposals in relatively less funded sectors would be prioritized as the first level of prioritization. If there are more than one proposal in the same sector: the proposals in relatively less funded regions are prioritized as the second level of prioritization. If there are more than one proposal in the same region, the proposals submitted by relatively less represented implementing entity would be prioritized as the third level of prioritization;*

*(ii) To request the secretariat to report on the progress and experiences of the pilot programme to the PPRC at its twenty-third meeting; and*

- b) With regard to financing regional proposals beyond the pilot programme referred to above:

(i) *To continue considering regional proposals for funding, within the two categories originally described in document AFB/B.25/6/Rev.2: ones requesting up to US\$ 14 million, and others requesting up to US\$ 5 million, subject to review of the regional programme;*

(ii) *To establish two pipelines for technically cleared regional proposals: one for proposals up to US\$ 14 million and the other for proposals up to US\$ 5 million, and place any technically cleared regional proposals, in those pipelines, in the order described in decision B.17/19 (their date of recommendation by the PPRC, their submission date, their lower “net” cost); and*

(iii) *To fund projects from the two pipelines, using funds available for the respective types of implementing entities, so that the maximum number of or maximum total funding for projects and project formulation grants to be approved each fiscal year will be outlined at the time of approving the annual work plan of the Board.*

*(Decision B.28/1)*

10. At its thirty-first meeting, having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board (the Board) decided:

(a) *To merge the two pipelines for technically cleared regional proposals established in decision B.28/1(b)(ii), so that starting in fiscal year 2019 the provisional amount of funding for regional proposals would be allocated without distinction between the two categories originally described in document AFB/B.25/6/Rev.2, and that the funding of regional proposals would be established on a ‘first come, first served’ basis; and*

(b) *To include in its work programme for fiscal year 2019 provision of an amount of US\$ 60 million for the funding of regional project and programme proposals, as follows:*

(i) *Up to US\$ 59 million to be used for funding regional project and programme proposals in the two categories of regional projects and programmes: ones requesting up to US \$14 million, and others requesting up to US\$ 5 million; and*

(ii) *Up to US\$ 1 million for funding project formulation grant requests for preparing regional project and programme concepts or fully-developed project and programme documents.*

*(Decision B.31/3)*

11. According to the Board Decision B.12/10, a project or programme proposal needs to be received by the secretariat no less than nine weeks before a Board meeting, in order to be considered by the Board in that meeting.
12. The following project pre-concept document titled “Urbanization and Climate Change Adaptation in the Caspian Sea Region” was submitted for Azerbaijan and Iran by the United Nations Human Settlements Programme (UN-Habitat), which is a Multilateral Implementing Entity of the Adaptation Fund.
13. This is the first submission of the regional project pre-concept proposal using the three-step submission process.
14. The current submission was received by the secretariat in time to be considered in the thirty-fourth Board meeting. The secretariat carried out a technical review of the project proposal, with the diary number ASI/MIE/Urban/2019/PPC/1, and completed a review sheet.
15. In accordance with a request to the secretariat made by the Board in its 10th meeting, the secretariat shared this review sheet with UN-Habitat, and offered it the opportunity of providing responses before the review sheet was sent to the PPRC.
16. The secretariat is submitting to the PPRC the summary and, pursuant to decision B.17/15, the final technical review of the project, both prepared by the secretariat, along with the final submission of the proposal in the following section. In accordance with decision B.25.15, the proposal is submitted with changes between the initial submission and the revised version highlighted.



ADAPTATION FUND

## ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY: Regional Pre-concept

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Countries/Region: **Azerbaijan and Iran**  
 Project Title: **Urbanization and Climate Change Adaptation in the Caspian Sea Region**  
 Thematic Focal Area: **Urban Development**  
 Implementing Entity: **UN-Habitat, UN Environment**  
 Executing Entities: **Government of the Republic of Azerbaijan:** Ministry of Ecology and Natural Resources (leading), State Committee on Urban Planning and Architecture (supporting). **Government of the Islamic Republic 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)

AF Project ID: **ASI/MIE/Urban/2019/PPC/1**

IE Project ID: **<to be filled by IE>** Requested Financing from Adaptation Fund (US Dollars): **14,000,000**  
 Reviewer and contact person: **Chibulu Luo** Co-reviewer(s): **Filippo Berardi, Saliha Dobardzic**  
 IE Contact Person: **<to be filled by IE>**

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Technical Summary	Countries in the Caspian Sea region are severely affected by climate hazards, including sea level rise, flooding and acute droughts. These impacts are worsened by rapid urbanization. The urban heat island effect is also a result of these combined climate change and urbanization phenomena. The project aims to address the impact of climate change in the region – specifically in Azerbaijan and Iran – while also considering the challenges of urbanization in these countries. The project will implement an integrated approach focusing on spatial and coastal planning, innovation, knowledge sharing, access to resources and management capacity. In this regard, the project components highlight the following elements:
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- (1) Climate change adaptation planning at the national/ sub-national level;
- (2) Climate change adaptation planning at city and community level;
- (3) Transformative projects at national and municipal level;
- (4) Catalytic at the city and community level;
- (5) Knowledge management and review of legal frameworks.

The initial review identified several areas of the proposal that required justification. In particular, the concrete adaptation actions proposed and justification on the selection of only 2 countries in the region. Due to the lack of detail in the initial pre-concept, elements such as cost-effectiveness and sustainability could not be fully evaluated.

The final review concludes that the resubmitted pre-concept has sufficiently addressed most CRs highlighted in the initial review. However, several gaps remain to be addressed by the submission of the project concept. As noted above, key questions to be addressed include (1) how the project plans to scale-up to other countries in the region and what that mechanism would look like; (2) what the concrete adaptation measures to be implemented in the target communities would be and (3) how capacity building will be organized at the local, national and regional level. Accordingly, the description of outputs and outcomes in the Project and Financing Table require further clarification.

There were also some CRs pending from the initial review that can be addressed at the project concept stage.

The proposal included a request for project formulation grant in the amount of USD 20,000.

Date: September 16<sup>th</sup>, 2019



Review Criteria	Questions	Comments 20 August 2019	Comments 11 September 2019
Country Eligibility	1. Are all of the participating countries party to the Kyoto Protocol?	Yes.	
	2. Are all of the participating countries developing countries particularly vulnerable to the adverse effects of climate change?	<p>Yes. The pre-concept notes that countries in the Caspian Sea region are severely affected by climate hazards, including sea level rise, flooding and acute droughts. These impacts are worsened by rapid urbanization (especially in the target countries – Azerbaijan and Iran). The urban heat island effect is also a result of these combined climate change and urbanization phenomena.</p> <p>Also, According to the Global Climate Risk Index (Germanwatch, 2019):</p> <ul style="list-style-type: none"> <li>▪ Azerbaijan was ranked 111<sup>th</sup> in the 2017 ranking and 149 in the 1998-2017 raking.</li> <li>▪ Iran was ranked 38<sup>th</sup> in the 2017</li> </ul>	

		<p>ranking and 74<sup>th</sup> in the 1998-2017 ranking.</p> <p>Important to note that the index only considers losses experienced and not potential for future losses.</p>	
Project Eligibility	1. Have the designated government authorities for the Adaptation Fund from each of the participating countries endorsed the project/programme?	Yes.	
	2. Has the pre-concept provided necessary information on the problem the proposed project/programme is aiming to solve, including both the regional and the country perspective?	<p>Somewhat clear. The pre-concept gives a good description of the adaptation challenges encountered in the Caspian Sea region. The decrease in sea level is particularly worrisome, considering the example of the Aral Sea. A regional perspective is surely needed to tackle problems at the regional basin level, however only two countries are proposed in the context of this project.</p> <p>▪ <b>CR1:</b> It should be understood why</p>	<p>▪ <b>CR1: Sufficiently addressed for pre-concept.</b> <u>To be addressed at concept stage:</u> Review response indicates that the project will be upscaled to all Caspian States, though it is not clear whether the commitment to expand the scope of the project is intended within the context of this proposal submission? or a future proposal (to be submitted to the AF), which may require additional design/approval steps? These details should be clarified.</p>

		<p>not all countries which share coastal areas on the Caspian Sea are not included in the proposal. Plans to extend the project to all countries are mentioned, but more details should be provided on the mechanics of, and risks to, such extension.</p>	
	<p>3. Have the project/programme objectives, components and financing been clearly explained?</p>	<p>Not clear. The project objectives are sufficiently articulated considering this is a pre-concept stage proposal. However, the following aspects need further clarification:</p> <ul style="list-style-type: none"> <li>▪ <b>CR2:</b> The difference between Component 3 and 4 is unclear and needs to be further explained. For example, they both list capacity of local and municipal government as key outcome.</li> <li>▪ <b>CR3:</b> What are design elements of the “civil and environmental projects” being planned under Component 4? How will they support resilience/adaptation? And how will the project engage with the</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>CR2: Sufficiently addressed for pre-concept.</b> <u>To be addressed at concept stage:</u> the merging of components has resulted in a very repetitive Project and Financing Table. For example, intended capacity building activities under Component 1 (defined as the “regional component”) still contain national and city level capacity building activities. But why are these activities listed at the regional level? Similarly, activities under Component 2 (“national component”) seem to overlap with Component 1. The same can be said for Component 3 (“local component”). To avoid excessive repetition and overlap between components, we suggest that a</li> </ul>

		<p>private sector, in these activities?</p> <ul style="list-style-type: none"> <li>▪ <b>CR4:</b> Considering that Components 3 and 4 represent the lion's share of the requested financing, more details on the objectives and expected outcomes from these two components need to be provided.</li> <li>▪ <b>CAR1:</b> Once CR2 – CR4 are addressed, please update the project components table/budget accordingly.</li> </ul>	<p>stand-alone “Capacity Building” component is developed, identifying different capacity building activities at different levels i.e. regional, national and local/city level.</p> <ul style="list-style-type: none"> <li>▪ <b>CR3: Sufficiently addressed for pre-concept.</b> <u>To be addressed at concept stage:</u> Plans to develop a “<i>Trust Fund geared towards private sector sponsorship for small-scale and micro-grant climate change adaptation projects</i>” (Component 3) seems to be separate mechanism from “<i>Financial mechanisms for municipal finance, implementation and management of strategic and catalytic projects at national and municipal levels (including land tenure and readjustment guidance for climate change adaptation)</i>” (also under Component 3). We recommend that a separate sub-heading under Component 3 relating to “Financial Mechanisms” be provided, so as to have the following activities/sub-headings under this</li> </ul>
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			<p>component: (1) Data/Information; (2) Capacity Building (if a separate capacity building component is not developed – see CR2); (3) New Policies, Plans and Regulations; (4) Urban Resilience and Climate Adaptation Action Projects; and (5) Establishment of Financial Mechanisms for Municipal and Private Sector Access to Finance.</p> <ul style="list-style-type: none"> <li>▪ <b>CR4: Sufficiently addressed for pre-concept. <u>To be addressed at concept stage:</u></b> As Component 3 will command the majority of the Project funding, it is critical to provide a tentative breakdown of overall financing to be allocated to the 5 items listed above.</li> </ul> <p>Finally, please clarify if the intention is to create Financial Mechanisms for municipal and private sector finance, or if the intention is to also capitalize on such structures?</p> <ul style="list-style-type: none"> <li>▪ <b>CAR1: Sufficiently addressed for pre-concept.</b> Please revise at</li> </ul>
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			concept stage, in line with changes made to the Project and Financing table (see above CRs).
	<p>4. Has the project/programme been justified in terms of how:</p> <ul style="list-style-type: none"> <li>- it supports concrete adaptation actions?</li> <li>- it builds added value through the regional approach?</li> <li>- it promotes new and innovative solutions to climate change adaptation?</li> <li>- it is cost-effective?</li> <li>- it is consistent with applicable strategies and plans?</li> <li>- it incorporates learning and knowledge management?</li> <li>- it will be developed</li> </ul>	<p>Not clear.</p> <p><i>It supports concrete adaptation actions?</i></p> <p>The project is proposing the financing of some concrete adaptation actions. In particular, the proposed Coastal Zone Integrated Adaptation Planning appears to be an adequate approach to promote climate resilient urban development in coastal areas which are likely to be affected by sea level decrease and increased risk of flash floods. Components focused on increasing the capacity of national/local governments to adopt such integrated planning approach appear to be justifiable and adequately funded.</p> <ul style="list-style-type: none"> <li>▪ <b>CR5:</b> However, Component 3 and 4 appear to be still lacking the level of specificity needed to make any</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>CR5: Sufficiently addressed for pre-concept.</b> <u>To be addressed at concept stage:</u> The review response indicates that the Project Formulation Grant (PFG) will be used to identify specific interventions in collaboration with relevant stakeholders. If so, these interventions should be explicitly stated with proposed funding for each intervention estimated upon development of the project concept. Under Component 3 of the updated pre-concept, the following activities are proposed: <i>“catalytic and transformative climate adaptation projects/ nature-based solutions at municipal level ... These could include: ... coastal and marine protected areas; special mode boundaries for economic, social and environmental activities; for major construction projects, construction of infrastructure solutions, resettlement</i></li> </ul>

	<p>through a consultative process with particular reference to vulnerable groups, including gender considerations, in compliance with the Environmental and Social Policy of the Adaptation Fund?</p> <p>- it will take into account sustainability?</p>	<p>judgement call with respect to the adequacy or necessity of the actions proposed in terms of concrete projects to be financed. Such central components sum up the bulk of the financing (8 out of 11 million); however, even considering the pre-concept stage, there is no mention of whether such priority projects/activities have already been identified, which nature would they have, their costs, etc. In the absence of a (even if tentative/preliminary) pipeline, it is impossible to make a call on whether such projects would represent concrete actions towards increasing adaptation capacity/reducing vulnerabilities of the ultimate beneficiaries and the project appears to be more like a “blank check” on future pipeline development (empty container) than an actual set of concrete actions.</p> <ul style="list-style-type: none"> <li>▪ <b>CR6:</b> Component 5, as presented</li> </ul>	<p><i>of trunk infrastructure, services and facilities; rainwater harvesting; water recycling and flow regulation; control unplanned urban expansion and guide urban regeneration, including public spaces, parks and urban forests; climate adaptation in buildings, land conservation, etc.”</i></p> <p>This is a rather extensive and generalized list of actions that do not demonstrate a critical evaluation of potential projects and activities to be implemented in the target communities (i.e. in terms of scope, design and adaptation benefits). Please ensure that this level of detail is provided upon submission of the project concept.</p> <ul style="list-style-type: none"> <li>▪ <b>CR6: Sufficiently addressed for pre-concept. <u>To be addressed at concept stage</u>:</b> see comments provided in CR2. Also, there is significant overlap in activities under Component 4 vis-à-vis other project components. More elaboration is required to prevent redundancy in the</li> </ul>
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		<p>at \$1.2m, would appear over-budgeted considering the activities proposed. It needs to be better understood what need there would be of creating a new institution (“<i>Caspian Urban and Environmental Observatory</i>”), as compared to relying on existing research/knowledge national and regional institutions focusing on the Caspian Sea, both related and unrelated to the Teheran Convention (e.g. CASPINET is mentioned).</p> <p><i>It builds added value through the regional approach?</i></p> <p>Some of the objectives listed are better achieved through a regional approach, in particular, the overall management of the water extraction levels from the rivers flowing into the Caspian Sea (although the proposal does mention that only 5% of water decrease is attributable to human factors, page 2).</p>	<p>use of funds.</p> <ul style="list-style-type: none"> <li>▪ <b>CR7: Sufficiently addressed for pre-concept. <u>To be addressed at concept stage:</u></b> Please see CR1. Also, the review response indicates that “<i>the possibility to expand to Kazakhstan, Russia and Turkmenistan will be explored in more concrete terms.</i>” Again, would this be organized through this proposal, or another regional proposal submitted to the AF? Please address.</li> </ul> <p>Also, national upscaling of local adaptation measures is proposed in the updated pre-concept and review response. But, how will upscaling activities be organized? Please provide these details upon submission of the project concept.</p> <ul style="list-style-type: none"> <li>▪ <b>CR8: Sufficiently addressed for pre-concept. <u>To be addressed at concept stage:</u></b> The description of the engagement with the private sector,</li> </ul>
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		<ul style="list-style-type: none"> <li>▪ <b>CR7:</b> However, the project as proposed would only cover two of the coastal countries of the Caspian Sea. As noted above, if it is concluded that a regional approach is preferable, then the possibility to add more countries should be explored. Other problems amongst those listed, such as unplanned and informal urban development, are typically more localized and do not necessarily benefit from transnational cooperation under a project of this kind. These issues need to be better addressed in the pre-concept.</li> </ul> <p><i>It promotes new and innovative solutions to climate change adaptation?</i></p> <p>The aspect of innovation is not unsatisfactory covered. While it is true that integrated coastal planning has not always been adopted as a tool to promote climate resilient development,</p>	<p>and the potential support to the development of “bankable projects” remains one of the weaknesses of the proposal. The mention of a potential trust fund offering grants to private sector or municipal actors will have to be significantly expanded and strengthened during project preparation and upon submission project concept document.</p> <ul style="list-style-type: none"> <li>▪ <b>CR9: Not addressed.</b> The review response indicates that “<i>a list of the sub-projects has been proposed in the review of the pre-concept note</i>”, but there is no evidence of such list. This list can be provided upon submission of concept document.</li> <li>▪ <b>CR10: Sufficiently addressed for pre-concept.</b> Project proponents note that additional consultations with development partners will be planned during project preparation. <u>To be addressed at concept stage:</u> Clear synergies and linkages with other</li> </ul>
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		<p>this is not something very new, and it does not apply to all the components of the project. It is however desirable, and it is well positioned in Component 1 and 2.</p> <ul style="list-style-type: none"> <li>▪ <b>CR8:</b> The section on innovation needs to be further developed in conjunction with the pipeline of concrete projects that the bulk of the financing of this proposal would support (i.e. Components 3 and 4). To this end, the proposal mentions the concept of “bankable” projects, but the interaction with the private sector (or financial institutions) that would (co-)finance any of the underlying concrete sub-projects is only marginally mentioned and needs more attention.</li> </ul> <p><i>It is cost-effective?</i></p> <ul style="list-style-type: none"> <li>▪ <b>CR9:</b> Linked to the considerations offered to the points above, it is very hard to assess cost-effectiveness without seeing a list of the sub-projects being proposed.</li> </ul>	<p>initiatives need to be demonstrated and stated explicitly in the project concept document (i.e. what are they? How does the project build upon them? etc.).</p> <ul style="list-style-type: none"> <li>▪ <b>CR11: Addressed.</b> Section on “Consistency with national or sub-national strategies” has been updated accordingly.</li> <li>▪ <b>CR12: Not addressed.</b> Review response indicates that the added value and cost-effectiveness of the project has been articulated and described. However, there is no indication of where these changes are made in the pre-concept document. Please provide upon submission of concept document.</li> <li>▪ <b>CR13: Sufficiently addressed for pre-concept.</b> Section on sustainability has been updated accordingly. <u>To be addressed at concept stage:</u> please review comments made in the above CRs (particularly, CR1 – CR5). Also, the</li> </ul>
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		<p>The budget for Components 1 and 2 would appear in line with the resources programmed by similar activities/projects. For Components 3 and 4 it is very hard to say. And for Component 5, as mentioned above, this seems to be overbudgeted/not cost-effective. These issues need to be better addressed in the pre-concept.</p> <ul style="list-style-type: none"> <li>▪ <b>CR10:</b> In addition, there are a number of existing/ongoing projects listed in both countries that appear as if they could be closely related to this proposed one. So, it would be advisable to request more information on the existing baseline in terms of adaptation projects in the two countries and verify whether there is overlap in term of financed activities as well as if there are synergies (including in the implementation/project execution structures) that could/should be explored and maximised.</li> </ul>	<p>project needs to demonstrate sustainability in terms of the concrete adaptation measures to be implemented and their long-term impact.</p>
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		<p><i>It is consistent with applicable strategies and plans?</i></p> <ul style="list-style-type: none"> <li>▪ <b>CR11:</b> The project seems to be consistent with the country strategies and policies mentioned. However, Insufficient evidence on linkages with existing urban planning/resilience policies is provided. Please elaborate.</li> </ul> <p><i>It incorporates learning and knowledge management?</i></p> <p>The proposal mentions that the project will build on the experiences from the Dead Sea and will build a community of practice amongst Caspian Sea states (page 6).</p> <ul style="list-style-type: none"> <li>▪ <b>CR12:</b> It is recommended that the clear added value of this project vis-à-vis the other ongoing adaptation initiatives in the two countries (and in the region) is clearly articulated. Also, this section mentions the Teheran Convention knowledge hub, “<i>Caspian Environmental</i></li> </ul>	
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		<p><i>information Center” and linkages/synergies and opportunities for cost-effectiveness should be explored versus the activities listed in the proposed Component 5.</i></p> <p><i>It will be developed through a consultative process with particular reference to vulnerable groups, including gender considerations, in compliance with the Environmental and Social Policy of the Adaptation Fund?</i></p> <p>The project concept mentions that it will be developed with such modalities. It is also mentioned that various consultations have already taken place over the last few months.</p> <p><i>It will take into account sustainability?</i></p> <ul style="list-style-type: none"> <li>▪ <b>CR13:</b> The project mentions that the sustainability of the project would depend on links to and involvement of other regional initiatives, such as the Teheran Convention, national government</li> </ul>	
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		<p>and other groups, including the private sector. However, there is no description of how the dynamics of such interaction so far. More details should be provided.</p>	
	<p>5. Does the pre-concept briefly explain which organizations would be involved in the proposed regional project/programme at the regional and national/sub-national level, and how coordination would be arranged? Does it explain how national institutions, and when possible, national implementing entities (NIEs) would be involved as partners in the project?</p>	<p>Some institutions that would be involved in the implementation of the project, or the participation of which is considered important for the success of the project, are mentioned.</p> <ul style="list-style-type: none"> <li>▪ <b>CR14:</b> However, there is no description of their respective roles, capacities, inclusion within the project governance or related risks. Please provide.</li> <li>▪ <b>CR15:</b> The implementation arrangements outline briefly the roles of the different UN agencies that would be involved in the project execution, but there is no mention of potential collaboration with other non-UN national or international actors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>CR14 and CR15:</b> Addressed. Section on “Implementation Arrangements” has been updated accordingly.</li> </ul>

Resource Availability	6. Is the requested project / programme funding within the funding windows of the pilot programme for regional projects/programmes?	Yes. Please note this question will be considered at any future submission of the proposal.	
	7. Are the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 20 per cent of the total project/programme budget?	Yes.	
Eligibility of IE	8. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	Yes.	









## 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:	<b>Government of Azerbaijan:</b> Ministry of Ecology and Natural Resources (leading), State Committee on Urban Planning and Architecture (supporting). <b>Government of Iran:</b> 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 km<sup>2</sup> 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:

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,

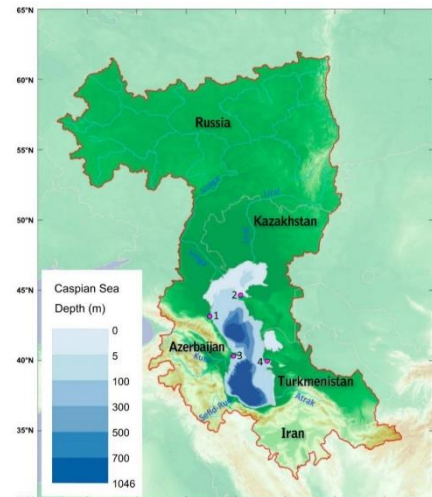


Figure 1: Caspian Sea Depth (Gridarendal)

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 live in the Caspian Sea 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)

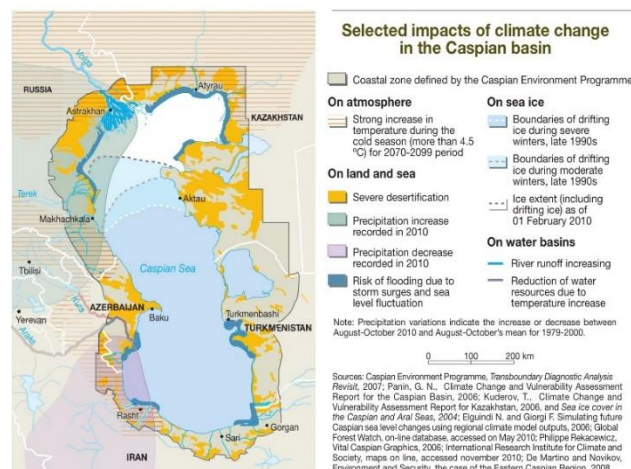


Figure 3: Selected impacts of climate change in the Caspian basin (GridArendal)

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:

- 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.)*
- 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.)*
- 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 <u>infrastructure projects / nature-based solutions</u> 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 <u>civil and environmental projects</u> 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 activities 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
<b>Amount of Financing Requested</b>			<b>14,000,000.00</b>

## 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); 3<sup>rd</sup> Communication to UNFCCU (2017), National Communication (2017), Environmental Policies and National Urban Policy in Iran – Abstract Diagnostic Report (2018).

### **Learning and knowledge management**

At 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, JUNDP 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.c.*

**Raf Tuts**  
Director, Programme Division  
UN-Habitat

Date: 1st August 2019

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Project Contact Person: Katja Schaefer

Tel. And Email: Katja.Schaefer@un.org

**AZƏRBAYCAN RESPUBLİKASI  
EKOLOGİYA VƏ TƏBİİ SƏRVƏTLƏR  
NAZİRLİYİ**



**MINISTRY OF ECOLOGY  
AND NATURAL RESOURCES OF  
REPUBLIC OF AZERBAIJAN**

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*« 31 » 04 2019 il*

**The Adaptation Fund Board  
c/o Adaptation Fund Board Secretariat  
Email: [Secretariat@Adaptation-Fund.org](mailto: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](mailto: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**