



ADAPTATION FUND

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February 28, 2011

Yannick Glemarec
Director of Environmental Finance
UNDP
304 E 45th Street
9th Floor
New York, NY 10017

Subject: The “Addressing Climate Change Risks on Water resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability in the Urban Poor” project in Honduras (UNDP) (HND/MIE/Water/2010/4 – PIMS4399,HDN10-00077360)

Dear Mr. Glemarec:

Thank you for sending the Agreement between the Adaptation Fund Board and UNDP, signed by UNDP for the above Project.

I am pleased to return herewith one copy of the Agreement, signed by me on behalf of Board, for your records.

The Board looks forward to a successful engagement with UNDP on the above Project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Farukh Iqbal Khan', written over a circular stamp.

Farukh Iqbal Khan
Chair, Adaptation Fund Board

A large, stylized handwritten signature in black ink, likely belonging to Yannick Glemarec, written below the typed name.



ADAPTATION FUND

AGREEMENT

**The “Addressing Climate Change Risks on Water Resources
in Honduras: Increased Systemic Resilience and Reduced
Vulnerability of the Urban Poor” Project in Honduras**

between

THE ADAPTATION FUND BOARD

and

UNITED NATIONS DEVELOPMENT PROGRAMME

February 28, 2011

AGREEMENT

The “Addressing Climate Change Risks on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor” Project in Honduras

between

THE ADAPTATION FUND BOARD

and

THE UNITED NATIONS DEVELOPMENT PROGRAMME

Whereas, the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in its Decision 10/CP.7 decided that an Adaptation Fund (AF) shall be established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol to the UNFCCC (Kyoto Protocol);

Whereas, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in its Decision 1/CMP.3 decided that the operating entity of the AF shall be the Adaptation Fund Board (Board), with the mandate to supervise and manage the AF under the authority and guidance of the CMP;

Whereas, in its Decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board adopted the AF *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund*, including the *Fiduciary Risk Management Standards to be Met by Implementing Entities* (AF Operational Policies and Guidelines), as set out in Schedule 1 to this Agreement (Agreement); and

Whereas, the proposal submitted by the United Nations Development Programme (UNDP) to the Board seeking access to the resources of the AF in support of the “Addressing Climate Change Risks on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor” project (Project), as set out in Schedule 2 to this Agreement, has been approved by the Board, and the Board has agreed to make a grant (Grant) to the UNDP for the Project under the terms of this Agreement; and

Whereas, the International Bank for Reconstruction and Development (IBRD) has agreed to serve as the Trustee of the AF Trust Fund (Trustee) and, in that capacity, to make transfers of the Grant to the UNDP on the written instructions of the Board;

The Board and the UNDP have agreed as follows:

1. DEFINITIONS.

Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement shall have the respective meanings set forth therein and the following additional terms shall have the following meanings:

1.01. "Grant" means the AF resources approved by the Board for the Project, under this Agreement and to be transferred by the Trustee to the Implementing Entity on the written instructions of the Board;

1.02. "Designated Authority" means the authority that has endorsed on behalf of the national government the Project proposal by the Implementing Entity seeking access to AF resources to finance the Project;

1.03. "Executing Entity" means the entity that will execute the Project under the overall management of the Implementing Entity;

1.04. "Implementing Entity" means the UNDP that is the party to this Agreement and the recipient of the Grant;

1.05. "Implementing Entity Grant Account" means the account to be established by the Implementing Entity to receive, hold and administer the Grant;

1.06. "Secretariat" is the body appointed the CMP to provide secretariat services to the Board, consistent with decision 1/CMP.3, paragraphs 3, 18, 19 and 31, which body is currently the Global Environment Facility (GEF); and

1.07. "AF Trust Fund" means the trust fund for the AF administered by the Trustee in accordance with the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund*.

2. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to the Implementing Entity the Grant in a maximum amount equivalent to five million six hundred and twenty thousand three hundred United States Dollars

(US \$5,620,300.00) for the purposes of the Project. The Project document, which details the purposes for which the Grant is made, is set out in Schedule 2 to this Agreement. The disbursement schedule and special conditions that apply to the implementation of the Grant are set out in Schedule 3 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to the Implementing Entity on the written instructions of the Board. Transfers shall be made to the following bank account of the UNDP in accordance with the disbursement schedule set out in Schedule 3 to this Agreement:

UNDP Contributions Account
No. 015-002284
JP Morgan Chase Bank
270 Park Avenue, 43rd floor
NY, NY 10017
USA New York.
SWIFT Address: CHASUS33
ABA Code: 021000021

2.03. The Implementing Entity shall make the disbursed Grant funds available to the Executing Entity in accordance with its standard practices and procedures.

2.04. The Implementing Entity may convert the Grant into any other currency to facilitate its disbursement to the Executing Entity.

3. ADMINISTRATION OF THE GRANT

3.01. The Implementing Entity shall be responsible for the administration of the Grant and shall carry out such administration with the same degree of care used in the administration of its own funds, taking into account the provisions of this Agreement.

3.02. The Implementing Entity shall carry out all its obligations under this Agreement in accordance with:

- (i) the AF Operational Policies and Guidelines; and
- (ii) the Implementing Entity standard practices and procedures.

3.03. If, during the course of administering the Grant, the Implementing Entity identifies any material inconsistency between the AF Operational Policies and Guidelines and its own standard

practices and procedures, the Implementing Entity shall: (a) immediately notify the Board, through the Secretariat, of such inconsistency, and (b) the Implementing Entity and the Board shall discuss and promptly take any necessary or appropriate action to resolve such inconsistency.

3.04. In the event that the Implementing Entity makes any disbursements of the Grant in a manner inconsistent with the AF Operational Policies and Guidelines, and these inconsistencies cannot be resolved as provided in paragraph 3.03, the UNDP shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

4. PROJECT IMPLEMENTATION

4.01. The Implementing Entity shall be responsible for the overall management of the Project, including all financial, monitoring and reporting responsibilities.

4.02. The Implementing Entity shall ensure that the Grant is used exclusively for the purposes of the Project, and shall refund to the AF Trust Fund, through the Trustee, any disbursements made for other purposes. Where the Board believes that the Grant has been used for purposes other than the Project, it shall inform the Implementing Entity of the reasons supporting its view and provide the Implementing Entity an opportunity to provide any explanation or justification for such use.

4.03. Any material change made in the original budget allocation for the Project by the UNDP, in consultation with the Executing Entity, shall be communicated to the Board for its approval. "Material change" shall mean any change that involves ten per cent (10%) or more of the total budget.

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management, or the Executing Entity's execution, of the Project or otherwise jeopardize the achievement of the objectives of the Project, providing detailed information thereof to the Board for its information.

4.05. The Implementing Entity shall be fully responsible for the acts, omissions or negligence of its employees, agents, representatives and contractors under the Project. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons under the Project resulting from the acts, omissions or negligence of the Implementing Entity employees, agents, representatives and contractors.

5. PROJECT SUSPENSION

5.01. The Board may suspend the Project for reasons that include, but are not limited to:

(i) financial irregularities in the implementation of the Project, or

(ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the Project can no longer achieve its objectives;

provided, however, that before the Board makes its final decision (a) the Implementing Entity shall be given an opportunity to present its views to the Board, through the Secretariat; and/or (ii) the Implementing Entity may make any reasonable proposal to promptly remedy the financial irregularities, material breach or poor implementation performance.

6. PROCUREMENT

6.01. The procurement of goods and services (including consultants' services) for activities financed by the Grant will be carried out in accordance with the Implementing Entity standard practices and procedures, including its procurement and consultants' guidelines. In the event that the Implementing Entity makes any disbursements in a manner which the Board considers to be inconsistent with the AF Operational Policies and Guidelines, it will so inform the Implementing Entity giving the reasons for its view and seeking a rectification of the inconsistency. If the inconsistency cannot be resolved, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

7. RECORDS AND REPORTING

7.01. The Implementing Entity shall provide to the Board, through the Secretariat, the following reports and financial statements:

- a) annual progress reports on the status of the Project implementation, including the disbursements made during the relevant period or more frequent progress reports if requested by the Board;
- b) a Project completion report, including any specific Project implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after Project completion;
- c) a mid-term and a final evaluation report, prepared by an [independent] evaluator selected by the Implementing Entity. The final evaluation report shall be submitted within nine (9)

months after Project completion. Copies of these reports shall be forwarded by the Implementing Entity to the Designated Authority for information; and

- d) a final audited financial statement of the Implementing Entity Grant Account, prepared by an independent auditor or evaluation body, within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed.

8. MANAGEMENT FEE

8.01. The Board authorizes the Implementing Entity to deduct from the total amount of the Grant and retain for its own account the management fee specified in Schedule 2 to this Agreement.

9. OWNERSHIP OF EQUIPMENT

9.01. If any part of the Grant is used to purchase any durable assets and/or equipment, such assets and/or equipment shall be transferred upon the completion of the Project to the Executing Entity or such other entity as the Designated Authority may designate.

10. CONSULTATION

10.01. The Board and the Implementing Entity shall share information with each other, at the request of either one of them, on matters pertaining to this Agreement.

11. COMMUNICATIONS

11.01. All communications between the Board and the Implementing Entity concerning this Agreement shall be made in writing, in the English language, to the following persons at their addresses designated below, by letter or by facsimile. The representatives are:

For the Board:

Adaptation Fund Board Secretariat

1818 H Street, NW

Washington, D.C. 20433

USA

Attention: Adaptation Fund Board Chair

Fax: +1 202-522 2720

For the Implementing Entity:

UNDP

304 E 45th Street

9th Floor

New York, NY 10017

Attention: Mr. Yannick Glemarec

Director for Environmental Finance

Fax:+1 212-906 6998

12. EFFECTIVENESS AND AMENDMENT OF THE AGREEMENT

12.01. This Agreement shall become effective upon its signature by both parties.

12.02. This Agreement may be amended, in writing, by mutual consent between the Board and the Implementing Entity.

13. TERMINATION OF THE AGREEMENT

13.01. This Agreement may be terminated by the Board or the UNDP, by giving prior written notice of at least ninety (90) days to the other.

13.02. This Agreement shall automatically be terminated in the event of:

- a) cancellation of the Implementing Entity accreditation by the Board; or
- b) receipt of a communication from the Designated Authority that it no longer endorses the Implementing Entity or the Project.

13.03. Upon termination of this Agreement, the Board and the Implementing Entity shall consider the most practical way of completing any ongoing activities under the Project, including meeting any outstanding commitments incurred under the Project prior to the termination. The Implementing Entity shall promptly refund to the AF Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination.

14. SETTLEMENT OF DISPUTES

14.01. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be settled amicably by discussion or negotiation between the Board and the Implementing Entity.

14.02. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, which has not been settled amicably between the Board and the Implementing Entity shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as presently in force.

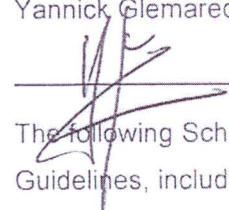
IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement on February , 2011

THE ADAPTATION FUND BOARD


Farrukh Iqbal Khan, Chair

THE IMPLEMENTING ENTITY


Yannick Glemarec, Director for Environmental Finance, UNDP


The following Schedules are attached to the Agreement: Schedule 1 (AF Operational Policies and Guidelines, including the Fiduciary Risk Management Standards; Schedule 2 (Project Proposal); and Schedule 3 (Disbursement Schedule).

Schedule 1



ADAPTATION FUND

Adaptation Fund Board

OPERATIONAL POLICIES AND GUIDELINES FOR PARTIES TO ACCESS RESOURCES FROM THE ADAPTATION FUND

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INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”¹ This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).²
3. In Montreal, Canada in November 2005³ and in Nairobi, Kenya in December 2006,⁴ the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.⁵ Parties invited the Global Environment Facility to provide secretariat services to the Adaptation Fund Board (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board is to develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
 - (a) the *Rules of Procedures of the Adaptation Fund Board*;
 - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;

¹ See FCCC/KP/Kyoto Protocol.

² See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

³ See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

⁴ See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

⁵ See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

- (c) the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund*, on an interim basis; and
 - (d) the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* (see Annex 1).
7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties.
 8. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. Adaptation projects can be implemented at the community, national and transboundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space and time.
11. An adaptation programme is a process, a plan or an approach for addressing climate change impacts that is broader than the scope of an individual project.

OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as **Error! Reference source not found.**
14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.⁶ *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project

⁶ Decision 5/CMP.2, paragraph 1 (d).

proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.

15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.⁷
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
 - (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project /programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as **Error! Reference source not found.**).

COUNTRY ENDORSEMENT

20. Every proposal for funding must be endorsed by the requesting government.

⁷ IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php.

21. Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

FINANCING WINDOWS

22. Parties may undertake adaptation activities under the following categories:
 - (a) Small-size projects and programmes (proposals requesting up to \$1 million); and
 - (b) Regular projects and programmes (proposals requesting over \$1 million).

ELIGIBILITY CRITERIA

Country Eligibility

23. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.
24. Paragraph 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
25. A cap in resource allocation per eligible host country, project and programme will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund and with a view to ensuring equitable distribution.

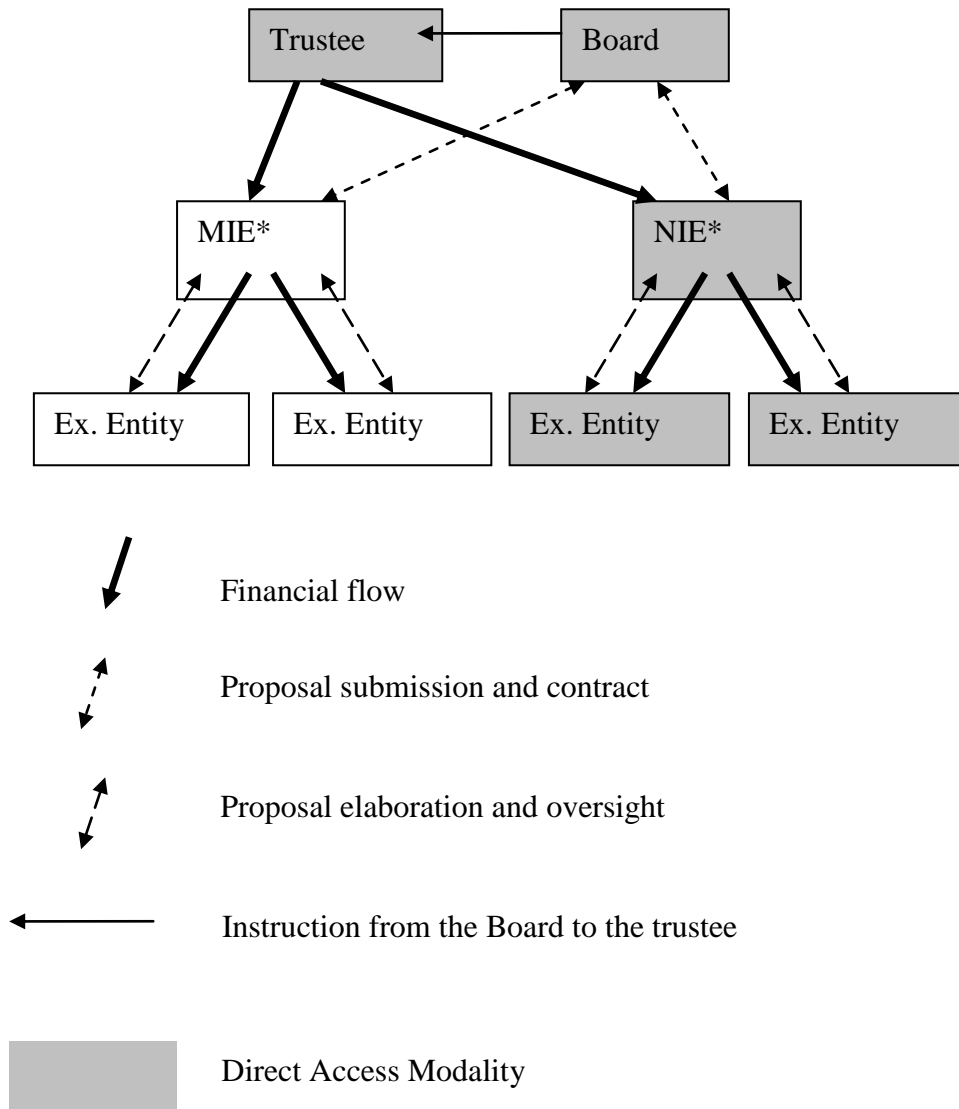
Implementing and Executing Entities

26. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).⁸ They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government.⁹ The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

⁸ They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

⁹ As laid out in paragraph 21: "Each Party shall designate and communicate the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities."

Figure 1: Modalities for Accessing Resources of the Adaptation Fund



* A Party nominates a National Implementing Entity. May also nominate a Multilateral entity

27. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
28. A group of Parties may also nominate regional and sub-regional entities as implementing entities, and thereby provisions of paragraph 27 will apply.

29. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Banks that meet the fiduciary standards provided by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
30. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the designated authority of each participating Party.
31. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities.

ACCREDITATION OF IMPLEMENTING ENTITIES

Fiduciary Standards

32. Among principles established for the Adaptation Fund (Decision 5/CMP.2) is “sound financial management, including the use of international fiduciary standards.” At its 7th meeting the Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering the following broad areas (refer to Annex 2 for details):
 - (a) Financial Integrity and Management:
 - (i) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
 - (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
 - (iii) Produce forward-looking financial plans and budgets;
 - (iv) Legal status to contract with the Adaptation Fund and third parties
 - (b) Institutional Capacity:
 - (i) Procurement procedures which provide for transparent practices, including in competition;
 - (ii) Capacity to undertake monitoring and evaluation;
 - (iii) Ability to identify, develop and appraise project;
 - (iv) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.

- (c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

Accreditation Process

33. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel supported by the Secretariat. The Accreditation Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:

- (a) The Board will invite Parties¹⁰ to each nominate a national implementing entity; the Board will issue a call to potential multilateral implementing entities to express interest in serving as an MIE;
- (b) Potential implementing entities will submit their accreditation applications to the Secretariat together with any supporting documentation to verify how they meet the fiduciary standards;
- (c) The Secretariat will review the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Accreditation Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
- (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.¹¹The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
- (e) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
 - (i) Applicant meets requirements and accreditation is recommended; or
 - (ii) Applicant needs to address certain requirements prior to full accreditation.

34. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board. In the meantime, eligible Parties are encouraged to use the services of an MIE, if they so wish, to submit project proposals for funding by the Adaptation Fund.

¹⁰ The designated authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

¹¹ The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

35. Accreditation will be valid for a period of 5 years. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.
36. The Board reserves the right to evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 6 months will be given to an implementing entity if they have been identified by the Board as being the object of such an evaluation.
37. The Board may also consider suspending or cancelling the accreditation of an implementing entity if it made false statements or provided intentionally incomplete information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
38. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

PROJECT CYCLE

39. The project cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the government of the recipient country/ies. The submission is followed by an initial screening, project review and approval.¹²

Review and Approval of Small-size Projects and Programmes

40. In order to expedite the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
 - (a) The project proponent submits a fully developed project document¹³ based on a template approved by the Board (Annex 3, Appendix A). Proposals can be submitted to the Board through the Secretariat three times per year or as may be decided at any time by the Board depending on the flow of requests and the available resources. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible.
 - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee for review, based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.

¹² The designated authority referred to in paragraph 21 above shall endorse the proposal submission.

¹³ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

- (c) The Secretariat will send all project proposals received with technical reviews to the Project and Programmes Review Committee four weeks prior to the Adaptation Fund Board meeting. The Project and Programmes Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.
- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat in writing will notify the proponent of the Board decision.

Review and Approval of Regular Projects and Programmes

41. Regular adaptation projects are those that request funding exceeding \$1 million. It is proposed that these proposals undergo either a one-step or a two-step¹⁴ approval process. To reduce the time needed to get a project funded, proponents are encouraged to submit a fully-developed project document¹⁵ for a one-step approval. The proposed project cycle steps for a one-step approval are as follows:
- (a) The project proponent submits a fully-developed project document based on a template approved by the Board ((Annex 3, Appendix A). Proposals can be submitted to the Board through the Secretariat three times per year or any other schedule to be decided by the Board. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible.
 - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals and the technical reviews to the Projects and Programmes Review Committee for review based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
 - (c) The Secretariat will send all project proposals with technical reviews to the Project and Programmes Review Committee four weeks before the Adaptation Fund Board meeting. The Project and Programme Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear

¹⁴ A brief project concept is approved in the first step followed by the review and approval of a fully-developed project/document in the second-step. A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund. Funding will only be reserved for a project after the approval of a fully-developed project document in the second step.

¹⁵ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.

- (d) All proposals approved by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat in writing will notify the proponent of the Board decision.

Disbursement

- 42. The Secretariat will draft contracts, memoranda of understanding and/or other necessary agreements with implementing entities and provide these agreements for signature by the Chair or any other Member designated to sign these documents. The Board may, at its discretion, review any of the proposed agreements. A template approved by the Board will be used to make agreements.
- 43. The Trustee will disburse funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the disbursement of funds.
- 44. The Board will ensure a separation of functions between the review and verification of disbursement requests, and the issuance of instructions to the Trustee to disburse.
- 45. The Board may instruct the Trustee to disburse funds for programmes in tranches based on time specific milestones, and may require a progress review from the Implementing Entity prior to each tranche disbursement.

Monitoring, Evaluation and Review

- 46. The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund. The Ethics and Finance Committee, with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.
- 47. The Adaptation Fund Board will develop a results framework to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The framework will take into consideration existing good practice and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, project and programmes.
- 48. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the executing entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the Ethics and Finance Committee. The Committee with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
- 49. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. The Board reserves the right to submit small projects and programmes to terminal evaluation

when deemed appropriate. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement. .

50. The Adaptation Fund Board will consider the process for developing a results framework to support projects and programmes and outline its main components with the aim of ensuring that the framework is in place before projects are approved.
51. The Adaptation Fund Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.
52. This project cycle will be kept under review by the Board.

Procurement

53. Procurements by the implementing entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good procurement practices and the procurement regulations as applicable to a given Party. Implementing entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects.
54. The project proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The implementing entities should promptly inform the Board of any instances of such malpractices.

Project Suspensions and Cancellations

55. At any stage of the project cycle, either at its discretion or following an independent review-evaluation, the Ethics and Finance Committee may recommend to the Board to suspend or cancel a project for several reasons, notably:
 - (a) financial irregularities in the implementation of the project; and/or
 - (b) material breach, and poor implementation performance leading to a conclusion that the project can no longer meet its objectives.
56. Before the Board makes its final decision whether to suspend or cancel a project, or a programme, the concerned implementing entity will be given a fair chance to present its views to the Board.
57. In accordance with their respective obligations, implementing entities suspending or cancelling projects and programmes must send detailed justification to the Board for the Board's information.
58. The Secretariat will report to the Board on an annual basis on all approved projects and programmes that were suspended or cancelled during the preceding year.

Reservations

59. The Board reserves the right to reclaim all or parts of the financial resources allocated for the implementation of a project or programme, or cancel projects or programmes later found not to be satisfactorily accounted for. The implementing entity shall be given a fair chance to consult and present its point of view before the Board.

Dispute Settlement

60. In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.
61. Subject to development on the legal status of the Board, the Board will draw more comprehensive dispute settlement provisions.

Management Fees

62. Every project proposal submitted to the Board shall state the management fee requested by the Implementing Entity if any. The reasonability of the fee will be reviewed on a case by case basis.

Where to send a Request for Funding

63. All requests shall be sent to:

The Adaptation Fund Board Secretariat
Tel: +1 202 473 0508
Fax: +1 202 522 3240/5
Email: secretariat@adaptation-fund.org

64. Acknowledgment of the receipt shall be sent to the proposing implementing entities within a week of the receipt of the request for support. All project proposals submitted will be posted on the website of the Adaptation Fund Board. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

Review of the Operational Policies and Guidelines

65. The Board shall keep these operational policies and guidelines under review and will amend them as deemed necessary.

Schedule 2

DATE OF RECEIPT:
ADAPTATION FUND PROJECT ID:
**(For Adaptation Fund Board Secretariat
Use Only)**



PROJECT/PROGRAMME PROPOSAL

PART I: PROJECT/PROGRAMME INFORMATION

PROJECT/PROGRAMME CATEGORY:	Regular
COUNTRY/IES:	Honduras
TITLE OF PROJECT/PROGRAMME:	Addressing Climate Change Risks on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor (UNDP PIMS 4399; Atlas IDs – Proposal 00060323, Project 00075904, HND10)
TYPE OF IMPLEMENTING ENTITY:	Multilateral Implementing Entity
IMPLEMENTING ENTITY:	United Nations Development Program Secretariat for Natural Resources and Environment (SERNA)
EXECUTING ENTITY/IES:	
AMOUNT OF FINANCING REQUESTED:	\$ 5,620,300 (in U.S Dollars Equivalent)



PROJECT / PROGRAMME BACKGROUND AND CONTEXT:



Although Honduras has 19 watersheds with total mean yearly flows of over 90 million m³ (Rodas, 2009) - including transboundary basins shared with El Salvador, Nicaragua and Guatemala - access to water is still limited in many areas of the country. In rural areas only 77.1% of the population has access to water and 15% to drinking water (INE, 2006). Degraded watersheds affected by deforestation and pollution of both surface and ground water aggravate the critical situation. The Choluteca River, which is the main water source for the capital city of Tegucigalpa, is no exception. According to the National Hydrological Balance (NHB) study (CEDEX, 2003) the main urban areas (Tegucigalpa and San Pedro Sula) and several key agricultural areas (mainly Patuca basin in Olancho) will face increased water scarcity in the near future.

Future climate scenarios indicate that existing water scarcity will be exacerbated by climate change and increasing variability. A recent national study on future climate change scenarios (Argeñal 2010) indicates a 5% decrease in annual rainfall by 2020 – particularly in departments located along the northwest - south east corridor from Cortes on the Caribbean coast to the Choluteca river basin on the Pacific slope. It also projects between 0.5 and 0.75 degrees Celsius increase in mean annual temperature, especially in departments in the western and southern regions. By 2050, a 20-25% decrease in precipitation is projected for most parts of the country between the months of June through August, with deficits exceeding 30% for most areas during the months of July and August especially in the departments of western Honduras. Under these conditions the decrease in rainfall that normally occurs in the middle of the rainy season in most of the country, will become longer, hotter and dryer thus putting crops and water access for human consumption at risk. The pessimistic scenario for 2090 presents a 30-40% decrease in precipitation with increases in temperature of more than 4 C° in most of Honduras. These scenarios represent a major threat in terms of Honduras' sustainability and political stability, if current demographic, urbanization and economic trends - particularly related to poverty levels – persist.

While the seven Central American countries emit less than 0.5% of the global emissions, it is estimated that the impact on economic, social and environmental losses by 2100 of these countries will be at least \$103 billion dollars. Clearly the poorest countries and therefore the most vulnerable will be the most affected by the impacts of climate change. Honduras is currently considered one of the most vulnerable countries in Latin America. According to the latest report of the Germanwatch Institute (2010), Honduras is ranked number three on the list of countries with highest levels of exposure and vulnerability to extreme events for 2008, confirming the urgent need to mainstream climate change into policies and programs, and to work both at national and local levels on climate change adaptation issues. A recent evaluation from the World Bank concluded that 62 percent of the territory Honduras and 92 percent of the total population were at risk from two or more hazards, placing Honduras in the world's top ten ranked countries at risk of natural disasters¹⁶.

Increasing frequency and intensity of hydrometeorological events as well as more marked climatic variability will exacerbate these high levels of exposure. The financial losses in Honduras due to disasters during the past 30 years are estimated at \$4.7 billion, representing approximately 50% of losses in Central America. Six of the twelve strongest hurricanes of the 20th century have impacted Honduras. The most notable example was Hurricane *Mitch*, which generated torrential rainfall nationwide for a number of days in October-November 1998, leading to flash floods and landslides which caused an estimated 10,000 deaths, destroyed 70% of the country's road infrastructure and drinking water supply network, and led to extensive crop losses. Less severe events such as tropical storms *Wilma*, *Beta* and *Gamma* in 2005 also had significant impacts on housing, infrastructure and agriculture. Forest cover loss was extensive and many of the country's watersheds "became extremely vulnerable to climatic events similar or even less dramatic than hurricane *Mitch*" (SERNA, 2000:67). There is no doubt that the country's vulnerability to such events is increasing and additional storage infrastructure will be needed to cope with the changing conditions. Most recently, the first tropical storm of 2010 (Agatha) brought torrential rains in Honduras that

¹⁶ World Bank, *Natural Disaster Hotspots: A Global Risk Analysis*, Series on Management of Disaster Risks, No. 5, 2005

triggered flash flooding and landslides in parts of the country causing 18 deaths and forcing the evacuation of more than 16,000 people. In the Choluteca river basin 31% of housing reported massive damages and 30% of total agricultural output was lost.

Despite some positive socio-economic and human development indicators, social and environmental vulnerability has been constantly increasing in Honduras. This situation is a result of: (1) pervasive and structural poverty characteristic of the third poorest country in Latin America and the Caribbean after Nicaragua and Haiti: two-thirds of the people of Honduras are poor or extremely poor; social indicators for health and education are far below the average for Latin America and chronic malnutrition affected 27,4% of children in 2005-6; (2) extremely high inequality as measured by the distribution of income¹⁷; (3) recurrent impact of disasters triggered by environmental degradation, inadequate land use planning and enforcement aggravated by climatic drivers¹⁸; and, (4) limited access to public services including safe drinking water (10%) and sanitation (32%) which results in high levels of diseases related to maternal and child malnutrition and mortality¹⁹. Moreover, in Tegucigalpa water rationing is in effect 365 days a year. There are already serious water shortages in the city, which would need to double water supplies from 2 m³/s to 4 m³/s by 2029.

In Honduras's rural areas 75% of households live below the poverty line. Rural poverty is closely linked to lack of land and prevailing patterns of land distribution, where 1.6% of farmers own 40% of farmland and there are close to 300,000 landless families. A high frequency of drought episodes affects Honduras, causing social and economic losses and threatening the population's fragile food security. Small farmers living at the so-called "Corredor seco" or *Dry corridor* along the departments of Choluteca, Morazan and Valle -in central and southern Honduras-, are frequently subject to famine due to intense droughts -particularly related to ENSO events- in which they lose all their subsistence grain production. These types of impacts are expected to get worse as climate change hits the poorer peasants' subsistence crops with increased water stress and if climate-resilience is not increased in the high water demanding agricultural sector. Currently, within the framework of SEPLAN's new "Plan de Nación" or *National Plan*, the Choluteca River Basin is prioritized as one of most important of 17 planning zones given that the capital city, Tegucigalpa, concentrates 20 to 30% of the country's population.

A growing population - especially in urban areas around Tegucigalpa- leads to ever-greater encroachment in areas prone to landslides and flooding. Fragile infrastructure is highly vulnerable to adverse climatic conditions. High poverty levels (51% of the population - 29.7% of which in extreme poverty) could be exacerbated by climate change impacts. Despite recurrent impacts of tropical storms and hurricanes, the country has still an overall very low adaptive capacity at national, regional and local levels. A large proportion of the country's population remains at severe

¹⁷ Honduras has a Gini coefficient of 0.54: 0

¹⁸ For example the 1997-98 El Niño events was followed by the destruction wreaked by Hurricane Mitch -which increased poverty levels by up to six percentage points.

¹⁹ At present, only approximately 87% of the city's residents have access to sewerage collection systems.

risk from hydrometeorological and associated extreme climatic events, such as floods, droughts and landslides, as well as the permanent threat of water resources mismanagement which aggravates reduced water availability.

According to the Central American Water Resources Adaptation Framework (CRRH-IUCN-GWP, 2001) the *El Niño* –ENSO- phenomenon juxtaposed with climate change could severely impact the Pacific slope of Honduras, the most vulnerable region according to CC scenarios. Honduras' *First National Communication to the UNFCCC* (SERNA, 2000) highlights that impacts generated by CC shifts in rain and temperatures patterns "could lead to a situation of disaster" in agricultural and other economic activities "if the appropriate (adaptation) measures are not undertaken in a timely manner" (SERNA, 2000:64). In particular, the agricultural activity in the valleys of Comayagua, Sula and Choluteca could be severely impacted and their hydropower capacity curtailed due to significant water stress (SERNA, 2000:64). Recent targeted local future climate scenarios modeled by the *Center for International Forestry Research* (CIFOR) and the *Tropical Agricultural Research and Higher Education Center* (CATIE) for the three main basins that provide water to Tegucigalpa indicate that river flows will decrease considerably due to climate change affecting severely water supply in the capital city (*Saborío, undated*).

Alterations in the hydrologic cycle and increasing difficulties in accessing water in Honduras is a socioeconomic problem driven and exacerbated by climate variability (ENSO) and change and therefore a high priority for Honduras' sustainable development agenda. More frequent and severe rationing of water is already taking place every year. During the rainy season, many households usually receive water only one day out of two. Tegucigalpa only gets water a few hours a day. The Government has already announced more frequent and longer cuts in water services in Tegucigalpa due to impacts of climate change and has considered adaptation measures to cope with this situation. However, adaptation measures to date have been short term and fragmented, and there is recognition of the need for a holistic approach that encompasses both short-term and long-term interventions. It is therefore recognized by the Government, civil society and development agencies that it is critical to mainstream adaptation considerations into existing water policy and programmes and to promote climate proofed integrated water resource management (IWRM) countrywide in conjunction with development of hydraulic infrastructure to mitigate floods and bridge droughts.

There is recognition of the need to increase water availability during the dry season and to reduce the risk of flooding. The Government is therefore endeavoring to address climate risks to water resources through a multi-pronged approach that includes improved governance at both national and local levels, strengthened capacities to generate science-based information as well as development of vital sustainable infrastructure to reduce vulnerabilities to water scarcity and flooding. However, a series of barriers impede the effectiveness of the Government's efforts. These include difficulties in downscaling climate change models; an absence of technical and human capacities to generate and monitor hydrologic and climatic data; weak communication flow between scientists and policy-makers as well as between institutions and different economic sectors; insufficient local and national capacities to mainstream climate risk considerations into development planning and programming processes, as well as an overall low awareness of climate change impacts and adaptation options for climate-resilient water resources management.

Water scarcity increases the vulnerability of socio-economic conditions of the population from the marginalized neighborhoods²⁰. In these neighborhoods there is no a public water system and they must buy the water from private water suppliers. This water is distributed by truck and the monthly cost is 50 times higher than in neighborhoods with access to the water system. The cost of the water can represent 25% of the total income of a poor family. This limited access to water increases the risk of diseases like dengue, skin diseases, and diarrhea. Surprisingly the neighborhoods with less access to the water system have less storage capacity. The storage capacity of a family from a high level income neighborhood (with better access to the water system) is on average 12 times the capacity of a family from a poor neighborhood.

Tegucigalpa and environs

The heavy rainfall and the associated landslides and floods affect the economy of the population and threaten their lives. A study developed by JICA identifies 15,000 inhabitants in flood risk areas and 132,500 inhabitants in landslide risk areas. Landslides are the main hazard in Tegucigalpa. Due to the high cost of the land, the poorest people live in the most vulnerable areas, especially those prone to landslides. As a result of increasing of rainfall some of these landslides have become more frequent in recent years affecting poor families' houses. After hurricane Mitch, the municipality of Tegucigalpa tried to relocate some of these people in vulnerable areas to new small villages far from the city. However in most of the cases they returned to their vulnerable original location as their only livelihood options and possible sources of income are in Tegucigalpa. There is therefore a need to develop response measures that reduce vulnerability levels of these highly exposed communities.

Efforts undertaken by the national Government with the technical support of UNDP attempt to identify the most vulnerable areas in the country to climate change. Many workshops with key actors have taken place and as a result of these meetings Choluteca Basin, and as part of the upper part of the basin the city of Tegucigalpa, was identified as the most vulnerable area to climate change in the country. This participatory identification was the result of an analysis of scenarios and vulnerabilities to climate change in Tegucigalpa. In the area of Tegucigalpa some of the main impacts identified by the future scenarios to climate change are:

- **Water scarcity.** As noted above, the city of Tegucigalpa was identified in the National Hydrological Balance (NHB) as one of the areas that will suffer most water scarcity in the 2025 scenario. In Tegucigalpa water rationing is already in effect 365 days a year. There are already serious water shortages in the city, which might need to double the water supply from 2 m³/s to 4 m³/s by 2029. As an example of the critical situation of Tegucigalpa to face the projected water scarcity, in December 2009 the Government of Honduras declared a state of emergency in Tegucigalpa due to water shortages from drought caused by the climatic phenomenon "El Niño".

²⁰ Water as a Human Right and the Effects of Privatization in Honduras, prepared for Mario Ardón Mejía, Honduras, March 2005 for Bread for the World, Honduras, (March, 2005).

- **Heavy rainfall.** In the assessment for the national land use plan, Tegucigalpa and the Choluteca basin were identified as one of the areas with the most extreme rainfall in the country, extreme rainfall that produces floods and landslides. In June 2010 during storm Agata 24% of people that were evacuated in the country were from Tegucigalpa.
- **Landslides.** Tegucigalpa is strongly affected by landslides. One study developed by UNDP identified an area of 1,856 ha affected by landslides in Tegucigalpa.
- **Diseases.** In June 2010 the Honduras Government declared a national health emergency as a result of the high number of dengue cases. 78% of the total cases were in Tegucigalpa. The high impact of the dengue in Tegucigalpa is a result of the water scarcity. Due to this water scarcity, people in the poorest areas must store water and these water tanks are ideal breeding grounds for the dengue mosquito.
- **Deforestation** An assessment of the environment vulnerability in the main Honduran basins identifies the Choluteca basin as one of the most deforested basins in the country. Urban expansion has already started to penetrate important watershed areas, such as the Guacerique watershed, which is one of only three future water sources for the city. In the northern part of the city, urban growth is encroaching on the United Nations Parks (El Picacho) and La Tigra National Park. In the case of La Tigra, encroaching development also threatens the quality of another one of the city's watersheds. In the south, development is encroaching on the city's major reservoir, La Concepcion. Deforestation in the protected areas, particularly in the watersheds, is a serious problem, which has contributed to sedimentation of river channels and increased potential for flooding on the Choluteca and its tributaries (Angel et al., 2004).
- **Density.** Tegucigalpa city has the highest population density in the country with 734 inhabitants per square kilometer, which is a factor in high exposure levels to natural disasters. This high density is especially critical for a city located in a fragile environment, with high slopes and volcanic soils. Over the past 30 years, the urban area of Tegucigalpa has more than tripled in size and will continue to grow reaching an estimated population of 2,000,000 by the year 2029 (Angel et al., 2004). Population density is highest in the northwestern area of the city and along much of the urban periphery which is constantly impacted by floods, landslides and droughts.
- **Governance.** In 2009 Tegucigalpa was identified as the 8th most violent city in the world.
- **Poverty.** Tegucigalpa also evidences high economical vulnerability. In Tegucigalpa 57% of households live below the poverty line. These inhabitants that live under the poverty line are the most affected by the various hazards (landslides, water scarcity and floods)

In addition to this study, in June 2010 the municipality of Tegucigalpa with support from UNDP carried out a participatory study to identify the most vulnerable areas of the city. As part of this study 14 *barrios* (neighborhoods) were identified as the most vulnerable. The main common features of these vulnerable areas are the following:

- The populations of the neighborhoods are families with high levels of poverty. Most work in the informal sector for income generation that is affected during emergencies. Security conditions are very bad and there are high levels of crime and violence.
- Most homes and other buildings have been built on steep slopes informally and without applying any building regulations or taking into account soil characteristics.
- Access to safe water under normal conditions is very limited. In emergency situations the availability of water decreases dramatically.

- The roads leading into the neighborhoods and the internal streets are mostly dirt and have no proper drainage system, so the streets collapse during heavy rain events. Waste water is usually thrown out on the streets, generating pollution and diseases.

In order to identify the perception of the population of these vulnerable neighborhoods about climate change and disasters 657 surveys were applied. The results were:

- 90% of respondents believe there are more natural disasters now than before, and 33% perceived that this is a consequence of the climate change.
- Additionally 90% of respondents also believe that they could be directly affected by a disaster in the near future, mainly because they live in an area at risk (73%) and because housing is constructed with materials that are very weak (34%).

Therefore the perception of the risk of disasters associated with climate variability and change is high among the city's population but the association between disasters and climate change is still incipient. There is a need to move beyond short term understanding of vulnerability and of response options to more long-term planning, programming and understanding that encompasses the projected climate change scenarios. Tegucigalpa and the upper Choluteca basin clearly evidence a complex multi-hazard scenario that will be exacerbated in the future according to climate change scenarios.

PROJECT / PROGRAMME OBJECTIVES:

The objective of the project is to increase resilience to climate change water-related risks in the most vulnerable population in Honduras through pilot activities and an overarching intervention to mainstream climate change considerations into the water sector. Given the cross-cutting scope of this sector, the project will therefore contribute to incorporate climate change issues into the planning processes and investment decisions of key line ministries. Targeted work in Tegucigalpa and the watersheds that provision the capital city, will validate concrete response measures – ranging from economic incentives to low-cost technology investments that will assist in orienting work at policy levels. This will be achieved through three outcomes:

1. Improved institutional capacities and tools for mainstreaming adaptation to climate change through the regulation and application of the new Water law and the National Plan law, which calls for inter-sectoral and landscape approaches that internalize climate change concerns.
2. Existing water stress and projected increased water scarcity in Tegucigalpa and environs, as well as flash floods due to extreme events, addressed through a range of complementary measures that will serve to pilot responses to climate change impacts in both watershed and urban settings.
3. Targeted capacity building and tools enable stakeholders at all levels to effectively respond to long-term climate change impacts

PROJECT / PROGRAMME COMPONENTS AND FINANCING:

Programme Components	Expected Concrete Outputs	Expected Outcomes	Amount (US\$)
<p>1. Relevant institutional structures including the National Water Authority, strengthened for mainstreaming climate change risks into water resources management as well as into national planning, public investment - budgeting and decision-making processes (at various scales)</p>	<p>1.1 Integration of climate change risks and opportunities into the new Water Law and the new National Plan Law effectively mainstreams these into water resource policies, watershed management plans, and investment planning policies for sectors with high water demand (\$183,000)</p> <p>1.2 Capacities at the new Water Authority and SEPLAN for integrating climate risks into planning and programming processes strengthened (eg investments, allocation of land and water use rights, and urban development) (\$152,900)</p> <p>1.3. National meteorological network strengthened, and quality and quantity of information on the scientific, technical and socioeconomic aspects on impacts of climate change, vulnerability and adaptation improved (\$892,600)</p> <p>1.4 Climate risk assessment tools and information available (eg updated National Hydrological Balance, vulnerability assessment of groundwater resources, update of CC risk socioeconomic indicators, review of climate related risk maps) to relevant institutions and embedded in planning processes for climate proofing watershed management approaches, agricultural practices, flood and landslide control measures, and infrastructure development (\$130,000)</p>	<p>Capacities and tools developed to collect and manage climate risk information for strategic development processes to enhance resilience</p>	<p>1,358,500</p>
<p>2. Comprehensive measures piloted to safeguard Tegucigalpa City and environs" water supplies in response to existing and projected water scarcity and to the vulnerability to extreme climate events</p>	<p>2.1. Water provisioning services maintained despite long-term climate trends through sustainable land use practices piloted in the highland watersheds and green belt around Tegucigalpa (\$155,000)</p> <p>2.2- Financial mechanisms (eg water pricing, risk transfer/insurance) assist in managing water supply and demand to address current and projected water scarcity in the capital city and surrounding landscape (\$50,000)</p> <p>2.3- Activities for adaptation to climate change impacts, ranging from water scarcity to flooding piloted in the 14</p>	<p>A range of targeted investments and actions reduce climate change risks and vulnerability to projected water scarcity as well as to hydrometeorological hazards in Tegucigalpa</p>	<p>2,950,000</p>

Programme Components	Expected Concrete Outputs	Expected Outcomes	Amount (US\$)
	<p>most vulnerable areas of Tegucigalpa (eg low cost water storage facilities, stabilized landslides areas, more efficient water use and rainfall management schemes, early warning systems) (\$2,712,600)</p> <p>2.4- Targeted thematic strategic plans (eg. adaptation strategy for upper Choluteca basin, rainfall management plan, groundwater diagnostic analysis) enable municipal authorities of the upper Choluteca River to overcome short-term reactive responses to climatic risks and impacts (\$32,400)</p>		
3. Targeted capacity building and outreach enable stakeholders at all levels to effectively respond to long-term climate change impacts	<p>3.1. Targeted training provided to policy-makers and key stakeholder at national and municipal levels on the incorporation of CCA information in decision-making processes (\$121,000)</p> <p>3.2. “Policy dialogue platforms”, enable key Ministries and stakeholder groups to define and prioritize adaptation options, negotiate trade-offs and resolve conflicts (\$65,000)</p> <p>3.3 Communications and outreach strategy uptakes lessons and practices developed through the project for replication (\$124,000)</p>	Decision makers and resource users understand the projected impacts of climate change and identify effective options for reducing climatic risks and vulnerability	310,000
Programme Execution cost and M&E			561,500
Total Programme Cost			5,180,000
Programme Cycle Management Fee charged by the Implementing Entity ²¹			440,300
Amount of Financing Requested			5,620,300

PROJECTED CALENDAR:

MILESTONES	EXPECTED DATES
Start of Programme Implementation	March 2011
Mid-term Review (if planned)	March 2013
Programme Closing	March 2016
Terminal Evaluation	April 2016

PART II: PROJECT JUSTIFICATION

A. Describe the project components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience.

Component 1- Relevant institutional structures including the National Water Authority, strengthened for mainstreaming CCA into water resources management as well as into national planning, public investment - budgeting and decision-making processes (at various scales)

The recent approval of the Water Law²² and the National Plan Law²³ in Honduras represents a unique opportunity to strengthen capacities for mainstreaming climate change into the country's inter-sectoral policy framework. However, despite the country's significant exposure to climate change risks and high vulnerability, no provisions have been made for mainstreaming climate change considerations into these norms or into related development planning process. Therefore the project will work at two levels: under **Output 1.1** at the national level, and taking full advantage of the opportunities created by the recent approval of both these Laws, it will ensure that these legal frameworks are harmonized in terms of mainstreaming climate change adaptation issues. Jointly, these norms will be pivotal in getting other line ministries and sub-national actors

²² In December 2009 Honduras approved a new national Water Law that provides the framework for responding to the challenges faced by this sector. Under the Law, a new Water Authority has the mandate over water resources management, but also, as the Text of the Water Law states: the Water Authority has a mandate over water, ecosystems and their (Natural) Resources. The Water Authority, which operates under the auspices of SERNA (Secretariat for Natural Resources), merged two government departments: the Meteorological department and the Water Resources department. A National Water Resources Management Institute will underpin it as a technical body charged with provision of scientific information and policy briefs for the implementation of the Water Law.

²³ In February 2010, the Law for the National Plan was approved which divides Honduras into six regions based on the main river basins in the country. (Tegucigalpa district is under the 4th Region and the 11th sub-region). According to the Law, a Regional Development Committee must be created in each region. These regional committees incorporate both public and private actors, and are tasked with the elaboration of a regional development plan, with the support of a regional technical unit. The integration of all the regional development plans (that includes a significant land management component) will constitute the national development plan.

to effectively take climate risk issues into account when deciding on key developmental issues such as investments, allocation of land and water use rights, and urban development.

Work on normative solutions will need to be complemented by institutional strengthening at all levels, as proposed under **Output 1.2**. This will require enhanced collaboration between the Ministry of Natural Resources (the lead agency for the Water Law), the Ministry of Planning (the lead agency for the National Plan) and other key stakeholder groups to ensure streamlined regulation and enforcement processes that provide for effective attention to climatic risks and avoidance of decisions or investments that could lead to maladaptation. Inter-sectoral mechanisms already exist at a sub-national level in the form of the Regional Committees, established by the new law and key linchpins for water governance, with a mandate for the coordination of actions by public and private actors in a given basin. These are therefore an important vehicle for effectively incorporating climate risk considerations into planning processes and for applying these to decisions on water management, development of hydraulic infrastructure and protection, and conservation of water resources in the basin. The institutional framework for water resources management in the upper Choluteca river basin will be strengthened including developing capacities of the six Regional Committees²⁴ of the Choluteca Basin and the different municipalities located in the upper part of the basin for applying the requisite tools for incorporating CCA considerations into planning and investment decisions at the watershed level. It will thus in fact be a pilot for working with Regional Committees and municipalities. Overall, under this output the project would deliver an increased understanding of climate change impacts and response measures within national and regional planning committees, and thus the development of targeted strategies and tools to integrate CCA into planning processes. The project will thus effectively facilitate the integration and harmonization of climate change issues into territorial planning approaches in the various Honduran planning tools and institutions. This work will be an important platform to support conflict resolution measures and mechanisms to address tensions that may arise with regards to water and land use. This effort will be ground-truthed in work described under Outcome 2 which will focus at sub-national levels in the area of Choluteca Basin.

Another one of the challenges in Honduras for the integration of adaptation to climate change in development planning is the absence of technical information. Therefore under **Output 1.3** the national meteorological network will be strengthened. The assessment carried out by the WMO in 2005 to define requirements for strengthening the national meteorological network will be the basis for detailing investment and equipment needs. This network will assist in permanent monitoring of water flow and capture levels in the Choluteca River, thus contributing critical information to underpin proposed financial mechanisms under Output 2.3. *Over 66% of the resources requested under **Outcome 1** will be allocated to this.*

In addition to this, critical technical information to orient decisions at national and sub-national level, as well as for the elaboration of climate change induced socio-economic scenarios, is still

²⁴ Regional Committees have been established by the new National Plan Law and are emerging as key sub-national entities for planning, programming and decisions related to investments. They include all key sectors and stakeholders.

missing in Honduras. These gaps will also be addressed under **Output 1.3** through the development of technical products relevant for the analysis of vulnerability, impacts and adaptation measures in Honduras including:

- Update the National Hydrological Balance (NHB) – understood to be a vital resource for a range of adaptation options. This updated NHB will provide an overlay of climate variability (ENSO)/climate change projections estimated over short and medium term periods. Thus it will be a tool to prevent mal-adaptation through the allocation of water uses along the main Honduran river basins as well as to inform planned and future investments in the sector. This will be coupled with work under the National Plan to ensure that critical areas, such as groundwater recharge zones, are adequately managed.
- In the Upper Choluteca River Basin, a Hydrological Balance will be undertaken to capture and manage information on its 6 main tributaries. This information will also contribute to strengthening Early Warning systems and other measures to prevent urban flash floods in Tegucigalpa City frequently caused by heavy rains. In turn this would represent a first step towards climate-proofing the water management plan for the entire Choluteca River Basin, one of the most important in the country.
- Update the inventory of groundwater resources and analysis of the vulnerability of these resources to climate change.
- Develop a high precision topography of the coast line to allow the modeling of the impact of sea level rise.
- Inventory of elements exposed to climate change and their vulnerability in critical sectors for national development.
- Update of socioeconomic indicators relevant for vulnerability to climate change analysis.
- Information of sedimentation estimates according to land uses trends and projections.
- Update of climate related risk maps (hazards, vulnerabilities and impacts)

In parallel to strengthening relevant policy and institutional frameworks, and generating required information, under **Output 1.4** the project also proposes to work on the development of specific tools to inform investments and activities throughout the country. In close coordination with SERNA and SEPLAN, and with the technical support from the UNAH, hydro-meteorological and climatic data will be integrated into flexible, user-friendly Geographic Information Systems (GIS). The proposed project aims to support the establishment of a GIS system equipped with the key information for incorporating climate change adaptation aspects into water resources management including: (a) river flow dynamics, (b) sedimentation estimates according to land uses trends and projections, (c) socioeconomic indicators, and (d) climate related risk maps (hazards, vulnerabilities and impacts). These will be integrated into an information GIS system that, supported by targeted training programs under Output 3.2, will become a vital technical tool for decision makers, climate change adaptation/disaster risk reduction practitioners as well as for community leaders. Even though a GIS for Tegucigalpa urban area already exists, the upper Choluteca River Basin which generates the water for the city lacks both information and the technical platform.

Component 2 - Comprehensive measures piloted to safeguard Tegucigalpa City and environs' water supplies in response projected climate change induced water scarcity

At national and sub-national level the Government of Honduras appreciates that responding to the challenges posed by existing and future climate risks in the capital city and surrounding area will require a comprehensive, multi-pronged approach that addresses the long term sustainability environmental provisioning services, the rationalizing of both domestic and industrial water demand, and targeted interventions and investments to increase water supplies and to reduce the impact of climate change. Therefore **Outcome 2** proposes a comprehensive package of interventions will constitute a pilot with high replication potential in many water-stressed urban centers in Central America and elsewhere.

Under climate change scenarios, the protection and selection of areas of the upper part of Choluteca Basin for the creation of protected areas is critical. Tegucigalpa's water supplies come from the upper Choluteca river and in particular from two protected areas, La Tigra and the Yerba Buena Biological Reserve. However, no ecosystem services valuation assessments have ever been undertaken both to evaluate the economic benefits generated by this system as well as to determine how ecosystem services can be enhanced under conditions of climate change. For example, the provisioning services of these Protected Areas, mist forests that capture water from the atmosphere, could be enhanced by providing for greater connectivity between the protected areas around Tegucigalpa as climate changes. To improve this connectivity under an ecosystem approach, the project as part of **Output 2.1** will develop pilot activities for sustainable land management in the highland watersheds and green belt around Tegucigalpa. This selection must include considerations of city water supply, watershed integrity, and sensitive ecosystems such as cloud forests located at high elevations that are particularly vulnerable to climatic impacts.

Under **Output 2.2** the proposed project would incorporate CCA considerations into economic incentives frameworks, including the revision of water pricing in Tegucigalpa. This would contribute to a no regrets suite of adaptation measures that would promote sustainable land uses as well as ecosystem conservation and restoration for key ecosystems with provisioning services and that function as "bio-shields" for hazard mitigation under changing climate conditions. The project will support consolidation of the "Cinturón Verde" or "Green Belt" connecting mountain protected areas around Tegucigalpa in partnership with relevant stakeholders – with the added value of encouraging connectivity as a climate change adaptation measure for biodiversity conservation, disaster risk-hazard mitigation, and to secure hydrological environmental services. There are ongoing initiatives to develop payment for environmental services (PES) for the Choluteca basin. The strengthened national meteorological network (Output 1.3) will assist in generating accurate quantitative estimates on how much water is captured in the Choluteca River Basin, in order to present and account for alternatives to urban local stakeholders' vis-à-vis traditional infrastructure facilities. The pilot activities developed as part of Output 2.1 will serve as models to be implemented with the economic incentives framework promoted under Output 2.2.

In parallel, initiatives to increase water supplies and provisioning services need to be complemented by efforts to manage demand given current water rationing in Tegucigalpa and

surrounding areas, and climate change scenarios that predict further precipitation decreases. In addition, risk transfer schemes, such as index insurance schemes will be advanced as appropriate. Mechanisms for demand management will be advanced, including revised water pricing, and included as part of **Output 2.2**. This mechanism must include clear strategies to facilitate water access by the most vulnerable population. As mentioned above, the most vulnerable population of Tegucigalpa to climate change is the population that lives under the poverty line in marginalized areas. This population is vulnerable to water scarcity, floods, landslides and diseases, impacts that will be exacerbated by climate change. Cost-benefit analyses will also be undertaken and participatory processes carried out to allow to the various stakeholders involved in the development planning processes at national and sub national level to contribute to defining and prioritizing adaptation measures based. Cost benefit analyses should underpin optimal decisions to benefit the most vulnerable population.

Under **Output 2.3** the proposed project will implement targeted, concrete actions and investments to reduce climate change and variability risks in neighborhoods prioritized for their exposure levels, in order to create more climate change resilient “barrios”. These actions will include low cost water storage facilities, stabilized landslides areas, more efficient water use and rainfall management schemes. For example, rain harvesting in Tegucigalpa and surrounding areas could mitigate water shortages given that there is currently rationing throughout the year. UNDP Small Grants Programme, Visión Mundial – World Vision - and PREVDA project do have some valuable experience in this field with lessons that can be shared. (The capture of “green water flows” usually represents around 67% of precipitation, making them central to discussions and planning adaptation strategies in the water sector - UNFCCC, 2006). An Early Warning System (EWS) will be developed integrating meteorological forecasts for the upper Choluteca basin (with information generated by the strengthened meteorological network). It will be based on a suite of defined benchmarks, and will be designed to account for both water scarcity and excess. It will also be used as a complimentary safeguarding tool for the operations of existing and planned dams. In addition to this, the EWS would help define the appropriate rationing benchmark in times of water stress. All the actions will be developed through a robust community-based approach and using low cost technologies that facilitate the replication. *Over 86% of resources for this Outcome will be allocated to this Output.*

The Government of Honduras, and in particular the Mayor’s Office of Tegucigalpa and local authorities in the upper Choluteca basin recognize that there is a need to develop targeted thematic strategic plans to in order to avoid short-term reactive solutions or actual mal-adaptation, and to rather lay the bases for long-term investment and planning processes underpinned by sound science. Under **Output 2.4** therefore the following activities will be undertaken:

- Development of a hydrological plan and an adaptation strategy for the upper watershed which would lay the basis for basin-wide processes. As part of the plan various adaptation options based on future CC scenarios and climate and hydrological projections, and targeted cost-benefit analyses will be identified and prioritized.
- Development of a rainfall management plan under climate change scenarios for the city of Tegucigalpa. Due to topography with steep slopes, this is critical for the city. This is a common problem in many of the main cities in the region and the identification of appropriate

low cost technologies for responding to extreme rainfall in Tegucigalpa can serve as a model and a pilot experience for other cities.

- Elaboration of a diagnostic analysis for short and long term sustainable management of groundwater resources (quantity and quality) for Tegucigalpa City under climate change scenarios; this will be integrated into water resources assessment methodology (National Water Balance) under Output 1.3. Given current and projected water scarcity, which has led to overexploitation of aquifers, this information will be critical in allocating water use in the city and surroundings, and to orienting the regulation of the new Water Law.

Component 3- Targeted capacity building and outreach enables stakeholders at all levels to effectively respond to long-term climate change impacts

Mainstreaming of climate change issues into economic and land-use planning processes requires new or strengthened skill sets that are largely absent in government institutions. Therefore the Government of Honduras assigns high priority to capacity development at all levels. New skills will be required, for example, to undertake comprehensive vulnerability assessments and to develop climate change scenarios, as well as to incorporate climatic variables into their relevant decision and planning processes. Therefore under **Output 3.1** a targeted capacity needs assessments of key institutions, including the new Water Authority and the regional and national development committees, will be undertaken to determine precise training requirements so as to develop tailored capacity development programs that are going to effectively enable the Honduran society to confront climate change challenges. Improvement of capacities at national, sub-national and sectoral level to further identify and understand impact, vulnerability and adaptation responses is critical in order to effectively select and implement practical and high priority adaptation actions. Key government authorities at national and local levels as well as representatives of key resource use groups in private sector and communities will be trained. A possible source of training is CAP NET, an international network for capacity building in integrated water resources management, coordinated by UNDP.

Under **Output 3.2** policy dialogue platforms for training policy-makers and key stakeholder at national and municipal levels in the use of CCA information in decision-making processes would be developed, that would complement formal capacity development under Output 3.1. To date, the Plataforma del Agua (Water Platform) has initiated discussions on adaptation to climate change at a national sectoral level, with the main objective of clarifying concepts related to the new Water Law. The project would integrate climate change information and scenarios into this process, thus strengthening understanding of climate change impacts and response measures among key stakeholder groups including public authorities, private sector, academia and non-governmental sectors. The platform will also serve to develop a network of expertise and a roster of experts who will be able to provide professional advice on hydrological and climate adaptation issues to local institutions through each municipality in the basin. These platforms would play a critical role in enabling decision makers and resource users to understand the projected impacts of climate change and identify effective options for reducing climatic risks and vulnerability. Through the platforms, it will be possible to prioritize various options and to address potential trade-offs and associated conflicts between resource users. Conflict resolution mechanisms will

be developed through this output given that under scenarios of increased water stress it will be essential that societies are able to engage in participatory decision-making processes that provide for equitable access to increasingly scarce resources. Policy dialogues among all relevant stakeholders from the different municipalities belonging to the Choluteca River Basin would take place under the aegis of this Platform, leading discussions and negotiations on the adaptation (or on the prevention of maladaptation) costs of development projects proposed for the basin, focusing on their social, environmental, hydrological and climate risks cost in terms of adaptation to future climatic, hydrological and socioeconomic scenarios.

A communications and outreach strategy will be developed and implemented for relevant stakeholders for uptake of lessons learned and engagement in the various project components under **Output 3.3**. Climate change issues are relatively new on the human development agenda and there is a pervasive lack of understanding of the scope, projections and impacts. This is true for all levels and segments of society. Therefore the proposed project will launch an interactive audiovisual and online communications and outreach strategy designed to reach relevant stakeholders and to disseminate lessons learned as well as to uptake climate change adaptation response measures and experiences; this will inform both the process of mainstreaming adaptation at national institutions, policies and planning budgets, as well as specific response measures by resource use groups.

The comprehensive package of measures proposed for Tegucigalpa valley and surrounding area would constitute a pilot with high replication potential for other urban centers in Central America. Therefore the project would ensure diligent capture and systematization of lessons learned and practices. The project would also establish a local CCA clearinghouse for adaptation knowledge and toolkits management nested in national and local water agencies (National Water Authority, Choluteca Regional Water Authority and Choluteca River Basin Committees) with technical advisory support from an academic institution or centre. Lessons learned and best practices would also be disseminated through the Adaptation Learning Mechanism. The Choluteca River Basin Platform would feed this clearinghouse with experiences and lessons from the technical, institutional and political processes taking place in the basin.

Overall the training, outreach and communications efforts undertaken through this Outcome will decisively contribute to mitigating some of the risks identified for the project which are related to limited political will and a possible reluctance to incorporate climate change risks into decision and planning processes on the part of public and private sector as well as the general public. Therefore work to build up awareness of both potential climate change impacts as well as of potential adaptation response options and measures, will be a critical cross-cutting component of this project.

B. *Describe how the project provides economic, social and environmental benefits, with particular reference to the most vulnerable communities.*

Over the past 30 years, the urban area of Tegucigalpa has more than tripled in size and demographic trends indicate continued growth, reaching an estimated population of 2 million by 2029 (Angel et al., 2004). Population density is highest in the northwestern area of the city and along much of the urban periphery which suffers from recurrent impacts of floods, landslides and droughts. According to vulnerability maps developed by the Autonomous University of Honduras, high levels of vulnerability characterize 54 municipalities. Given that a majority of the poorer population inhabits informal, unplanned, and under-serviced settlements often on land subject to landslides or floods, exposure and therefore vulnerability levels are exacerbated. Difficult topographic conditions -the city is located in the middle-upper Choluteca river basin on an irregular and unstable surface with steep slopes- contributes to this multi-hazard climate risk scenario. According to the Japanese Cooperation Agency (JICA), 133 thousand families -14% of the city population- inhabit the 17 high landslide-risk zones they have mapped in Tegucigalpa. If urban expansion continues in this (unplanned) fashion, by 2031 most of the city's new development will continue to occur in high risk areas (Angel et al., 2004) and climate change impacts could be devastating. The project will pilot an integrated package of practical, cost-effective response measures that aim to reduce vulnerability to climatic risks in the 14 poorest neighborhoods in Tegucigalpa with a population of 32,000 that is highly vulnerable to climate change. The criteria for the prioritization was hazard information, indicators on poverty, housing fragility, level of organization, people at risk, population density and disaster history. The implementation of pilot adaptation actions in these barrios will benefit this population directly decreasing their vulnerability both to flooding events as well as growing water scarcity. As described above, key areas to be addressed include improved water storage capacity and targeted investments to reduce flood and landslide impacts, using low cost technologies. In addition to defined actions, other measures will continue to be defined through a highly participatory process. The vulnerability assessment carried out in Tegucigalpa identified another 70 barrios that are highly vulnerable to climate change. Therefore the pilot measures developed through the project will have very significant replication potential both within Tegucigalpa as well as in other areas of Central America.

The project will not limit itself, however, to piloting adaptation measures with the most vulnerable communities in Tegucigalpa. As underlined above, the project will put in place a comprehensive suite of measures that address not only water supply but also water demand. Therefore strategies for improved water pricing and regulation to manage demand will also be put in place. In addition to addressing needs in urban areas, the project also aims to improve land use and management options in highland watersheds and green belt around Tegucigalpa. This will both benefit water provisioning ecosystem services as well as the communities that live in the areas surrounding the capital city and in the buffer areas of the several protected areas.

The Government of Honduras understands this project to be a unique opportunity for ensuring climate-resilient development pathways. Therefore the project will also work at a more systemic level, putting in place norms that will mainstream climate change and variability considerations into key economic sectors. In this regard, the “climate proofing” of the new Water Law as well as of the leading land use planning tools to limit and control growth in high-risk areas, is considered a significant deliverable of the project. Urban expansion has already started to

penetrate important watershed areas, such as the Guacerique watershed, which is one of only three future water sources for the city. In the northern part of the city, urban growth is encroaching on the United Nations Parks (El Picacho) and La Tigra National Park. In the case of La Tigra, encroaching development also threatens the quality of another of the city's watersheds. In the south, development is encroaching on the city's major reservoir, La Concepcion. Deforestation in the protected areas, particularly in the watersheds, is a serious problem, which has contributed to sedimentation of river channels and increased potential for flooding on the Choluteca and its tributaries (Angel et al., 2004). Therefore under climate change scenarios, the selection of areas for the creation of protected areas must include considerations of city water supply, watershed quality, and sensitive ecosystems such as cloud forests located at high elevations. Therefore work under the project will deliver significant long term benefits that encompass social, economic and environmental benefits.

C. Describe or provide an analysis of the cost-effectiveness of the proposed project

In terms of the proposed intervention strategy at national levels, the main thrust of Outcome 1 is to mainstream climate change adaptation considerations into the new policy and institutional frameworks: Water Law and Authority, and the National Plan Law. The alternative to this specific proposed line of action is in fact, the status quo, that is, the application of these legal instruments without taking into account the demands of CCA. Other options would call for piecemeal and gradual incorporation of CCA issues into these frameworks, probably as a reactive response to events on the ground and emerging trends. It is argued that the proposed Outcome is fully cost-effective: it calls for an investment of USD1,420,000, and the result will be climate-resilient policy structures that will orient national development planning, water management and public investment for the next 28 years. The annual public sector budget in Honduras is 6.3 billion USD. So through the window of opportunity that these new laws offer, CCA will be incorporated in public investment decisions for the coming decades. In tandem with this, institutional capacities will be strengthened to provide for effective implementation and application of the revised legal frameworks. There is no alternative option that is so far-reaching and therefore cost-effective.

The project also proposes significant investments in strengthening the national meteorological service. It is noted that the needs assessment was carried out by WMO in 2005, and to date has not been possible for the recommendations to be effected. Therefore the support of the Adaptation Fund is necessary to enable the Government of Honduras to ensure that this network, which is critical for a country as vulnerable as ours, can be strengthened. There truly is no alternative to this.

The Government of Honduras notes, moreover, that most of the projects to increase coping capacities to existing and projected water scarcity in the country have focused on construction of large infrastructure (e.g. large-scale dams. An initiative promoted by JICA proposes large-scale investment and construction to prevent landslides; an investment of USD 8 million would be required to stabilize three landslide-prone areas. Although these projects have important benefits, such stand-alone investments need to be complemented by other alternatives. Key among these, as evidenced by the priority the Government assigns to this proposed project, is the need to

integrate climate change in development planning, and to pilot low-cost risk reduction works and water storage facilities that can readily respond to the needs of poor and exposed communities. These are the main strategies of these project and these are very cost effective. Under Outcome 2, with an investment of 2,950,000 at least 13,000 of the poorest households in Tegucigalpa will reduce their vulnerability threshold through low cost activities (water storage, low cost construction works to prevent landslides, and early warning systems).

In addition to this, the Government of Honduras considers that many adaptation response measures are site specific, and that there is a need to ensure against ad hoc, fragmented responses that may address an issue or an impact in a given locality or sector, but transfer externalities or restrict options elsewhere. This is particularly true for a landscape that includes a large urban conglomeration dependent on its surrounding environment for critical ecosystem provisioning services. Given its exposure to natural hazards, Honduras has achieved progress in terms of disaster risk management. As has unfortunately been the case to date, the baseline scenario will largely consist of DRM responses which are short-term and without an integrated vision that provides for an effective understanding of linkages between sectors and geographic areas, as well as without the tools and mechanisms for decision making processes capable of identifying opportunities for no-regrets responses, addressing trade-offs, and addressing potential conflicts. Opportunities for mainstreaming climate change risks into normative frameworks – a cost-effective way to achieve changes in many key sectors – will be missed. Requisite capacities and tools will not be accessed, creating constraints to the identification, prioritization and implementation of adaptation response measures. Therefore and unfortunately, in the absence of support by the Adaptation Fund, a continuation of a range of largely short-term, fragmented responses will be the alternative for Honduras - a country with such high levels of vulnerability.

The approach proposed by this project therefore provides for an integrated package of measures that will effectively generate the requisite capacities, tools and information for sound decision-making that integrates an understanding of climate risk, while also piloting activities to both increase water supply and manage water demand. Given that Honduras is only beginning to address climate change adaptation issues, the Government is keen to develop a multi-pronged strategy that incorporates a range of responses and requirements that can then be replicated in other areas. The proposed project is therefore doubly cost-effective in so far as it both provides for a comprehensive approach that capitalizes on economies of scale (eg defining varying capacity and information requirements at different levels), while at the same time piloting a range of measures that can then be replicated.

Moreover, the recently approved Water Law as well as the National Plan Law provides unique entry points for mainstreaming climate change issues into the water sector which underpins the sustainability of Honduras's development and social stability. It is an opportunity for effectively incorporating climate change considerations into emerging policy frameworks that have the capacity to influence decisions in key sectors such as agriculture, tourism and infrastructure. It is noted that the current administration is less than a year old and will therefore have the time and political will to consolidate these efforts. Honduras is a country already facing significant water scarcity in many regions during the dry season and increasingly during the dry spell during the wet season. It is therefore imperative that water demand and use across sectors be guided by

informed understanding of possible climatic scenarios and corresponding development options. As noted above, decisions on adaptation options may entail difficult trade-offs. Full information on scenarios and options as well as informed and participatory decision-making processes, such as those proposed in this project, are essential to managing potential conflicts. Finally, more detailed cost effectiveness analysis will be undertaken at the project design phase. Effectiveness will be assessed according to the extent to which the project a) is financial sustainable and b) reduces vulnerability to climate variability and change.

The Government of Honduras considers that the proposed intervention strategy has unique merits because it is fully integrated and builds from the ground-up, both in urban and rural settings. It puts into practice the elements of Integrated Water Resources Management approaches. According to experts, such as the Global Water Partnership Technical Committee (TEC), “the best approach to manage the impact of climate change on water is that guided by the philosophy and methodology of Integrated Water Resources Management (IWRM)”²⁵. In keeping with this approach, the project seeks to both manage water demand and increase water supply. In addition to this – given that with the amount of funding available, significant investment projects are not viable –the project proposes to invest in low-technology, low-cost options that have high replication potential and are suited to the low-development context of marginalized urban settings. It also proposes to address land use management issues in the upper watershed given that ecosystem provisioning services need to be protected; green water flows represents 67% of available water. In other words, the project offers the people of Honduras a unique opportunity for learning how to address the range of issues related to water management – which include sectoral, environmental, social, and public planning and policy issues - in the face of climate change. In keeping with IWRM approaches, the project overall thus involves both "hard" infrastructure (at the appropriate scale) and "soft" institutional and policy responses. This judicious combination is essential if human societies are to build up their resilience to CC impacts, particularly in a sector as vulnerable and critical as water. And this is particularly critical in a country such as Honduras which is one of the most vulnerable countries in the world. The Government of Honduras notes that the best practices and lessons that are generated by this project will be highly replicable in other developing countries around the world that face similar contexts and challenges. In this regard, the project is doubly cost-effective.

D. Describe how the project is consistent with national or sub-national sustainable development strategies, including, where appropriate, national or sub- national development plans, poverty reduction strategies, national communications, or national adaptation programs of action, or other relevant instruments, where they exist.

The activities in the project have a strong correspondence with the recently approved National Plan 2010-2022, the Second National Communication to the UNFCCC that will be submitted in November 2010, the National Climate Change Strategy, as well as the recently introduced Water Law.

²⁵ Climate Change Adaptation and Integrated Water Resource Management – An Initial Overview, Policy Brief 6, Global Water Partnership Technical Committee.

In February 2010 the Law for the National Plan was approved providing a new political framework for guiding development decisions, investments and planning in the country. The Government of Honduras assigns highest priority to ensuring that all the actions taken in the country are fully aligned with this National Plan. It is underscored that the National Plan will define all public investments in the country through 2022, so it is very comprehensive. It will have precedence over sectoral policies and regulations. In fact, one of the key objectives of this Plan is to ensure an integrated development pathway that overcomes previous sectoral focus and biases. It therefore fully and adequately provides the legal and operational framework within which the proposed project will be developed. The National Plan establishes in a strategic line on Adaptation and Mitigation to Climate Change given that Government seeks to ensure that climate change issues are mainstreamed into national and sub-national policies and programs. However, this goal is not feasible without dedicated technical assistance and funding. The Government of Honduras understands that a key role of the Adaptation Fund, that developing countries have struggled to establish for many years, is to support precisely such overriding national objectives.

The ‘National Plan 2010-2022’ also declares that water is a human right and a strategic resource of national priority that underpins the country’s economic and social security (National Plan, 2009:155). The plan includes targets to double water services in the main cities by 2022; to halve the percentage of people that lack access to water by 2022; and to supply drinking water to 93 percent of the rural areas and sewer system to 60 percent (National Plan, 2009). The new Planning Secretariat (SEPLAN), responsible for implementing the National Plan, therefore endorses the current proposal in the understanding that climate change is not an environmental problem but a social and economic challenge that requires inter-sectoral responses.

The project is also fully aligned with the National Climate Change Strategy and the Second National Communication, both of which identify the water sector as a priority for in terms of adaptation. During the process for the elaboration of the Climate Change Strategy during 2009, many expert technicians from all different government institutions agreed on establishing that water sector should be high priority for the country.

The Second National Communication, which is being finalized, defines as a priority the updating of the National Adaptation Plan (NAP), taking into consideration Honduras new national policies, like the new Water Law. The NAP seeks to identify adaptation policies and measures in at least two prioritized river basins in order to reduce environmental and social vulnerabilities, such as in the Choluteca watershed. Moreover, in the follow up to the final approval of the new Water Law extensive consultations and workshops were held which prioritized the impacts of climate change on the water sector, and identified specific adaptation challenges. Among the organizations that have participated in this process are ‘Honduras Water Platform’, ‘Water and Sanitation Network (RAS-HON)’, ‘Freshwater Action Network – Central America (FANCA)’, ‘The Indigenous and Peasant Coordination Association for Community Agroforestry (ACICAFOC)’ and the ‘Global Water Partnership in Central America (GWP)’. These civil and governmental initiatives prove the consistency of the proposed project with country priorities and the response to policies and political commitments.

With regards to the Water Law, the project will provide concrete responses and support for incorporating climate change issues into a range of the key issues it encompasses, which are reflected in the articles such as the following: Article 41: reforestation and forestation for water production; Article 42: ensure physical viability of new infrastructures; Article 86: on water pricing; and, Article 49: on mechanisms for payment for ecosystem services. The Government of Honduras recognizes that unless climate change issues are taken into account in implementing this Law, it will not be viable over the medium to longer term. Moreover, the Water Authority created under this Law is a merger of the national meteorological system and the SERNA water department. The objective behind this institutional realignment of the Government of Honduras is precisely to strengthen national capacities with regards to meteorological issues and assessments.

In addition to the Water Law and the National Plan Law, the project is also fully aligned with the implementation of the National Forestry Program (PRONAFOR) for 2010-2030. One of the three main objectives calls for ‘promoting biodiversity conservation, fostering the regulatory capacity of the forest for water resources, and promoting sustainable use of other ecosystem services and goods’. The program identifies the Choluteca base river as one of the main national priorities.

The Law on the System for Risk Reduction (SINAGER) establishes that the public sector must analyze, evaluate, anticipate and coordinate responses to climate change risks and propose to the Board of Directors of SINAGER the implementation of adaptation strategies for reducing negative effects. Evidently, this project will support risk identification processes and the design of adequate adaptation responses. This law also assigns high priority to the development of adequate tools and information to guide decisions and responses related to climate risk mitigation. This includes the strengthening of the national meteorological network as well as the availability of climate risk assessment tools

At the regional level, in 2008 Honduras hosted the ‘Climate Change and Environment Summit, Central America and the Caribbean’ in San Pedro Sula where countries agreed to mainstream adaptation to climate change, as a cross-cutting and high priority issue, in all national development plans as well as in all the strategic and operational plans of the government institutions. Moreover, the proposed project will build upon the regional GEF-funded adaptation project: ‘Capacity Building for Stage II Adaptation to Climate Change in Central America, Mexico and Cuba’.

E. Describe how the project meets relevant national technical standards, where applicable.

Relevant national technical standards required by the Government of Honduras, including environmental impact assessments, construction codes and water sanitation regulations will be taken into account. However, it should be noted that at present there no official national building codes in Honduras, and building codes from other countries are applied on a voluntary basis by each constructor. Rather, there are municipal regulations that guide construction and infrastructure development, but these are not harmonized and are weakly applied. In Tegucigalpa,

Metro Plan is the local authority that issues construction authorizations, but constructions in the more vulnerable areas, which tend to be informal, do not follow a formal authorization process. In view of this situation, UNDP is currently providing support to the architectural sector/college for the development of a national construction code. At the municipal level, UNDP is working with COPECO and SEPLAN to develop standards for risk evaluations and methodologies for post disaster needs assessments. However these efforts do not integrate climate change considerations given that the necessary information is lacking. This information would be provided by the project which would thus contribute to enhancing the development of these codes and methodologies. This work complements the support that UNDP is providing to the Land Regulation Direction in the introduction of environmental and disaster risk reduction approaches into land use manuals. However, as is the case with the other support efforts, these do not incorporate climate change issues because the information does not exist.

EIAs regulations are applied to formal investments and initiatives but these do not contemplate issues related to disaster risk management nor to climate change considerations and projections.

In addition to this, all UNDP supported donor funded projects are required to follow the mandatory requirements outlined in the UNDP Programme and Operational Policies and Procedures (UNDP POPP). This includes the requirement that all UNDP development solutions must always reflect local circumstances and aspirations and draw upon national actors and capabilities.

Moreover, all UNDP supported donor funded projects are appraised before approval. During appraisal, appropriate UNDP representatives and stakeholders ensure that the project has been designed with a clear focus on agreed results. The appraisal is conducted through the formal meeting of the Project Appraisal Committee (PAC) established by the UNDP Resident Representative. The PAC representatives are independent in that they should not have participated in the formulation of the project and should have no vested interest in the approval of the project. Appraisal is based on a detailed quality programming checklist which ensures, amongst other issues, that necessary safeguards have been addressed and incorporated into the project design.

F. Describe if there is duplication of project with other funding sources, if any.

The proposed project will create synergies and will be harmonized with other related initiatives mentioned below. The project will not duplicate efforts and will rather complement them through mainstreaming adaptation measures to climate change as a crucial step for the success of these projects, as well as through contributing to fill in the information gaps identified in previous studies. During the preparatory phase, dedicated efforts will be undertaken to fully identify potential synergies with all relevant ongoing or planned initiatives and activities, and these will be built into the project design.

- The World Meteorological Organization (WMO) undertook in 2005 a study identifying the gaps and barriers in Honduras to set up a strong and sustainable meteorological network. The

actions and investments outlined in the study to overcome these barriers were never implemented due to lack of financial resources and absence of a favorable regulatory framework. The policy framework is now in place with the new Laws that have been recently adopted. With the support of the Adaptation Fund, the Government of Honduras would have access to funding. It is underscored that the investments made through the project will be highly strategic given that the study undertaken was comprehensive and detailed. The project therefore builds upon the study already prepared by the WMO. As it was never funded there is therefore no duplication with this project.

With the support of the Adaptation Fund, the Government of Honduras would have access to funding to implement the recommendations of the WMO. It is underscored that the investments made through the project will be highly strategic given that the study undertaken was very comprehensive and detailed. The project therefore builds upon the study already prepared by the WMO. As it was never funded there is therefore no duplication with this project.

- Policy 2012 is a project funded by the Spanish Development Agency and executed by SERNA which is developing financial assessments of required investments in Honduras to successfully address climate change adaptation issues in the water sector. As noted above, the water sector has been prioritized by the Government of Honduras in the context of adaptation to climate change. The Policy 2012 project focuses on the elaboration of a study of Investment and Financial Flows for water sector with wide stakeholder participation. Once again, the result of these studies will provide important inputs to the proposed project and will not in any way generate duplication of efforts or results. Rather, it will help to orient work the project will undertake in support of the CCA mainstreaming into the Water and the National Plan Laws.
- The World Bank is currently working on a Rapid Assessment document as a first step to develop a strategy for an Integrated Urban Water Management project. There is no duplication with this project for two reasons. Firstly, given that the WB project is still in a very preliminary stage, the Government of Honduras will work to ensure full complementarity and synergies between this initiative and the proposed project. Honduras faces significant risks and vulnerability, and suffers from resource constraints. The AFB can be assured that the Government assigns highest priority to ensuring such strong complementarity. Secondly given that the WB project will address water issues through significant infrastructure investments, it actually fully complements the IWRM approach described above which calls for a combination of hard and soft responses at various scales.
- The government of Honduras has signed a loan with BCIE on July 2009 to carry out a USD 46.5 million program to expand water supply and sanitation in Honduras. This project does not contemplate climate change adaptation issues. Therefore the proposed project will play an important role in ensuring that investments are duly climate-proofed as this will be a key thrust of the National Plan Law with the support of the proposed project.
- UNDP CO in Honduras is implementing a Risk Reduction Disaster and Climate Change

Adaptation program financed by BCPR, EU and COSUDE. The project will use some of the information generated by these projects as the base line and will fill in the information gaps identified. Moreover, the project will support the program providing tools to mainstream adaptation to climate change. The need to link DRR and CCA – ensuring full complementarity - is evident, particularly for a country like Honduras which has such high levels of exposure to climatic phenomena.

In order to provide for, and build up, this complementarity, over the past year UNDP has been implementing a strategy to link these two areas given that both approaches have a core component related to orienting development planning. However, even though some of the actions implemented under DRR may contribute to CCA objectives, given that the former does not incorporate long-term climate change trends nor future climate change scenarios, the effectiveness of risk management actions could be jeopardized. Thus DRR also needs to incorporate climate change considerations. Therefore the tools, information and procedures to be developed by the proposed project will not duplicate efforts and will rather contribute to reinforcing and ensuring the long-term viability of the actions taken under the DRR program.

It is underscored that as the project will be managed through a National Execution modality (NEX) the government executing agency, SERNA will also ensure coordination with other donor and government initiatives. Regular stakeholder consultations are, moreover, envisaged as a key component of project implementation.

G. If applicable, describe the learning and knowledge management component to capture and disseminate lessons learned.

As noted above, the Government of Honduras understands this project as a pilot experience that will generate foundational capacities and develop basic tools and information to ensure that climate risks are incorporated into planning and investment processes. It will also develop a range of adaptation responses within an integrated package in the environs of Tegucigalpa valley. Therefore the Government assigns importance to the capture and systematization of lessons learned and practices.

Output 3.3 which calls for the development of a communications and outreach strategy to uptake lessons and practices developed through the project, will ensure that all project outputs and activities are being communicated in the most efficient and systematic manner throughout the project to all intended target groups. This will require diligent documentation of lessons and best practices derived from the implementation of other project components, including requirements for execution/or application and information on their costs and benefits. The mechanisms for disseminating this information will need to be adjusted to different audiences, which range from poor communities with precarious levels of literacy to high-level policy makers. Therefore the dissemination strategy needs to be very versatile and will range from mechanisms such as a dedicated project website to radio programs and community outreach events (workshops, contests, etc).

In parallel to this, general awareness building programmes on climate change adaptation need to be put in place, also using a range of mechanisms and media, given that at present there is at best an incipient understanding of the implications of climate change for development. Considering that the mass media plays a crucial role in forming public opinion and raising environmental awareness, the project will build constructive relationships with journalists, other communicators, editors and media producers through activities aimed at improving their understanding of climate change issues. This effort will not focus only on information about climate change impacts but also on response options. Links to the Adaptation Learning Mechanism (ALM) will facilitate the communication of the lessons learned to the global climate change adaptation community and especially countries in the region struggling with similar climate change challenges.

H. Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation.

SERNA, cognizant of the importance of addressing adaptation issues in the water sector, and having determined it is a priority within the climate change national agenda, organized a workshop in November 2009 on “Climate Change and Water Challenges in Honduras”. This workshop created the conditions to exchange ideas and generate a discussion among different civil organizations and governmental institutions regarding the threat of climate change for water resources. Over 60 people participated, representing a wide range of organizations including the ‘Honduras Water Platform’, ‘Water and Sanitation Network (RAS-HON)’, ‘Freshwater Action Network – Central America (FANCA)’, ‘The Indigenous and Peasant Coordination Association for Community Agroforestry (ACICAFOC)’ and the ‘Global Water Partnership in Central America (GWP)’ (which are partners under ‘The Water Alliance’), SERNA, SANAA, SOPTRAVI and ICF as well as Multilateral and Bilateral organizations. As a result of this event, which was also the initiation of the preparatory phase for this project, several key meetings and consultations were undertaken lead by both SERNA and SEPLAN which will execute the project. The consultations focused on key government counterparts at both national and local levels, especially leading stakeholders from the Climate Change Unit, the Water Resource Unit, SEPAL, the national meteorological center and the University of Honduras. Other consultations undertaken sought to ensure there was no duplication but rather synergies with relevant ongoing work and initiatives.

In Tegucigalpa, detailed studies were undertaken with support from USGS, JIXA and Lotti, to map the areas at greatest risk from landslides. This information was layered onto maps of neighborhoods to facilitate the identification of the most vulnerable ones. Indicators related to response capacity were then defined in order to arrive at an initial prioritization of the neighborhoods, which was then validated with the Municipal Emergency Committee (CODEM). The project baseline in the selected neighborhoods was defined through the following through:

- Definition of community level indicators on response capacity to climate change

- Survey to measure family perceptions per family in the general population on the source of disasters, climate change, and their current risk status, as well as regarding their rights and needs.

Over several days, local consultations were undertaken in coordination with the (CODEM), the Institute for Municipal Development and with representatives of community organizations (*Patronatos*, Water Boards, Local Emergency Committees) in the selected neighborhoods.

I. *Provide justification for funding requested, focusing on the full cost of adaptation reasoning.*

Water scarcity, landslides and floods are not new phenomena in Honduras, as is indeed the case in many other developing countries. However, the vulnerability of Honduras's development model is notably increasing given the heightened intensity and frequency of climate-related phenomena and especially projected long-term trends. Therefore the country faces the critical issue is how to plan and prepare adaptation measures in accordance with future climate change scenarios. Currently Honduras is initiating a development planning process for the next 12 years through the recently launched framework of the National Plan (2010-2022). However the Government of Honduras does not have the necessary climate information and appropriate methodologies to incorporate CCA considerations into this development planning process. It also has a very limited menu of effective options and response measures for reducing the vulnerability of its poorest population, which is a serious setback given that it is estimated that over 70% of the population lives in poverty. Cost-effective, low-technology, comprehensive approaches and practices, developed in tandem with far-reaching, targeted stakeholder consultations and awareness raising efforts, are urgently needed. For this reason, the Government of Honduras holds that this project, in its scope, intent, end-of-project landscape, and best practices is indeed fully and wholly additional. Below is a more detailed analysis of each Outcome.

Component 1 - Relevant institutional capacities, including in the National Water Authority, strengthened for mainstreaming CCA into water resources management as well as into national planning and decision-making processes

Baseline (without AF Resources)

Since the elaboration of Honduras' First National Communication to the UNFCCC, the country's institutions in charge of the environment and national planning have begun to raise awareness regarding the need to consider disaster risk reduction measures and climate change as key issues that need to be addressed in order to increase the resilience of all sectors of society and all geographic regions in the country. The water sector has since been a priority for the Honduran National Adaptation Plan. Even though disaster risk reduction – in the aftermath of hurricane Mitch in 1998 - is tardily being integrated into planning and programming, climate change and variability risks have not yet been fully recognized as a source of critical stressors to which Honduras must learn to adapt as soon as possible. In the absence of this proposed intervention, climate change considerations will not be mainstreamed into overarching normative frameworks, or into the planning and programming processes at both national and sub-national levels. High

levels of exposure to natural hazards would result from continued emphasis on short-term, largely reactive responses. Neither the capacities, nor the tools and information needed to understand climate change impacts, generate scenarios and orient decisions around these, would be available.

Additionality (with AF Resources)

Today, as a new suite of norms as well as of new national and local institutions – including the new Water Law, the National Plan Law, and the new Water Authority - are being established and mandated to set in place new approaches to address the challenges of future national planning, Honduras has the opportunity to begin programming its development on the basis of its historical, current -and with climate change- future vulnerability scenarios to hydro-meteorological hazards and water stress. This is a critical task for which Honduras needs decisive support. This project will enable the country to redirect its long-term planning and programming processes, integrating climate change variables into sectoral and territorial planning through the emerging water resources and land-use legislation and regulations. The new Water Law is definitely a major step in the sustainable development pathway for the country, which underlines the significance of this project's goal in terms of adapting it to climate change or climate proofing it.

The project will promote the generation and use of climatic information in an institutionally coordinated manner to climate proof development planning of various strategic sectors at a diversity of scales, including watershed management approaches, agricultural practices, and infrastructure development. The sharing of information with decision makers will be fostered by all means, using GIS²⁶ technology to manage complex sets of information. Appropriate information tools for water and climate monitoring and assessment as well as strengthened institutional capacities are needed to overcome Honduras' overwhelming vulnerability to climate change and variability risks and growing water stress. Basic data will be generated by a strengthened national meteorological network.

Component 2 - Comprehensive measures piloted to safeguard Tegucigalpa City and environs' water supplies in response to existing and projected water scarcity

Baseline (without AF Resources)

As described above, Tegucigalpa is a city with high vulnerability to climatic phenomena including variability and change, and poor neighborhoods are at highest risk. Given the repeated and increasing impacts of events – ranging from intense rainfall to hurricanes, perversely coupled with permanent water scarcity, under a business as usual scenario only fragmented, ad hoc responses are possible. Often temporary evacuation is the only response measure. Options for addressing water scarcity are even more limited. The vulnerability levels of the poorest neighborhoods and communities, precisely those with the most limited response options and coping ranges, will continue to increase.

²⁶ The Japanese Cooperation Agency (JICA) for example contributed to the establishment of a GIS, designed for part of the Tegucigalpa urban area. The upper Choluteca river Basin as well as the rest of Tegucigalpa city needs further GIS development, capacity strengthening and equipment to count on the most adequate local resources.

As noted above, the first tropical storm of 2010 (Agatha) brought torrential rains in Honduras that triggered flash flooding and landslides in parts of the country causing 18 deaths and forcing to evacuate more than 16,000 people. In the Choluteca river basin 31% of houses were reported as damaged and total agricultural losses were over 30%. This reflects the current levels of vulnerability which are expected to increase significantly under climate change scenarios. As noted above in Section C, in the absence of support from the Adaptation Fund, the government and people of Honduras will continue to privilege short-term reactive responses, given the daunting scope of vulnerabilities and the high levels of exposure.

Additionality (with AF Resources)

This proposed project will essentially undertake an integrated climate-proofing exercise for water resources management in the upper Choluteca river basin and Tegucigalpa. This watershed is critical for Tegucigalpa's population given that as it is the source of over 60% of its water supplies yet there are no clear mechanisms in place to safeguard the forests and the so called "green belts" around Tegucigalpa that provide these ecosystem services and which are under pressure from deforestation and urbanization. The project will explore, consult and design the most appropriate national and local mechanisms –including economic valuation of water resources provided and payments for environmental services schemes together with the Water Authorities and the Watershed Councils, in order to increase resources to preserve the existing mountain forest patches and promote sustainable land use practices as climate change adaptation measures for water management. These efforts will also be extended to other financial mechanisms and incentives which will seek, inter alia, to better manage water demand.

Moreover, the project will tailor and implement a suite of response measures through targeted, mostly low-cost technologies that will respond to specific local needs that have been identified through extensive, hands-on, participatory surveys. These actions will include low cost water storage, stabilized landslides areas, more efficient water use, low-tech community early warning systems (EWS) and rainfall management schemes.

Component 3- Inter-sectoral approaches support the definition of adaptation options

Baseline (without AF Resources)

La Plataforma del Agua (Water Platform) had begun discussing adaptation to climate change issues in late 2009 with a diversity of institutional, academic and NGOs stakeholders. However the process has had limited momentum and Honduran society in general remains largely unaware of the need to ensure that climate change and variability risks are duly mainstreamed into sectoral and territorial planning and decision making processes – particularly related with long-term issues such as infrastructure investments. The new skill sets that will be needed to effectively appreciate, assess and respond to current and emerging climate risks, are not available. Overall there is very limited understanding among government staff, private sector, resource user groups and the general public of projected climate change impacts for Honduras and of requirements not only for generating adaptation response measures but also for avoiding continued maladaptation - such as through ill-conceived land use planning.

Additionality (with AF Resources)

Targeted capacity development programs for key national and sub-national authorities as well as stakeholders will be developed and implemented. These will be specifically tailored to the needs and priorities of each group, based on a capacity needs assessment. This will ensure the design of the most effective training packages. These skill sets are needed in order to translate the incorporation of climate risks into policy frameworks into concrete actions and investments.

In addition to this, the Policy Dialogue Platforms the project proposes to establish in the upper Choluteca watershed would operate as “one-stop shops” for (1) clearing information on climate change adaptation measures’ design, cost-benefit analysis and implementation; (2) training policy-makers and key stakeholder at national and municipal levels in the use of CCA information in decision-making processes for climate proofing water resources in the different sectors. These would therefore play a critical role in enabling decision makers and resource users to understand the projected impacts of climate change and identify effective options for reducing climatic risks and vulnerability. Through the platforms, it will be possible to prioritize various options and to address potential trade-offs and associated conflicts between resource users. Conflict resolution mechanisms will be developed given that under scenarios of increased water stress it will be essential that societies are able to engage in participatory decision-making processes that provide for equitable access to increasingly scarce resources.

These PDP will operate under the aegis of the Regional Water Authority, with full institutional support from SERNA and SEPLAN and with full project financial and technical assistance. This effort will be complemented by targeted training and capacity building activities that address the requirements and concerns of specific resource user groups, sectors, or communities.

PART III: IMPLEMENTATION ARRANGEMENTS

A. Describe the arrangements for project implementation.

The Government of Honduras will execute this five-year project with the support of UNDP under the NIM modality. The Secretariat Environment and Natural Resources (SERNA) will be the executing institution responsible for ensuring that the objectives and components of the project are delivered, and resources are allocated and disbursed in an efficient and effective manner as will be detailed in the Project Document. The duration of the project will be 5 years. Implementation of the project will be carried out under the general guidance of a Project Steering Committee (PSC), specifically formed for this purpose. The project structure will be constituted by a National Project Director (NPD) and a National Project Coordinator (NPC). The National Project Director (NPD) will be the Minister of SERNA (or the person designated by him) and will be responsible for orienting and advising the National Project Coordinator on Government policy and priorities. The NPD will also be responsible for maintaining regular communication with the lead institutions in the water and planning sectors, the National Water Authority and SEPLAN, and ensuring that their interests are addressed and communicated effectively. In addition to this, SERNA will define Letters of Agreement with relevant counterparts for support in project execution of specific components, including with the Mayor’s Office in Tegucigalpa, Autonomous National Service for

Water and Sanitation (SANAA), and SEPLAN.

SERNA will prepare an Annual Work Plan that incorporates project activities and results to be delivered through it. The Plan will define the execution time frame for each activity and the responsible parties for its implementation. The first Work Plan will be finalized and incorporated into the Project Document within 30 days of its signature. The participation of project counterparts will be essential for the success of the planning phase, during which the Annual Work Plan will be prepared.

For its part, UNDP will provide support to the Director and the Coordinator of the project, in order to maximize its reach and impact as well as the quality of its products. Moreover, it will be responsible for administering resources in accordance with the specific objectives defined in the Project Document, and in keeping with its key principles of transparency, competitiveness, efficiency and economy. The financial management and accountability for the resources allocated, as well as other activities related to the execution of Project activities, will be undertaken under the supervision of the UNDP Country Office. UNDP will undertake the internal monitoring of the Project and of evaluation activities, taking into account from the outset local capacities for administering the project, capacity limitations and requirements, as well as the effectiveness and efficiency of communications between ministries and other institutions that are relevant to the project.

UNDP would be fully accountable for the effective implementation of this project. As a Multilateral Implementing Entity, UNDP is responsible for providing a number of key general management and specialized technical support services. These services are provided through UNDP's global network of country, regional and headquarters offices and units and include assistance in: project formulation and appraisal; determination of execution modality and local capacity assessment; briefing and de-briefing of project staff and consultants; general oversight and monitoring, including participation in project reviews; receipt, allocation and reporting to the donor of financial resources; thematic and technical backstopping; provision of systems, IT infrastructure, branding, and knowledge transfer; research and development; participation in policy negotiations; policy advisory services; programme identification and development; identifying, accessing, combining and sequencing financing; troubleshooting; identification and consolidation of learning; and training and capacity building.

As outlined in UNDP's application to the Adaptation Fund Board for accreditation as a Multilateral Implementing Entity, UNDP employs a number of project execution modalities determined on country demand, the specificities of an intervention, and a country context. Under the national execution modality proposed to be used for this project, UNDP selects a government entity as the Executing Entity based on relevant capacity assessments performed by UNDP. Please note that UNDP uses slightly different terminology to that used by the operational policies and guidelines of the Adaptation Fund. In UNDP terminology, the "executing entity" is referred to as the "Implementing Partner" in countries which have adopted harmonized operational modalities and the "Executing Entity" in countries which have not yet done so. The Executing Entity is the institutional entity entrusted with and fully accountable to UNDP for successfully managing and delivering project outputs. It is responsible to UNDP for activities including: the

preparation and implementation of project work plans and annual audit plans; preparation and operation of project budgets and budget revisions; disbursement and administration of funds; recruitment of national and international consultants and project personnel; financial and progress reporting; and monitoring and evaluation. As stated above, however, UNDP retains ultimate accountability for the effective implementation of the project.

B. Describe the measures for financial and project risk management.

Risk	Level	Mitigation strategy
Decision and policy-makers at all levels are slow to appreciate the need to mainstream climate change considerations into activities and investments	Low	The project aims to strengthen science-policy dialogues and to reinforce climate change awareness in government and civil society. Cost-benefit analyses will enable society's decision makers at all levels to understand the costs of business-as-usual. The project aims to empower policy-makers to use climate information in decision-making processes.
Potential governance tension or conflicts at national level	Low	Following national elections in November 2009 and a consultative process during 2010, tensions between parties have been reduced. Several countries in the region and beyond have already recognized the government of President Porfirio Lobo, and dialogue on this matter is ongoing within the Organization of American States. It is very unlikely that there will be any repeat of conflicts in 2009
Weak implementation of the new Water Law and of the National Plan Law	Low	It is not within the project's purview to directly influence overall implementation of the Law. However, the project will work closely with key institutions that are responsible for this, and provide support to them.
Coordination between SERNA and SEPLAN will be limited	Low	Both institutions fully recognize that it is critical that they coordinate their agendas and actions, particularly with regards to the regulation, application, implementation and enforcement of the new Water Law and the new National Plan Law. They are also cognizant of the fact that these not only demand harmonization but robust integration of climate change considerations. Both institutions are therefore the proponents of this proposed project as they agree on the need for additional support and resources to achieve these objectives.
Key municipal stakeholders do not agree to further adaptation strategies coordinated at the watershed level	Low	During the preparatory phase, through extensive consultations, understanding of the project and its stated aims will be clarified and defined, which should enable municipalities to support it. Throughout implementation, strong collaborative mechanisms will be advanced throughout the watershed, building upon the established Watershed Councils.

Risk	Level	Mitigation strategy
Water pricing reforms are difficult to put in place given established interests	Medium	The recently approved Water Law, as well as the strong political commitment to reform of this sector by the administration of President Lobo indicates that the requisite political will is in place to advance such reforms. However it is recognized that water use allocations and pricing are complex and difficult issues to tackle, and that far reaching negotiations with key economic sectors may be required. Therefore although the project proponents are sanguine about advancing on this front, it is recognized that there are factors outside of the project's purview.
Land use pressures limit possibility of extending and consolidating forest corridors in the upper Choluteca basin	Medium	As with water use rights, land use rights are also potentially contentious issues. However, there are already well consolidated protected areas in the upper basin, one of which has particularly strong management by a local NGO and the Forestry Service. The project will build upon this and, in particular through Outcome 3, generate increased awareness of the vital provisioning services of these highland areas. Moreover, the implementation of the new National Plan Law in conjunction with the Water Law will provide a framework for advancing land-use planning in the upper Choluteca that privileges the protection of ecosystem services under climate change scenarios.
Conflict over the water resource between private sector, local and national governments and communities.	High	The project will work under an integrating watershed management plan approach involving all stakeholders and institutions and ensuring a transparency policy in the information generated by the project and the decision-making processes. The new water law provides an appropriate legal framework to overcome these barriers. In addition to this, under Outcome 3, the policy dialogues will generate the necessary platform for negotiating trade-offs and working to resolve conflicts. As noted above, the project will develop conflict resolution mechanisms as these will be critical given projected climate change trends in Honduras.

A comprehensive risk management strategy will be a core component of project management activities. This is in line with UNDP's stringent risk management approach which is corporate policy. The respective UNDP CO provides support to the project team and executing agency for constant and consistent risk monitoring, and the results are tracked and reported in UNDP's internal risk monitoring system. The results are also reported in the yearly evaluation undertaken for each project.

The medium and high level risks identified concern issues that are at the core of what the project seeks to achieve in terms of establishing an integrated management framework for natural resources that is fully inscribed in a long-term commitment by all stakeholders to change development practices to provide for reduction in vulnerability and increased coping ranges. Therefore within each Output, the management of these risks is fully envisaged. For example, one of the risks speaks to potential difficulties with regards to water and land use rights. However, as noted in the Proposal, work on this issues will be developed in tandem with exercises to demonstrate and generate awareness with regards to the critical provisioning services

of the “green belt” around the city – a more comprehensive understanding of benefits and externalities will enable both resource users as well as government authorities to manage this kind of risk in a diligent, progressive and dedicated manner. The same applies to management of water related tensions or conflicts. In addition to this, and as also noted in the Proposal, the new Water Law provides a unique entry point for generating changes in both regulations and behaviour, in a structured manner. Piecemeal approaches to these complex issues doubtless exacerbate tensions, but a judicious process, supported by robust stakeholder consultations (eg the Policy Dialogues) will create sustainable, long-term changes. Moreover, under Output 3.2 the project envisages the development of conflict resolution mechanisms.

In addition to this, and again in keeping with UNDP practice, a dedicated budget line exists for Monitoring and Evaluation, to ensure that the necessary resources are allocated to execute the Monitoring and Evaluation framework.

C. Describe the monitoring and evaluation arrangements and provide a budgeted M&E plan.

Project monitoring and evaluation (M&E) will be in accordance with established UNDP procedures and will be carried out by the Project team and the UNDP Country Office. Periodic monitoring of implementation progress will be undertaken by the UNDP-CO through quarterly meetings with the project proponent, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

Type of M&E activity	Responsible Parties	Budget US\$* <i>(does not include staff time)</i>	Time frame
Inception workshop	<ul style="list-style-type: none"> ▪ Project Coordinator ▪ UNDP-CO 	\$500	Within first two months of project start up
Inception Report	<ul style="list-style-type: none"> ▪ Project team ▪ UNDP-CO 	None	Immediately following IW
Measurement of Means of Verification for Project Purpose Indicators	<ul style="list-style-type: none"> ▪ Project Coordinator 	None	Start, mid and end of project
Measurement of Means of Verification for Project Progress and Performance (measured on an annual basis)	<ul style="list-style-type: none"> ▪ Project Coordinator 	None	Annually prior yearly reports and to the definition of annual work plans
Quarterly reports	<ul style="list-style-type: none"> ▪ Project team 	None	At the end of each month
Annual reports	<ul style="list-style-type: none"> ▪ Project team 	\$1000	At the end of each

	<ul style="list-style-type: none"> ▪ SERNA ▪ UNDP-CO 		year
Meetings of the Project Coordination Committee	<ul style="list-style-type: none"> ▪ Project Coordinator ▪ UNDP-CO 	None	After the inception workshop and thereafter at least once a year
Technical reports	<ul style="list-style-type: none"> ▪ Project team ▪ External consultants 	None	To be determined by Project team and UNDP CO
Mid-term external evaluation	<ul style="list-style-type: none"> ▪ Project team ▪ UNDP-CO ▪ External consultants 	\$ 30,000	At the mid-point of project implementation.
Final external evaluation	<ul style="list-style-type: none"> ▪ Project team ▪ UNDP-CO ▪ External consultants 	\$ 30,000	At the end of project implementation
Final Report	<ul style="list-style-type: none"> ▪ Project team ▪ UNDP-CO 	None	At least one month before the end of the project
TOTAL INDICATIVE COST		\$ 61,500	

Total Budget and Work Plan and Gnatt Chart

Award ID:	00061157	Project ID(s):	00077360
Award Title:	AF PIMS# 4399 Honduras Addressing Climate Change Risk on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor		
Business Unit:	HND10		
Project Title:	Honduras Addressing Climate Change Risk on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor		
PIMS no.	4399		
Implementing Partner (Executing Agency)	PNUD		

GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Amount Year 5 (USD)	Total (USD)
OUTCOME 1: (as per the results framework) Relevant institutional structures including the National Water Authority, strengthened for mainstreaming climate change risks into water resources management as well as into national planning, public investment - budgeting and decision-making processes (at various scales)	SEPLAN SERNA UNAH		AF	71200	International Consultants	17,000	25,000	40,000	26,000	0	\$108,000
				71400	Contractual Services	31,000	114,000	130,000	0	6,700	\$281,700
				71600	Travel expenses	6,300	5,900	8,400	5,000	0	\$25,600
				72800	Supplies (equipment for SMN)	902,200	0	0	0	0	\$902,200
				74500	Miscellaneous	4,000	22,000	10,000	4,700	300	\$41,000
				Total Outcome 1 AF		\$960,500	\$166,900	\$188,400	\$35,700	\$7,000	\$1,358,500
OUTCOME 2: (as per the results framework) Comprehensive measures piloted to safeguard Tegucigalpa City and environs' water supplies in response to existing and projected water scarcity and to the vulnerability to extreme climate events	SERNA UNAH Municipalidad de Tegucigalpa (MDC)		AF	71300	Local Consultants	27,850	45,200	10,000	11,800	11,500	\$106,350
				71400	Contractual Services	900	30,000	0	8,000	0	\$38,900
				72600	Grants	5,820	951,400	798,100	640,000	301,500	\$2,749,250
				72800	Equipment	20,000	0	0	0	0	\$20,000
				74500	Miscellaneous	10,000	0	9,000	9,000	7,500	\$35,500
				Total Outcome 2 AF		\$117,000	\$1,026,600	\$817,100	\$668,800	\$320,500	\$2,950,000

OUTCOME 3: (as per the results framework) Targeted capacity building and outreach enable stakeholders at all levels to effectively respond to long-term climate change impacts	SERNA	etc	71200	International Consultants	0	0	0	0	0	0
			71300	Contractual Services	16,000	16,000	16,000	16,000	16,000	\$80,000
			72800	Equipment	44,000	0	0	0	0	\$44,000
			74500	Miscellaneous	37,200	37,200	37,200	37,200	37,200	\$186,000
			Total Outcome 3 AF		\$97,200	\$53,200	\$53,200	\$53,200	\$53,200	\$310,000
OUTCOME 4: Project management (cost execution and M&E)			71300	International Consultants	12300	12300	12300	12300	12300	61,500
			71400	Contractual Services	80,000	78,0150	80,000	71,800	79,500	389,450
			74500	Miscellaneous	20,000	21,850	20,000	28,200	20,500	110,150
			Total Outcome 4 AF		\$112,300	\$112,300	\$112,300	\$112,300	\$112,300	\$561,500
PROJECT TOTAL					\$1,287,000	\$1,359,000	\$1,171,000	\$870,000	\$493,000	\$5,180,000

Summary of Funds:²⁷

	Amount Year 1	Amount Year 2	Amount Year 3	Amount Year 4	Amount Year 5	Total
AF	\$1,287,000	\$1,359,000	\$1,171,000	\$870,000	\$493,000	\$5,180,000

²⁷ Summary table should include all financing of all kinds: AF financing, cofinancing, cash, in-kind, etc...

	2011				2012				2013				2014				2015				
	Yr-1		Yr-2		Yr-3		Yr-4		yr -5										TOTAL BUDGET (USD)		
	QR-1	QR-2	QR-3	QR-4	QR-1	QR-2	QR-3	QR-4	QR-1	QR-2	QR-3	QR-4	QR-1	QR-2	QR-3	QR-4					
OUTCOME 1: Relevant institutional structures including the National Water Authority, strengthened for mainstreaming climate change risks into water resources management and into national planning and programming processes																					
Output 1.1: Integration of climate change risks and opportunities into the new Water Law and the new National Plan Law effectively mainstreams these into water resource policies, watershed management plans, and investment planning policies for sectors with high water demand		10400				58400					84200						23000			7000	183,000
Output 1.2: Capacities at the new Water Authority and SEPLAN for integrating climate risks into planning and programming processes strengthened (eg investments, allocation of land and water use rights, and urban development)			7500			58500					74200						12700				152,900
Output 1.3: National meteorological network strengthened, and quality and quantity of information on the scientific, technical and socioeconomic aspects on impacts of climate change, vulnerability and adaptation improved																					892,600
Output 1.4: Climate risk assessment tools and information available (eg updated National Hydrological Balance, vulnerability assessment of groundwater resources, update of CC risk socioeconomic indicators, review of climate related risk maps) to			892600																		130,000
		50000				50000					30000										
SUB TOTAL			960,500.00			166,900.00					188,400.00						35,700.00			7,000.00	1,358,500
OUTCOME 2: Comprehensive measures piloted to safeguard Tegucigalpa City and environs' water supplies in response to existing and projected water scarcity and vulnerability to extreme climate																					
Output 2.1: Water provisioning services maintained despite long-term climate trends through sustainable land use practices piloted in the highland watersheds and green belt around Tegucigalpa			39000			59000					19000						19000			19000	155,000
Output 2.2: Financial mechanisms (eg water pricing, risk transfer/insurance) assist in managing water supply and demand to address current and projected water scarcity in the capital city and surrounding landscape			50000																		50,000
Output 2.3: Activities for adaptation to climate change impacts, ranging from water scarcity to flooding piloted in the 14 most vulnerable areas of Tegucigalpa (eg low cost water storage facilities, stabilized landslides areas, more efficient water use and rainfall management schemes, early warning systems)			11800			951400					798100						649800			301500	2,712,600
Output 2.4: Targeted thematic strategic plans (eg. adaptation strategy for upper Choluteca basin, rainfall management plan, groundwater diagnostic analysis) enable municipal authorities of the upper Choluteca River to overcome short-term reactive responses to climatic risks and impacts			16200			16200															32,400
SUB TOTAL			117,000.00			1,026,600.00					817,100.00						668,800.00			320,500.00	2,950,000
OUTCOME 3: Targeted capacity building and tools enable stakeholders at all levels to effectively respond to long-term climate change impacts																					
Output 3.1: Targeted training provided to policy-makers and key stakeholder at national and municipal levels on the incorporation of CCA information in decision-making processes			24200			24200					24200						24200			24200	121,000
Output 3.2: Policy dialogue platforms", enable key Ministries and stakeholder groups to define and prioritize adaptation options, negotiate trade-offs and resolve conflicts			13000			13000					13000						13000			13000	65,000
Output 3.3: Communications and outreach strategy uptakes lessons and practices developed through the project for replication			60000			16000					16000						16000			16000	124,000
SUB TOTAL			97200			53200					53200						53200			53200	310,000
EXECUTION COSTS and M&E			112,300.00			112,300.00					112,300.00						112,300.00			112,300.00	561,500
GRAND TOTAL			1,287,000.00			1,359,000.00					1,171,000.00						870,000.00			493,000.00	5,180,000

Note: (1) Budget for the 1st Quarter of Year one (Yr-1) is mainly i.e. establishing PMU and convening inception activities has been omitted from this table is reflected under the execution cost (2) Some of the activities description has been shortened under this table, but its full content be referred under Part II in the project Document.

D. Include a results framework for the project proposal, including milestones, targets and indicators.

Objective: To increase resilience to climate change water-related risks in the most vulnerable population in Honduras through pilot activities and an overarching intervention to mainstream climate change considerations into the water sector.					
	Indicators	Baseline	Targets End of Project	Sources of verification	Risks and Assumptions
<p>Project Objective To increase resilience to climate change risks in the most vulnerable communities in Tegucigalpa and environs, within an overarching intervention that will mainstream climate change considerations into water sector</p>	Normative frameworks for water management and land-use planning mainstream climate change	In 2010 Honduras started a process to develop a national normative framework for land use planning and water management. However, this process has not mainstreamed CC considerations	National Water Law and National Plan Law incorporate climate change and variability considerations By Y5	<ul style="list-style-type: none"> Official legislative bulletin 	Decision and policy-makers at all levels are slow to appreciate the need to mainstream climate change considerations into activities and investments
	Increase in allocation of public budget to address climate related risks of the most vulnerable population	In Honduras a population of 6,000,000 is highly vulnerable to climate change and no provisions have been done in the planning process to reduce this vulnerability. Public investment has been limited to specific disaster risk reduction	At least 10% of the national budget is allocated to investments and actions to reduce climate risk of the most vulnerable populations in Honduras By Y5	<ul style="list-style-type: none"> National and sub-national plans Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	Potential governance tension or conflicts at national level
	Number poor households in Tegucigalpa and the upper Choluteca basin experience reduced risk from floods and landslides (projected to increase under climate change scenarios)	132,500 poor households in high landslide risk areas	At least 13,000 poor households in Tegucigalpa and the upper Choluteca basin report reduced vulnerability to flooding and landslide risks By Y5	<ul style="list-style-type: none"> Surveys Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	Natural disasters or extreme hydrometeorological events affect project timelines
	Number of poor households in Tegucigalpa and the upper Choluteca basin that have increased access to water all year, thus	An estimated 100,000 poor households currently suffer water scarcity.	At least 10,000 of poor households in Tegucigalpa and the upper Choluteca basin increase their access to water by 50% through pilot	<ul style="list-style-type: none"> Surveys Project evaluations: 6 month project reports; annual reports; mid-term and 	

	reducing current vulnerability and increasing their coping range under climate change scenarios		activities (eg water pricing and construction of water storage facilities) By Y5	terminal evaluation	
Outcome 1 Relevant institutional structures including the National Water Authority, strengthened for mainstreaming climate change risks into water resources management and into national planning and programming processes	Coordination mechanism between SERNA and SEPLAN for incorporating CC into development planning, agreed and operational	No mechanism exists to coordinate the incorporation of CC issues in development planning between SERNA and SEPLAN.	Regular, periodic meetings between SERNA and SEPLAN based on an interagency agreement Starting Y1	<ul style="list-style-type: none"> • Interagency agreement • Minutes of meetings 	Weak implementation of the new Water Law and of the National Plan Law
	Number of regional development plans that mainstream CC considerations	The government is currently preparing the regional development plans. CC issues are not going to be included under a BAU situation	At least four regional development plans have demonstrably incorporated climate change considerations (as measured against a baseline assessment) By Y4	<ul style="list-style-type: none"> • Copy of regional development plans • Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	Coordination between SERNA and SEPLAN will be limited
	National meteorological network meets WMO standards	Only fourteen hydrometeorological stations, many in poor conditions, installed in the country; limited capacity for diagnostic work	30 automatic hydrometeorological stations installed following the WMO standard.	<ul style="list-style-type: none"> • Proof-of-purchase for hardware, software and other equipment • Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	
	Number of institutions and key stakeholders at national and sub-national level that have access to CC relevant information and integrate it into their core work	Access to climate change and variability information is seriously limited. Currently Honduras does not have a system for public access to information about CC.	At least 4 key line ministries, 30 key resource use groups represented in the Regional Committees and at least 30% of municipalities at national level are regularly accessing CC information disseminated by the Water Authority which will be	<ul style="list-style-type: none"> • Yearly surveys • Number of visits to project website; visitor profile required for access • Project evaluations: 6 month project reports; annual reports; mid-term and 	

			strengthened through the project By Y3	terminal evaluation	
Outcome 2 Comprehensive measures piloted to safeguard Tegucigalpa City and environs' water supplies in response to existing and projected water scarcity and vulnerability to extreme climate events	Number of hectares of new forest corridors in the upper Choluteca basin contribute to enhanced ecosystem water provisioning services	There are 5 Protected Areas covering 30,000 has. (into the project area) However these PAs are not connected and face increasing threats from urban development and an expanding agricultural frontier.	60,000 ha of forest corridors in the upper Choluteca basin under effective protection By Y5	<ul style="list-style-type: none"> Project reports and PA incorporation documents 	Key municipal stakeholders do not agree to further adaptation strategies coordinated at the watershed level
	Climate change considerations incorporated into water pricing practices	No consideration has been given to incorporating the projected impacts of CC in water pricing in Tegucigalpa	Reforms to water pricing policies incorporate climate change scenarios By Y3	<ul style="list-style-type: none"> Copies of water pricing regulations Minutes of meetings between the Water Authority and key resource user groups Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	Water pricing reforms are difficult to put in place given established interests
	Number of poor households in Tegucigalpa benefitting from rain harvesting and water storage systems <i>(differentiated by gender)</i>	Government support has been limited to distribution of water to poor households and not to promoting more sustainable options as such as rain harvesting and water storage systems.	At least 3,500 households in the 14 target <i>barrios</i> in Tegucigalpa benefit from rain harvesting and water storage systems <i>(Target population differentiated by gender)</i> By Y4	<ul style="list-style-type: none"> Donation certificates per household Proof-of-purchase of materials and equipment 	Land use pressures limit possibility of extending and consolidating forest corridors in the upper Choluteca basin
	Number of poor households in Tegucigalpa benefit from flood and landslide control infrastructure	Only one study has been carried out on possible flood and landslide control infrastructure but no actions have been implemented.	At least 1,000 households in the 14 target <i>barrios</i> in Tegucigalpa benefit from investments for flood and landslide control By Y4	<ul style="list-style-type: none"> Donation certificates per household Proof-of-purchase of materials and equipment 	Conflict over water resources between private sector, local and national governments and communities.
	Number of EWS	No EWS for flood and	4 EWS established	<ul style="list-style-type: none"> Donation 	

	for floods and landslides operational	landslide are operational at present	that benefit a total estimated population of 13,000 in the most vulnerable areas of Tegucigalpa and the upper Choluteca basin By Y3	certificates per household <ul style="list-style-type: none"> • Proof-of-purchase of materials and equipment 	
Outcome 3 Targeted capacity building and tools enable stakeholders at all levels to effectively respond to long-term climate change impacts	Number of staff and key stakeholders that effectively apply training on climate risk issues to planning and programming work	At present government staff, at both national and sub-national levels, do not have a good understanding of climate change issues and nor of the tools and information that is necessary to effectively incorporate these into planning and programming processes. The general public, including the private sector, has an even more limited understanding.	At least 300 stakeholders at national and sub-national levels who participate in training sessions report effective application of new skills and knowledge By Y2	<ul style="list-style-type: none"> • Capacity development evaluation reports • Surveys • Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	
	Number of agencies, sectors and regions that actively participate in the water policy dialogues		At least 30 key institutions, including line ministries, trade organizations, and local government entities participate in water policy dialogues Starting Y1	<ul style="list-style-type: none"> • Minutes of the meetings • Agreements between different sectors for conflict management • Surveys • Project evaluations: 6 month project reports; annual reports; mid-term and terminal evaluation 	
	Number of lessons learned and best practices uptaken in the project outreach strategy		Not applicable	Every year of project implementation, at least 10 lessons learned and best practices consolidated in Experience Notes and disseminated through website and other media Starting Y2	

PART IV: ENDORSEMENT BY GOVERNMENT AND CERTIFICATION BY THE IMPLEMENTING ENTITY



Letter of Endorsement by Government

20 July 2010

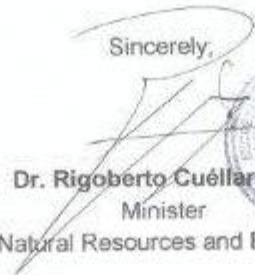
To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: *Endorsement for Addressing Climate Change Risks on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor*

In my capacity as designated authority for the Adaptation Fund in Honduras, I confirm that the above national project proposal is in accordance with the government's national priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in Honduras.

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund which is being submitted under the one-step modality. If approved, the proposal will be coordinated and implemented by the Secretariat for Natural Resources and Environment/Secretariat for Planning (SERNA/SEPLAN)

Sincerely,


Dr. Rigoberto Cuéllar Cruz

Minister

Secretariat for Natural Resources and Environment (SERNA)

Edificio Principal: Despacho de Recursos Naturales y Ambiente, 100 metros al sur del Estadio Nacional
Teléfonos: 232-2011, 239-4298 • Fax: 232-6250 • Apartado Postal 1389,4710,
Tegucigalpa, M. D. C., Honduras, C. A.

A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT¹

Provide the name and position of the government official and indicate date of endorsement. If this is a regional project, list the endorsing officials all the participating countries. The endorsement letter(s) should be attached as an annex to the project proposal. Please attach the endorsement letter(s) with this template; add as many participating governments if a regional project:

Dr. Rigoberto Cuellar Cruz, Minister, Ministry of Natural Resources and Environment (SERNA)

Date: 20 July 2010

B.

IMPLEMENTING ENTITY CERTIFICATION

Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person's name, telephone number and email address

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 and subject to the approval by the Adaptation Fund Board, understands that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme

Y. Glemarec

Yannick Glemarec
Director
Environmental Finance
UNDP
Implementing Entity Coordinator

Date: 3 September 2010

Tel. and email: +1-212-906-6843, yannick.glemarec@undp.org

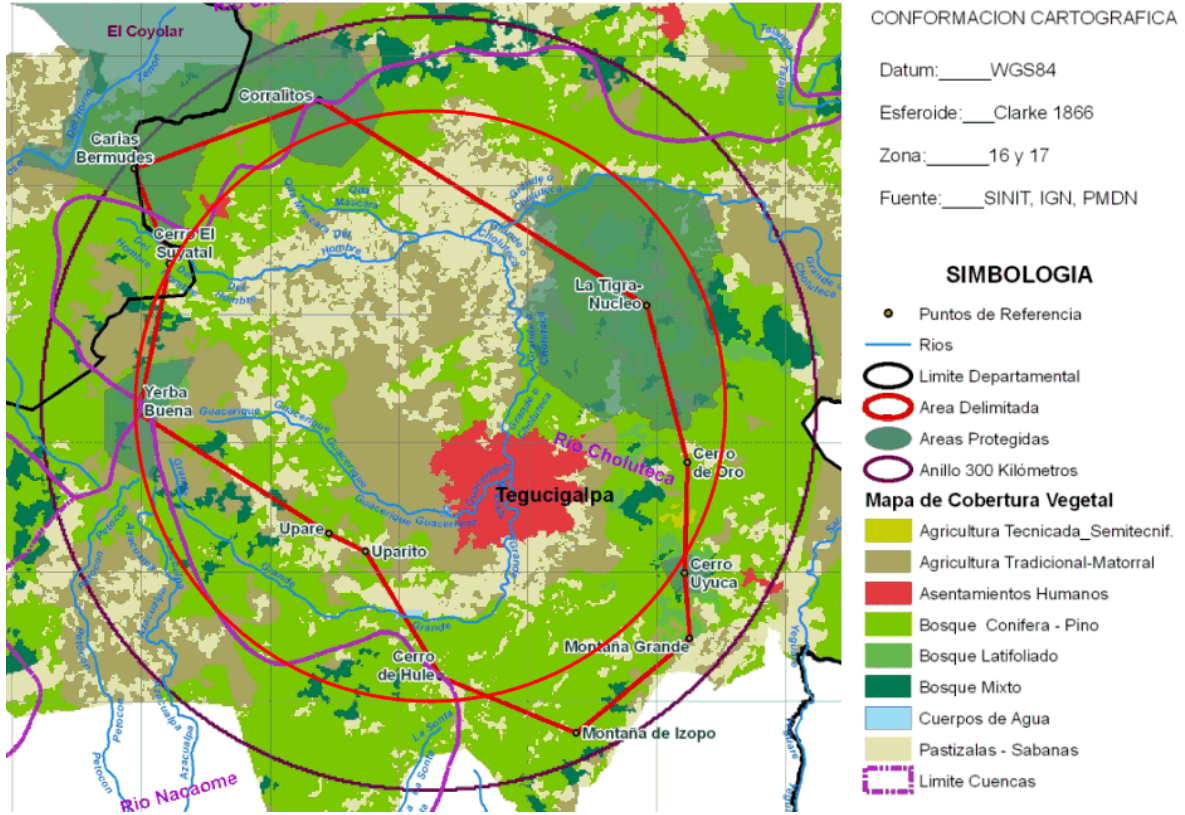
Project Contact Person: Paula Caballero, Regional Technical Advisor, UNDP-EEG

Tel. and Email: +507 302 4571, paula.caballero@undp.org

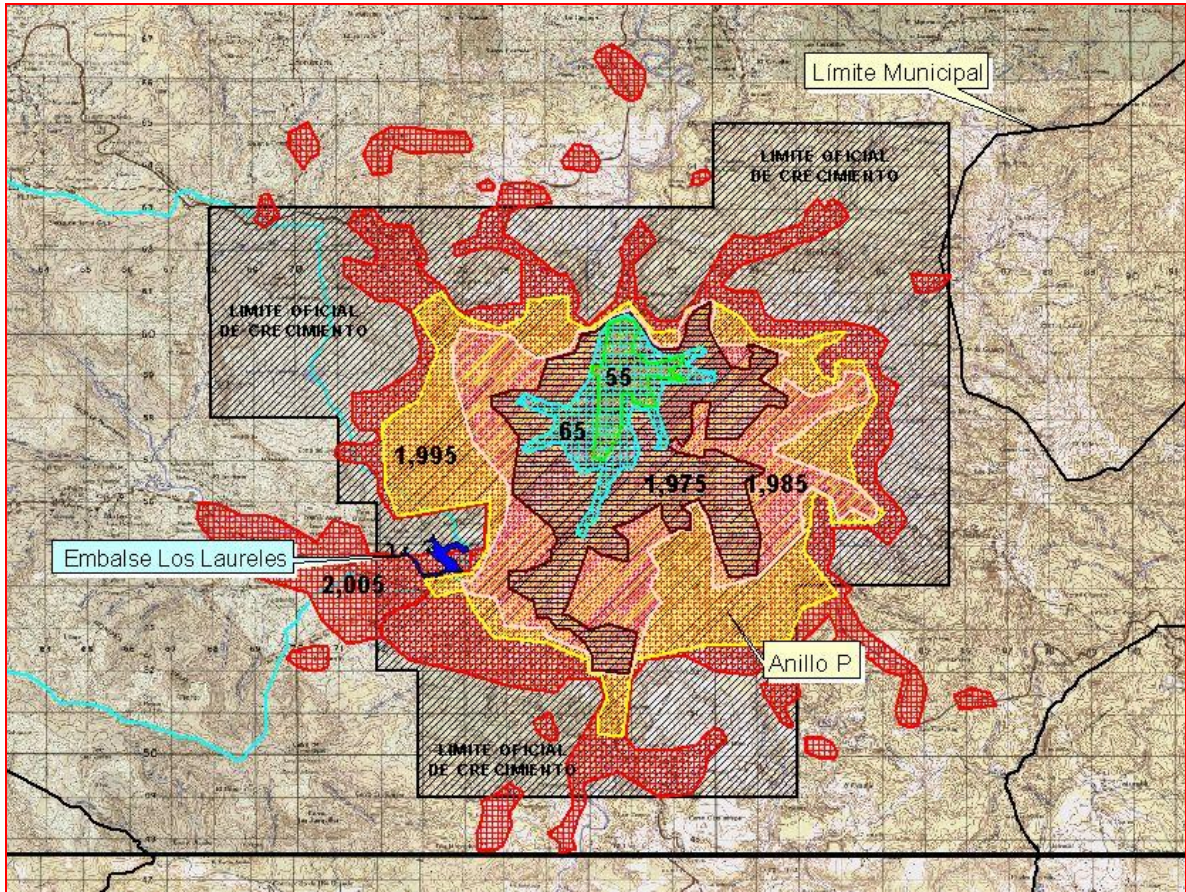
ANNEX

MAPS

1. FOREST COVER OF THE "GREEN BELT" OF TEGUCIGALPA



2. HISTORICAL EVOLUTION OF THE EXPANSION OF TEGUCIGALPA CITY'S URBAN PERIMETER



4. VULNERABLE NEIGHBORHOODS (*BARRIOS*) IN TEGUCIGALPA



Aerial photo of Tegucigalpa with the most vulnerable *barrios* in red color.

Schedule 3

Disbursement Schedule:

All figures in US Dollars

	Upon MOU signed (Feb-11)	Feb-11	Oct-11	Oct-12	Oct-13	Oct-14	Oct-15	Total
Project Funds		\$772,200	\$514,800	\$1,359,000	\$1,171,000	\$870,000	\$493,000	\$5,180,000
IA Fee	\$176,120	\$39,382	\$26,255	\$69,309	\$59,721	\$44,370	\$25,143	\$440,300
TOTAL	\$176,120	\$811,582	\$541,055	\$1,428,309	\$1,230,721	\$914,370	\$518,143	\$5,620,300
	Transferred by Trustee in a single tranche		Transferred by Trustee in 5 tranches					