

Summary of submissions on specific policies, programme priorities, eligibility criteria and possible arrangements for management of the Adaptation Fund

I. Introduction

A. Background

1. The Conference of the Parties (COP), by its decision 10/CP.7, established the Adaptation Fund. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), by its decision 28/CMP.1, adopted initial guidance to an entity entrusted with the operation of the financial mechanism of the Convention for the operation of the Adaptation Fund and decided that the Adaptation Fund shall function under the guidance of, and be accountable to, the COP/MOP.

2. In accordance with decisions 3/CMP.1 and 17/CP.7, the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be 2 per cent of the certified emission reductions (CERs) issued for a clean development mechanism (CDM) project activity. In accordance with decisions 28/CMP.1 and 10/CP.7, the Adaptation Fund shall be financed from this share of proceeds and other sources of funding.

3. By its decision 28/CMP.1 the COP/MOP further decided that:

- (a) The Adaptation Fund shall finance:
 - (i) Concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol;
 - (ii) Activities identified in decision 5/CP.7, paragraph 8.
- (b) The operation of the Adaptation Fund shall be guided by:
 - (i) A country-driven approach;
 - (ii) Sound financial management and transparency;
 - (iii) Separation from other funding sources;
 - (iv) A learning-by-doing approach.

4. The COP/MOP decided to adopt, at its second session, further guidance on policies, programme priorities and eligibility criteria for the operation of the Adaptation Fund. To help prepare a draft decision on this matter, the COP/MOP invited Parties to submit to the secretariat, by 13 February 2006, for consideration by the Subsidiary Body for Implementation (SBI) at its twenty-fourth session, their views on:

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

5. The secretariat received 13 submissions from Parties; they are contained in document FCCC/SBI/2006/MISC.7 and Add.1.

6. The COP/MOP also invited international organizations (IGOs) to submit to the secretariat, by 13 February 2006, their views on possible arrangements for the management of the Adaptation Fund for consideration at SBI 24. Submissions by IGOs are contained in document FCCC/SBI/2006/MISC.5.

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

B. Scope of the note

8. This document attempts to summarize various options presented in the 13 submissions received from Parties.

9. Participants in the workshop may wish to use the information contained in this document, as well as in documents FCCC/SBI/2006/MISC.7 and Add.1 and FCCC/SBI/2006/MISC.5, as background for discussions at the workshop.

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

- (a) Share of Proceeds to assist to meet the costs of adaptation
- (b) Overview of existing institutional arrangements for managing funds
- (c) Overview of existing programmes and policies to assist adaptation activities (including an overview of existing decisions relating to assistance for adaptation).

II. Possible arrangements for the management of the Adaptation Fund

A. Institution to manage the Adaptation Fund

11. Different views were expressed about the institution to manage the Adaptation Fund, its decision-making process, its membership, and its relationship with the COP/MOP.

1. Institution to manage the Adaptation Fund

12. Views from Parties differed on whether the entity entrusted with the management of the Adaptation Fund should be the Global Environment Facility (GEF). Main options outlined in the submissions were that:

- (a) The **GEF should** operate the Adaptation Fund (Canada, Japan, Switzerland) because it is an operating entity for the financial mechanism of the Convention as referred to in decision 10/CP.7 (Japan) and it fulfils the main principles and criteria established for managing the Adaptation Fund (Canada, Switzerland);
- (b) The **GEF could** operate the Adaptation Fund **provided that**:
 - (i) The GEF can demonstrate that it will be able to fulfil specific principles and criteria established for managing the fund (Mexico);
 - (ii) The fund follows only criteria adopted by the COP/MOP and is not subject to the GEF's existing conditionality and criteria for fund disbursement (Indonesia, Saudi Arabia);
 - (iii) A separate memorandum of understanding (MOU) between the GEF Council and COP/MOP is adopted regarding the operation of the financial mechanism of the

Kyoto Protocol, containing guidelines for separate administration and management of the Adaptation Fund (India).

- (c) **Alternative institutional arrangements** for managing the Adaptation Fund should be considered including:
- (i) Arrangements similar to those for the Multilateral Fund of the Montreal Protocol (AOSIS¹, Egypt, Indonesia, Mexico, Philippines);
 - (ii) Other potential agencies of the United Nations (Egypt, Philippines); or
 - (iii) A new body established under the COP/MOP (Indonesia, Saudi Arabia) and/or under the Executive Board the CDM (Indonesia).

Most Parties proposing other institutional arrangements expressed concerns about the operation of the Adaptation Fund by the GEF because of its current procedures, criteria and conditionality for disbursement of funds (AOSIS, Indonesia, Saudi Arabia, Philippines) and because they consider the GEF's process for decision-making to be inappropriate (AOSIS, Philippines).

2. Membership of the governing body

13. Some Parties stressed that the governing body of the Adaptation Fund should have a **balanced representation** from developed and developing countries (European Community², Canada), whereas others proposed that **developing countries should have a majority role in the decision-making** (Egypt, Philippines) and play a central role in the governance of the Adaptation Fund (AOSIS, Indonesia) given that this fund is to be financed mainly by the share of proceeds from CDM project activities.

14. Philippines also highlighted the fact that countries which are members of the governing body of the fund shall be Parties to the Kyoto Protocol.

3. Relation of the governing body with the COP/MOP

15. The COP/MOP, by its decision 28/CMP.1, decided that the **Adaptation Fund shall function under the guidance of, and be accountable to, the COP/MOP.**

16. Philippines stressed that, in addition, the management of the Fund shall be **subject to the authority of the COP/MOP**, consistent with Article 12 of the Protocol, and not only operate under its guidance or be accountable to it.

17. Some Parties (Egypt, Saudi Arabia, South Africa) also stressed that the **decisions on how the funds are disbursed** should be made by the COP/MOP and that the entity operating the fund should be bound strictly by the guidance of the COP/MOP.

18. The need for the entity entrusted with the management of the Adaptation Fund to **regularly report** on how the guidance of the COP/MOP has been implemented was highlighted by Switzerland.

¹ Submission by Tuvalu on behalf of the Alliance of Small Island States

² Submission by Austria on behalf of the European Community and its member states

B. Institutional principles and criteria to be followed by an institution managing the Adaptation Fund

19. Many Parties identified institutional **criteria and principles** that should guide the management of the Adaptation Fund and provide the basis for selecting an entity to operate this fund. The main principles and criteria include:

- (a) Transparency (Canada, European Community, Indonesia), in particular in reporting on management of the financial resources (Mexico, Switzerland);
- (b) Accountability (Canada, European Community);
- (c) Financial management (Indonesia) including independent financial audits (Canada, European Community) and minimum international fiduciary standards (Canada);
- (d) Separation of accountability and disbursement (Mexico, Switzerland);
- (e) Autonomy to enable the use of funds in a flexible and fluent manner (Uruguay);
- (f) Effective and expeditious management (European Community);
- (g) Expeditious operation so that funding is available in a timely manner (Japan);
- (h) Separation and independence from the management, procedural arrangements and decision-making process of existing funds under the Convention and the Kyoto Protocol (Egypt, Indonesia);
- (i) Low transaction costs (European Community) and cost-effective management (Switzerland);
- (j) Independent monitoring and evaluation function (Canada, European Community);
- (k) Independent reviews at regular intervals (Switzerland);
- (l) Consistency and synergy with activities in related climate change areas (European Community);
- (m) Established knowledge and experience of adaptation activities (European Community) and on how to manage a fund (South Africa);
- (n) Responsiveness to the needs and views of developing countries (AOSIS, Canada, Indonesia, Uruguay).

20. Mexico and Switzerland also suggested that the entities to be considered for managing of the fund should provide information on their approaches towards encashment of certified emission reductions (CERs), designation, management and optimization of financial resources, and guarantees for the achievement of the objective of the fund.

C. Sources of funding for the Adaptation Fund

21. In accordance with **decisions 3/CMP.1 and 28/CMP.1**, the Adaptation Fund, shall be financed from a share of proceeds of 2 per cent of the CERs of CDM project activities and other sources of funding.

22. Some Parties stressed that the main source of funding for the Adaptation Fund is the **share of proceeds** from CDM project activities, although voluntary contributions can also be channelled into the fund (Egypt, Indonesia, Philippines, Saudi Arabia).
23. Other Parties stressed the need to consider **alternative and innovative sources** of funding (Canada, European Community, Switzerland, Japan), including contributions from the private sector (European Community, Japan) at national and local levels (European Community), existing development assistance, and other bilateral and multilateral sources (Canada, Japan).
24. Canada further highlighted that the trustee operating the fund should establish **one account or trust fund** to manage the Adaptation Fund resources from all sources. Separate accounts should not be created based on the sources of funds as this could double the administrative costs and would be inconsistent with the purpose of the fund.

III. Specific policies, programme priorities and eligibility criteria of the Adaptation Fund

A. Eligibility criteria

25. Developing country Parties to the Kyoto Protocol, especially those that are particularly vulnerable to the adverse effects of climate change, are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change.
26. In accordance with **Article 12, paragraph 8, of the Kyoto Protocol** the share of the proceeds from CERs of CDM project activities is to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.
27. The COP/MOP, by its **decision 28/CMP.1**, further clarified that the Adaptation Fund shall finance concrete adaptation projects and programmes **in developing country Parties that are Parties to the Protocol**. It also recognized that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are **particularly vulnerable to the adverse effects of climate change**.
28. Canada suggested that, in addition to developing country Parties, Parties with economies in transition that are Parties to the Kyoto Protocol should be eligible to receive funds from the Adaptation Fund.
29. Most of the submissions provided **more detailed proposals** on developing country Parties that are particularly vulnerable to the adverse effects of climate change to which priority in funding should be given:
- (a) Small island developing States (SIDS) (AOSIS, European Community, India, South Africa). AOSIS suggests that a special window for funding of SIDS be opened.
 - (b) Least developed country Parties (European Community, Indonesia, India)
 - (c) Developing country Parties with projected higher risks in the near future, in particular those which do not already have a specific fund of their own (Egypt)
 - (d) Developing country Parties and regions where available information indicates that the impacts of climate change are likely to be severe (South Africa)

30. Saudi Arabia highlighted that all developing country Parties to the Kyoto Protocol are eligible to receive assistance from the fund.

31. The European Community highlighted that flexible modalities should be developed to ensure adequate geographical representation in the access to resources, given the level of funds available.

B. Operational principles of the Adaptation Fund

1. Operational principles

32. In accordance with decision 28/CMP.1 the operation of the Adaptation Fund shall be guided by:

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

33. In addition to these principles, Parties have identified a number of additional operational principles and modalities, in particular regarding modalities for disbursement of funding.

34. Indonesia, India, Mexico and Switzerland stressed the need to expedite the operationalization of the Adaptation Fund.

2. Principles and modalities for disbursement of funding

35. Most Parties agree that funding by the Adaptation Fund should be disbursed in an efficient and expeditious manner. Views varied, however, on **specific modalities for disbursements**:

- (a) Many Parties concurred that the Adaptation Fund should **not be subject to the funding conditionality and criteria and lengthy project preparation procedures of the GEF** (AOSIS, Indonesia, Philippines, Saudi Arabia) and proposed that the Adaptation Fund should have flexible disbursement procedures. As already explained above, many of these Parties are of the view that the conditions and procedures for fund disbursement should be directly defined by the COP/MOP. In particular:
 - (i) India proposed that projects for funding through the Adaptation Fund, regardless of their size, should be routed through the expedited processing system, as followed for the medium-sized projects of the GEF. The policy for operation of Adaptation Fund may also incorporate:
 - Year round submission of proposals;
 - Authority for the implementing agency to commit the funds for the project following its own approval procedures;
 - (ii) AOSIS and Uruguay further highlighted that the fund should not be linked with or managed under the Resource Allocation Framework of the GEF;
 - (iii) India further highlighted that for GEF funds there is a limit of 15 per cent that any developing country can access in the sector of climate change, and stressed that there should not be any limit of this type for the Adaptation Fund;

- (b) Other Parties proposed that the **processes and procedures of the GEF could be used for the Adaptation Fund but they could be streamlined**, as has been the case for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) (Canada, Switzerland);
- (c) Views vary as well with regard to **co-financing**. Some Parties (AOSIS, Indonesia, Philippines) stressed that the fund should avoid co-financing requirements and the use of the incremental cost concept; others suggested that co-financing requirements could be reviewed in the light of experiences under the SCCF and LDCF to provide the additional funds necessary to cover the cost of adaptation projects (Canada, Switzerland), including the possibility of a sliding scale to simplify calculation of fully funded additional costs of adaptation to climate change (European Community).

36. Indonesia further stressed that negotiations on criteria to apply to the fund and for disbursements should take place prior to any decision being taken by COP/MOP on which institution would be selected as the entity entrusted with the operations of financing mechanism.

3. Other proposals for the operational principles and modalities

37. **Additional proposals for principles and modalities** for the operation of programmes and policies of the Adaptation Fund included:

- (a) Learning-by-doing approach (European Community)
- (b) A wider base of organizations to serve as implementing agencies for projects funded by the Adaptation Fund. This fund addresses specific themes and sectors relating to adaptation to climate change that need involvement of specialized United Nations agencies with expertise in such sectors (India). AOSIS also suggested that regional organizations should play a critical role in the implementation of the fund
- (c) A precautionary principle should be applied in anticipation and mitigation of the adverse effects of climate change by implementing concrete adaptation projects. In this context a time frame should be set to implement and prepare the readiness of the developing countries for achievements of the fund, i.e. three years before 2012 (Indonesia)
- (d) Consultations should be held with developing countries on the operation of the fund outside the COP/MOP and GEF Council setting. This could be done through an annual consultation or regional consultations (Canada)
- (e) Overall procedures should be flexible (Indonesia), simple and clear (AOSIS)

C. Policies and programme priorities

38. In accordance with **decision 28/CMP.1** the Adaptation Fund shall finance:

- (a) Concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol
- (b) Activities identified in decision 5/CP.7, paragraph 8.

39. Activities identified in **decision 5/CP.7, paragraph 8**, include:

- (a) Adaptation activities where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture,

health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management

- (b) Improvement in monitoring diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention
- (c) Support for capacity-building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular for droughts and floods in areas prone to extreme weather events
- (d) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.

1. Criteria for prioritizing project activities

40. Some Parties, in addition to decisions 28/CMP.1 and 5/CP.7, referred to the need to consider adaptation priorities under **decision 1/CP.10** on the Buenos Aires programme of work on adaptation and response measures (Canada, Indonesia) **and decision 2/CP.11** on the five-year programme of work of the Subsidiary Body for Scientific and Technological Advice on impacts, vulnerability and adaptation to climate change (India, Saudi Arabia).

41. Most Parties reaffirmed the need to finance **concrete adaptation projects and programmes** outlined in decision 28/CMP.1 and elaborated further their understanding of how these criteria apply:

- (a) Adaptation stages:
 - (i) Philippines stressed that the initial guidance on policies, programme priorities and eligibility criteria should follow the guidance provided in decision 11/CP.1, paragraph 1, with regard to staged approach to adaptation. The fund should finance only concrete adaptation projects and programmes under stage III of adaptation, i.e. measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and 4.4 of the Convention. The Fund should not finance planning (stage I) and further capacity-building (stage II) activities already funded under the Convention;
 - (ii) AOSIS is of the view that the Adaptation Fund should finance concrete adaptation activities including stage II and stage III adaptation activities. The Adaptation Fund should not be used for initial assessments or vulnerability studies. Stage I adaptation activities should be financed and implemented through the process of preparing national communications and other studies;
- (b) Indonesia emphasized the importance of actions in the field, such as physical construction activities, to support the implementation of the adaptation activities. It also suggested that Parties should agree upon the proportion of technical assistance activities in the Adaptation Fund. It proposed that a maximum of 15 per cent of the funds in the Adaptation Fund should be used for technical activities, and that the rest of the fund would go to physical project activities;
- (c) Canada stressed that concrete activities should complement the existing assessment, planning, and capacity-building activities, supported by other sources of funding.

42. Parties have also suggested **criteria for prioritizing project activities**. Most Parties stressed that the prioritization of activities, **following the country-based approach, should follow development priorities of host countries**. Different views were expressed, however, on which approaches and bases should be used in prioritizing activities, these included:

- (a) Adaptation projects and activities should focus on sectors identified as being particularly vulnerable under different national and regional circumstances (European Community, South Africa, Switzerland). Activities should address vulnerabilities identified by developing country Parties in relevant documents such as national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action (NAPAs) (European Community, Switzerland), to promote the integration of adaptation measures in national development planning and budgeting (Switzerland);
- (b) A thematic programming approach could be adopted to identify programme priorities. These may be determined through a process of identifying thematic priority areas that have links with development goals, such as the Millennium Development Goals and the country priorities as articulated in the national communications and NAPAs and national sustainable development strategies. Within these areas, key interventions that will reduce vulnerability and enhance adaptive capacity to climate change may be identified. These key interventions may become the programme priorities. Projects may be developed at national and regional levels to address these interventions. Simple checklists or criteria may be developed to ensure that the objectives envisaged are met by the projects (India);
- (c) A lesson-learnt approach based on a country-driven approach could be adopted and could provide a sound basis for the adaptation activities. It is essential for developing countries to ensure that adaptation activities are in line with the national policy and strategy. The adaptation activities should be an integral part of the sustainable and national development plan of each developing country (Indonesia);
- (d) Priority should be given to sectors that are of critical importance to human survival, and economic sustainability (AOSIS);
- (e) Projects should be examined with regard to their effectiveness in addressing specific problems, local capacity-building, technology transfer and the promotion of indigenous technological applications (AOSIS).

2. Complementarities with other funding activities

43. Many Parties stressed that the prioritization of activities under the Adaptation Fund should be **complementary** with other existing funds and assistance (Canada, European Community, Indonesia, Japan, Mexico), in particular to funding priorities and allocations for adaptation activities under the SCCF and the LDCF.

44. Canada stressed further that the Adaptation Fund should clearly demonstrate an added value beyond the SCCF.

45. Egypt and Indonesia highlighted the need for **separation of the Adaptation Fund from other funding sources**, including independence from the management, procedural arrangements and decision-making processes of existing funds under the Convention and the Protocol.

3. Additional priority areas

46. Many Parties have reaffirmed the importance of activities listed in paragraph 8 of decision 5/CP.7 and provided **additional detail and priority areas to be considered**, such as:

- (a) Health:
 - (i) Disease control such as developing vaccines, drugs and antiviral remedies associated with climate change impacts on health (Egypt, India);
 - (ii) Develop new, and strengthening of existing, medical support systems for diseases that are exacerbated by climate change and are often a fall-out of a disaster event (post-disaster epidemics), such as malaria and cholera (India);
- (b) Agriculture: Consider food and nutritional security. Support development and adoption of technologies for making crops resistant to climate change for and cropping techniques that reduce the impact of climatic variability (India);
- (c) Forestry (Indonesia);
- (d) Sustainable livelihoods (South Africa);
- (e) Improve resilience of drinking water and sanitation systems to the impacts of climate change, including extreme events (India);
- (f) Integrate adaptation into policy process and planning frameworks for decision-making (Indonesia, South Africa) which require development of tools, methods, modelling for local level and technology for adaptation (Indonesia);
- (g) Increase public awareness of the potential impacts of climate change and possible adaptation options and strategies, to enable decision-making at individual and community level (Indonesia);
- (h) Capacity-Building:
 - (i) Consider under disaster management and risk reduction:
 - Early warning systems for extreme weather events (India);
 - Disaster-proof communication systems (India);
 - Awareness and training exercises, contingency planning (India);
 - Preparedness for desertification and support for rain enhancement and water harvesting activities under capacity-building in the areas of preparedness and management of disasters relating to climate change (Egypt);
 - (ii) Provide capacity building to sensitize policy-makers to the impacts their decision-making may have on adaptive capacity (Indonesia);
- (i) Explore the augmentation of insurance schemes for particularly vulnerable sectors such as subsistence agriculture (AOSIS);

- (j) Economic diversification as a subtheme of the five-year programme of work on adaptation:
- (i) Promote understanding and development and dissemination of measures, methodologies and tools for economic diversification aimed at increasing economic resilience and reducing reliance on vulnerable economic sectors, especially for relevant categories of countries listed in Article 4, paragraph 8, of the Convention (Saudi Arabia);
 - (ii) Improve quality of models, in particular those that assess the adverse impacts on social and economic development as consequence of the responses to climate change, taking into full account the legitimate priority needs of developing countries with specific emphasis on countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption, of fossil fuels and associated energy-intensive products (Saudi Arabia).

IV. Summary overview

A. Arrangements for the management of the Adaptation Fund

47. Parties have different views regarding the **institution to manage the Fund**. Some consider that the GEF should operate it. However, others consider that the GEF should operate it only if there are flexible arrangements and it follows special criteria defined by the COP/MOP (including a new MOU between the GEF Council and COP/MOP), and others propose exploring other institutional arrangements for managing the Adaptation Fund similar, for example, to the Multilateral Fund of the Montreal Protocol, other potential agencies of the United Nations, or a new body established under the COP/MOP.

48. Options regarding the **membership of the governing body** include a balanced representation from developed and developing countries or a majority from developing countries. One Party also highlighted that members of the governing body shall be Parties to the Kyoto Protocol.

49. While agreeing that the management of the Adaptation Fund should, in accordance with decision 28/CMP.1, be under the guidance of, and be accountable to, the **COP/MOP**, some Parties suggested that:

- (a) Decisions on how the funds are disbursed should be made by the COP/MOP; the entity operating the fund should be bound strictly by the guidance of the COP/MOP;
- (b) The management of the fund should be subject to the authority of the COP/MOP;
- (c) The governing body should regularly report on how the guidance of the COP/MOP has been implemented.

50. Many Parties proposed **institutional criteria and principles** that should guide the management of the Adaptation Fund and provide the bases for selecting an entity to operate this fund.

51. In acknowledging that, in accordance with decisions 3/CMP.1 and 28/CMP.1, the Fund shall be financed from 2 per cent of the share of proceeds of CERs of CDM project activities and other sources of funding, **some Parties stressed that the main source of funding for this fund is the share of proceeds on the CDM project activities whereas others stressed the need to consider alternative and innovative sources of funding.**

B. Specific policies, programme priorities and eligibility criteria of the adaptation fund

52. On **eligibility criteria**, in accordance with decision 28/CMP.1, developing country Parties to the Kyoto Protocol, especially those particularly vulnerable to the adverse effects of climate change, are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change. Low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems, are particularly vulnerable to the adverse effects of climate change. Many Parties provided options on their understanding of what are “Parties that are particularly vulnerable to the adverse effects of climate change” to which priority for funding should be given. Options included:

- (a) Small island developing States
- (b) Least developed country Parties
- (c) Developing country Parties with projected higher risks in the near future, in particular those which do not already have a specific fund of their own
- (d) Developing country Parties and regions where available information indicates that the impacts of climate change are likely to be severe
- (e) All developing country Parties to the Kyoto Protocol.

53. Regarding the **operational programmes and policies of the Adaptation Fund**, in addition to the **operational principles** established in decision 28/CMP.1, Parties have identified a number of additional operational principles and modalities, in particular with regards to modalities for **disbursement of funding**:

- (a) Some consider that the Adaptation Fund should not be submitted to the funding conditionality and criteria and lengthy project preparation procedures of the GEF; others consider that processes and procedures of the GEF could be used for the Adaptation Fund but they could be streamlined;
- (b) Views vary as well with regards to co-financing. Some Parties stressed that the Fund should avoid co-financing requirements and use of the incremental cost concept; others suggested that co-financing requirements could be reviewed in the light of experiences under the SCCF and LDCF for providing the additional costs necessary to cover adaptation.

54. **Other proposals on operational principles** included a wider base of organizations that could serve as implementing agencies, a learning-by-doing approach, setting a time frame for achievements of the fund, holding consultations with developing countries on the operation of the Fund outside the COP/MOP and GEF Council setting, and ensuring that overall procedures of the fund are flexible, simple and clear.

55. Regarding **priority areas and activities**, in addition to those activities already prioritized under decision 28/CMP.1, Parties provided a number of additional criteria to define priorities such as:

- (a) Considering priorities under **decisions 1/CP.10** on the Buenos Aires programme of work on adaptation and response measures and **2/CP.11** on the five-year programme of work of the SBSTA on impacts, vulnerability and adaptation to climate change;
- (b) Elaborating on what is understood under the concept of **concrete adaptation projects** and programmes outlined in decision 28/CMP.1;

- (c) Proposing **new criteria for prioritizing project activities**. Most Parties stressed that the prioritization of activities, following the country based approach, should follow development priorities of host countries, but different views were expressed on approaches and bases to be used in prioritizing activities;
- (d) Considering the need for the **Adaptation Fund to be complementary to other existing funds** and assistance, in particular with funding priorities and allocations for adaptation activities under the SCCF and the LDCF.

56. Parties also **listed a number of sectors and activities they considered as priorities**, these included:

- (a) Detailed activities in the areas of health, agriculture and capacity-building for disaster management;
- (b) Additional focal areas and activities such as forestry sustainable livelihoods, improving resilience of drinking water and sanitation systems, integration of adaptation into policy process and planning frameworks for decision-making, increasing public awareness, insurance schemes for particularly vulnerable sectors such as subsistence agriculture, and economic diversification as a subtheme of the five-year programme of work of the on impacts, vulnerability and adaptation to climate change.
