

SUBSIDIARY BODY FOR IMPLEMENTATION

Twenty-third session

Montreal, 28 November to 6 December 2005

Agenda item 6 (a)

Financial mechanism (Kyoto Protocol)

Adaptation Fund

Draft decision proposed by Jamaica on behalf of the Group of 77 and China

The Conference of the Parties, serving as the meeting of the Parties to the Kyoto Protocol,

Being guided by Article 12.8 of the Kyoto Protocol,

Recalling decision 10/CP.7, by which an Adaptation Fund was established by the Conference of the Parties to the Convention,

Recognizing the need to operationalize the Adaptation Fund as soon as possible,

Recognizing that developing countries, least developed countries, 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 mountain ecosystems are particularly vulnerable to the adverse effects of climate change,

Taking note of the proposed arrangements for the Adaptation Fund presented by the Global Environment Facility as an operating entity entrusted with the operation of the financial mechanism of the Convention, as contained in paragraph 31 of the Global Environment Facility's report to the Conference of the Parties (FCCC/CP/2005/3),

1. *Decides* to adopt the following guidance to an operating entity of the financial mechanism of the Convention when making arrangements for the operation of the Adaptation Fund:
 - (a) That the Adaptation Fund shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in paragraph 8 of decision 5/CP.7;
 - (b) That the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall ensure that a share of the proceeds from certified project activities under the clean development mechanism is used to assist developing country Parties, especially those Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
 - (c) That, as this Adaptation Fund has been established under the Kyoto Protocol for the benefit of developing country Parties, to establish guidelines and adopt decisions on the operation of the Adaptation Fund that fully reflect these elements, and that disbursements should be made in the most expeditious way possible, without onerous operational policies on eligibility criteria, project cycle and approval, the application of the concept

of incremental costs, and guidelines which impose considerable administrative and financial costs on these developing country Parties;

- (d) That the Adaptation Fund shall be subject to the authority and guidance of the Conference of Parties serving as meeting of the Parties;
- (e) That other sources of funding shall be mobilized to finance activities under the Adaptation Fund;
- (f) That a regular report shall be given to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on how these guidance has been followed in the financing of activities; and
- (g) That a review of the entity operating the financial mechanism for the Adaptation Fund shall be conducted on a regular basis.

2. *Also decides* to adopt specific policies, programme priorities and eligibility criteria to guide an operating entity to the financial mechanism at its second session on the operation of the Adaptation Fund;

3. *Decides further* to develop arrangements, in the form of a memorandum of understanding to be made with an operating entity of the financial mechanism of the Convention on the operation of the Adaptation Fund that would, inter alia, incorporate all the elements given in the above guidance;

4. *Requests* the secretariat to prepare a document incorporating all the above guidance for the consideration of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its next session.
