

SUBSIDIARY BODY FOR IMPLEMENTATION
Twenty-third session
Montreal, 28 November to 6 December 2005

Agenda item 6 (a)
Financial mechanism (Kyoto Protocol)
Adaptation Fund

Elements for a draft decision on the Adaptation Fund proposed by the United Kingdom of Great Britain and Northern Ireland on behalf of the European Community and its Member States

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

Recalling Articles 10, 11 and 12, paragraph 8, of the Kyoto Protocol,

Recalling also decisions 11/CP.1 and 15/CP.1,

Recalling also decisions 10/CP.7 and 17/CP.7,

Recognizing that the atmosphere is a global public good and that the prevention of dangerous anthropogenic interference with the climate system is necessary to protect that good,

Emphasizing the innovative character of the Adaptation Fund, which shall be financed from the share of proceeds from clean development mechanism project activities and other sources of funding,

Recalling the Monterrey consensus, which calls for the exploration of innovative sources of finance and invited banks and other financial institutions, in developing countries as well as developed countries, to foster innovative developmental financing approaches,

Recognizing that adaptation in developing countries is an integral part of ongoing efforts for sustainable development,

Aware that funding of adaptation to climate change will need to be drawn from a variety of sources, including funding from the private sector, from existing development assistance funding and from other bilateral and multilateral sources,

Recognizing that funding should be made available to Parties not included in Annex I which is new and additional to contributions under the Convention,

1. *Decides* to adopt the following guidance for the operation of the Adaptation Fund established under decision 10/CP.7 and that the management of the Adaptation Fund be consistent with the following principles:

- (a) Country-drivenness
- (b) Cost-effectiveness
- (c) Leveraging of other funds
- (d) Consistency with the approach to funding adaptation under the Special Climate Change Fund and the Least Developed Countries Fund

- (e) Supporting the implementation of activities identified in relevant documents, such as national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action, in order to promote the integration of adaptation measures in national development planning and budgeting
 - (f) Supporting a learning-by-doing approach,
2. *Requests* the Global Environment Facility, in managing the Adaptation Fund:
- (a) To adopt streamlined procedures for the operation of the Adaptation Fund while ensuring sound financial management;
 - (b) To ensure transparency in all steps relating to the operation of the Adaptation Fund;
 - (c) To promote complementarity of funding of the Adaptation Fund to the Special Climate Change Fund and the Least Developed Countries Fund;
3. *Requests* the Global Environment Facility to ensure the separation of the administration and activities of the Trust Fund of the Global Environment Facility and the Adaptation Fund;
4. *Decides* that the Adaptation Fund should fund 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;
5. *Requests* the Global Environment Facility to take into account the following elements when developing operational guidelines for the operation of the Adaptation Fund:
- (a) Additional costs of activities to adapt to the adverse effects of climate change shall be provided by the Adaptation Fund.
 - (b) Develop a co-financing scale for calculating additional costs.
 - (c) Develop flexible modalities that ensure balanced access to resources given the level of funds available.
6. *Requests* the Global Environment Facility to include in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol information on the specific steps it has undertaken to implement this decision.

- - - - -