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**SUBSIDIARY BODY FOR IMPLEMENTATION**

**Twenty-third session**

**Montreal, 28 November to 6 December 2005**

**Agenda item 6 (a)**

**Financial mechanism (Kyoto Protocol)**

**Adaptation Fund**

**Financial mechanism – Kyoto Protocol**

**Draft conclusions proposed by the Chair**

**Recommendation of the Subsidiary Body for Implementation**

The Subsidiary Body for Implementation, at its twenty-third session, decided to recommend the following draft decision for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session.

**Draft decision -/CMP.1**

**Initial guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Adaptation Fund**

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

*Recalling* Article 12, paragraph 8, of the Kyoto Protocol,

*Recalling* decisions 5/CP.7, 10/CP.7 and 17/CP.7,

*Recognizing* 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,

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

*Taking note of* the proposed arrangements for the Adaptation Fund presented by the Global Environment Facility as an entity entrusted with the operation of the financial mechanism of the

Convention, as contained in paragraph 31 of the report of the Global Environment Facility to the Conference of the Parties (FCCC/CP/2005/3),

*Noting* that the Adaptation Fund shall be financed from the share of proceeds on the clean development mechanism project activities and other sources of funding,

*Recognizing* that adaptation to climate change is an integral part of ongoing efforts for sustainable development,

1. *Decides* that the Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in decision 5/CP.7, paragraph 8;

2. *Decides* that the Adaptation Fund shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

3. *Decides* that the operation of the Adaptation Fund shall be guided by the following:

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

4. *Decides* to adopt further guidance on policies, programme priorities and eligibility criteria for the operation of the Adaptation Fund, at its second session;

5. *Invites* Parties to submit to the secretariat, by 13 February 2006, their views on specific policies, programme priorities and eligibility criteria for consideration by the Subsidiary Body for Implementation at its twenty-fourth session (May 2006);

6. *Further invites* Parties and relevant international organizations to submit to the secretariat, by 13 February 2006, their views on possible arrangements for the management of the Adaptation Fund for consideration by the Subsidiary Body for Implementation at its twenty-fourth session;

7. *Requests* the secretariat to organize, before the twenty-fourth session of the Subsidiary Body for Implementation, subject to the availability of resources, a workshop to promote an exchange of views on further guidance for the operation of the Adaptation Fund.

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