

## **APA 1.4 AGENDA ITEM 8(a) - Matters relating to the Adaptation Fund**

Submission by Australia, Canada, Japan, and the United States of America

### **Operating Modalities**

When the CMA decides that the AF serves the PA exclusively, funding eligibility will be restricted to Parties to the Paris Agreement, with strong prioritization given to Parties that are particularly vulnerable - especially SIDS and LDCs.

When the CMA 1 takes a decision regarding the Adaptation Fund serving the Paris Agreement, the CMA shall instruct the new Adaptation Fund Board to accomplish the following items:

- To ensure that it will continue to occupy a unique role in the international financial architecture, in that it provides direct access modalities, grants for adaptation, and small-scale projects.
- The AF will maintain its complementarity with the Operating Entities of the Financial Mechanism of the Paris Agreement, and avoid duplication, reaffirming that it is not part of the Financial Mechanism of the Paris Agreement.

[Placeholder for a decision that resolves the question of sources of funding, which should occur when the CMA 1 takes a decision on the Adaptation Funding serving the Paris Agreement.]

Funding shall not come from Proceeds from Article 6.2 (which does not exist under the Paris Agreement) nor any mandatory replenishment process.

### **Safeguards**

When the CMA 1 takes a decision regarding the Adaptation Fund serving the Paris Agreement, the CMA shall instruct the AF Board to achieve the following goals within two years:

- Establish an enhanced Environmental and Social Safeguards System (also called an Environmental and Social Risk Management System), that includes:
  - Establishing a robust environmental and social safeguards policy, articulating the AF's responsibilities and commitments, including for oversight of Accredited and Implementing Entities.
  - Setting up Accredited/Implementing Entity requirements that are in line with best practices, such as the IFC Performance Standards or the World Bank's new Environmental and Social Standards.
  - Developing an organizational structure for overseeing the Accredited Entities and their activities.
- Approve an enhanced disclosure policy in line with international best practice (e.g., GCF).
- Establish a system and process by which activities that are funded are regularly monitored and evaluated by the AF and, as appropriate, by independent entity(ies).

- Put in place an independent accountability mechanism that allows parties that are negatively affected by AF- funded projects to have recourse to a responsible authority that can recommend remedial action.
- Approve a robust/enhanced Anti Money Laundering / Countering Financing for Terrorism (AML/CFT) policy that is commensurate with the type of risks that the AF faces.
- Decide how to ensure current accredited entities satisfy more robust safeguard policies.