

Proposed textual narrative elements from EIG for AF

The EIG is of the view that the AF should exclusively serve the Paris Agreement after a transitional period of two years (until the end of 2020). During the transitional period the fund will serve both the Paris Agreement and the Kyoto Protocol.

Below you can find textual elements that should be covered in a CMA-1 decision in the view of the EIG.

Governance and institutional arrangements:

Authority or guidance under which the fund operates:

- The Adaptation Fund shall serve the Paris Agreement under the guidance of and be accountable to the CMA from 2019 onward.
- The CMA-1 should recommend to the CMP that the AF shall serve the Paris Agreement exclusively from 2021 onward.
- The [AF Board][ad-hoc technical working group]¹ should until the end of the transitional period make a recommendation on which past guidance to the AF from CMP shall apply *mutatis mutandis*.
- The [AF Board][ad-hoc technical working group] should until the end of the transitional period make a recommendation on any further legal decisions and policy adjustments necessary to ensure a smooth transition to ensure that the AF will exclusively serve the PA from 2021 onwards.

Reporting of the Adaptation Fund Board to which governing body/bodies?

- The AF Board reports annually to the CMA from 2019 onward.
- The CMA-1 should recommend to the CMP that the AF Board shall continue to report to the CMP on an annual basis until 2020.

Comment: In the view of the EIG operational decisions such as the management of projects in the pipeline should be decided by the newly constituted board and not by the CMA.

Composition of the Board:

- Only Parties of the PA can serve on the Board and ensure adequate geographic balance amongst PA Parties.
- Add a textual element, which aims to achieve a gender balance in the board
- Textual elements referring to country categories such as Annex-I and non-Annex-I would not be acceptable to the EIG with regards to the composition of the board.
- Current balance between developed and developing countries will be maintained, if the primary source of funding will be share of proceeds from the Paris Agreement in line with the language from Article 6. If the source of funding is different, we would not be in the position to support the regional balance in the board as it is right now.
- The Board constitution would have to change from 2019 onwards (decision in CMA-1) and would remain the same in the transitional period and after.

Arrangements for secretariat services and services of the trustee:

- The [AF Board][ad-hoc technical working group] should decide during the transitional period on the secretariat and the administrative arrangements.
- The [AF Board][ad-hoc technical working group] should take a decision on the permanent trustee for the AF until the end of 2020.

¹ If the Board Constitution couldn't be changed in accordance with the above board constitution points before the end of the transitional period, we would insist on a balanced ad-hoc technical working group to make the policy recommendations instead.

Operating Modalities:

Operational policies and guidelines:

- The [AF Board][ad-hoc technical working group] should decide during the transitional period whether the operational policies and guidelines for Parties to access funding from the AF would have to be changed from 2021 onward.

Role in the climate international architecture

- The CMA-1 should recommend to the AF Board to take decisions to ensure that the AF will focus on its comparative advantage within the climate finance architecture, such as small scale adaptation projects, innovative approaches, the direct access modality and, experience in monitoring and evaluating of adaptation projects.

Eligibility:

- Developing country parties are eligible to receive resources from the AF from 2019 onward
- During the transitional period parties to the KP should still be eligible for funding, but from 2021 onwards Parties to the KP, which are not Parties to the PA will no longer be eligible for funding from the AF.

Funding source:

- During the transitional period (2019-2020) the funding source will be share of proceeds from the KP and the PA, as well as other innovative sources of funding and voluntary public funding
- From 2021 onwards the primary source of funding shall be share of proceeds from the PA in line with the language from Article 6 of the PA, other innovative sources of funding and complementary voluntary public funding.
- The [AF Board][ad-hoc technical working group] shall until the end of the transitional period make recommendations to the CMA on further legal and procedural decisions necessary to ensure the flow of share of proceeds from the PA in line with Art. 6 of the PA.

Linkages with other bodies and institutions:

- The CMA should recommend to promote coordination with other funds financing adaptation projects to ensure coherence and complementarity.

Safeguards:

Coherence of the AF's safeguards policies to serve the PA:

- The [AF Board][ad-hoc technical working group] shall until the end of the transitional period:
 - review the current AF safeguard policies and ensure that its social and environmental safeguards, in particular related to indigenous peoples and traditional knowledge, as well as its fiduciary standards are in line with international best practice (e.g. World Bank taking a tier approach), while recognizing the small scale of projects and programmes funded by the AF.
 - ensure that the disclosure policies are in line with international best practice.
 - decide on an independent accountability mechanism in line with international best practice, while recognizing the scale of projects and programmes funded by the AF.

Transitional period (period during which the AF will serve and be accountable to both, the PA and the KP):

- The transitional period will run from the beginning of 2019 until the end of 2020.