

APA 1.5
30 April – 10 May 2018
Bonn, Germany

Draft elements of
Preparing for the convening of the first session of the Conference of the Parties serving as the
meeting of the Parties to the Paris Agreement
Adaptation Fund

Informal note by the co-facilitators

First iteration (3 May 2018)

These draft texts have been prepared by the co-facilitators of the negotiations on this agenda item under their own responsibility and on the basis of the deliberations by Parties at this session and the views they have submitted. These texts are preliminary and should not be considered as final in any way; they are offered as a basis for work and do not prejudice further work or prevent Parties from expressing their views in the future. It is recognized that the outcome of deliberations on this item will form part of the overall outcome under the Paris Agreement work programme.

This informal note does not supersede the final iteration of Informal note by the co-facilitators issued at APA 1.4.

I. Introduction / mandate / purpose

By decision 1/CMA.1, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) decided that the Adaptation Fund should serve the Paris Agreement, following and consistent with decisions to be taken at CMA 1.3, to be convened in conjunction with the twenty-fourth session of the Conference of the Parties (COP), and by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) that address the governance and institutional arrangements, safeguards and operating modalities of the Adaptation Fund.

By decision 1/CP.22, the COP requested the Ad Hoc Working Group on the Paris Agreement in its consideration of the necessary preparatory work on the Adaptation Fund to address the governance and institutional arrangements, safeguards and operating modalities for the Adaptation Fund to serve the Paris Agreement. By the same decision, Parties were invited to submit their views on the aforementioned areas.

At APA 1.3, the co-facilitators produced an informal note to capture the discussions, which took place during the informal consultations. The informal note from APA 1.3 captures in its Annex I a list of options and elements identified by Parties in response to the guiding questions posed by the co-facilitators. In addition, at APA 1.3 Parties “requested the secretariat to compile and make available on the UNFCCC website, by 15 September 2017, a list of all previous decisions that have been taken on the Adaptation Fund that touch on governance and institutional arrangements, safeguards and operating modalities”.¹ This compilation has been made available on the secretariat’s website².

At APA 1.4, the co-facilitators also produced an informal note to capture the discussions that took place through informal consultations. The informal note included a list of elements of relevant guidance based on the inputs by Parties that were annexed to the note.

¹ FCCC/APA/2017/2

² <http://unfccc.int/bodies/apa/items/10436.php>

II. Cross-cutting and overarching considerations / relevant context / general elements of text

At the first informal consultation held during APA 1.5, Parties generally welcomed the outcomes from the last sessions in Bonn, in particular decision 1/CMP.13 decided that the AF shall serve the Paris Agreement subject to and consistent with decisions to be taken at CMA 1.3. CMP also decided to consider whether the AF shall serve the PA exclusively, under the guidance of and accountable to the CMA, following a recommendation from the CMA to the CMP at its 15th session.

During the first informal consultation at APA 1.5, the co-facilitators invited and received six inputs from Parties that are contained in annex I to this note as agreed by Parties in previous sessions.

III. Elements of draft text on relevant guidance

The elements of draft text below and the formulation of options where possible are to reflect the inputs received in the first of the three elements as outlined in the introduction - governance and institutional arrangements. The inputs provided by Parties are included immediately after each of the boxes. Recognizing that inputs from some Parties have included views also in the two further elements of operating modalities and safeguards, the text does not yet reflect these two elements in order to provide more time for Parties to send inputs in the second iteration of this informal note. In the second iteration of this informal note, options may be provided for these two elements if useful, along with any clarifications based on the informal consultations for this item. The elements of draft text and the formulation of options where possible do not attempt to prejudge the outcome of Parties' negotiations on the issues.

1. Governance and Institutional Arrangements

A. Guidance/accountability/reporting

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| <ol style="list-style-type: none">1. The Adaptation Fund / Board:<ul style="list-style-type: none">- Option 1: Functions under the guidance of and be accountable to the CMA- Option 2: Will receive guidance from the CMA- Option 3: Operates under the guidance of, and reports annually to, the CMA- Option 4: Will report and be accountable to the CMA and receive guidance from the CMA2. The Adaptation Fund Board reports:<ul style="list-style-type: none">- Option 1: to the CMA annually for matters related to the Paris Agreement- Option 2: to the CMA annually from 2019 onwards- Option 3: to the CMP annually until 2020- Option 4: are arranged appropriate by CMP and CMA before the Adaptation Fund starts full operation (including approval of funding to new projects) under the CMA for approved ongoing CMP projects |
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- Decides also 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 Paris Agreement;
 - Also decides that the Adaptation Fund Board will report and be accountable to the CMA and receive guidance from the Conference of the Parties serving as meeting of the Parties of the Paris Agreement;
 - Adaptation Fund shall function under the guidance of, and be accountable to, the CMA;
 - The Adaptation Fund Board will receive guidance from the CMA;
 - The Adaptation Fund shall serve the Paris Agreement under the guidance of and be accountable to the CMA;

- From the date the Adaptation Fund serves the Paris Agreement, the Adaptation Fund operates under the guidance of, and reports annually to, the CMA;
- Applying existing guidance: There is existing guidance that the CMP has given to the Adaptation Fund in the past. That guidance applies to the Adaptation Fund serving the Kyoto Protocol;
- The Adaptation Fund Board will report to the CMA;
- For matters relating to the Paris Agreement, the Adaptation Fund Board will annually report to the CMA;
- 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;
- The AF Board reports annually to the CMA from 2019 onward;
- On reporting of the AFB to which governing bodies - CMP and CMA should make appropriate arrangements before the AF starts full operation (including approval of funding to new projects) under CMA for then ongoing projects approved under CMP.

B. AF serves the PA / date

3. The Adaptation Fund serves the Paris Agreement
 - Option 1: As of 1 January 2019 / 2019 onwards
 - Option 2: As of X December 2018
 - Option 3: 2020 or 2021

- Decides that the Adaptation Fund shall serve the Paris Agreement as of January 1 st 2019;
- Welcomes and confirms the decision of the CMP at its thirteenth meeting that the Adaptation Fund shall serve the Paris Agreement subject to and consistent with decisions to be taken at the third part of the first session of the CMA, in line with decision 1/CMA.1, paragraph 11;
- The Adaptation Fund shall serve the Paris Agreement from 2019 onward;
- The CMA decides on the starting date from which the AF serves the PA. This should be 2020 or 2021.

C. Exclusivity

4. The Adaptation Fund serves the Paris Agreement exclusively:
 - Option 1: From 2021 onward (CMA recommendation to CMP)
 - Option 2: From January 2021 onward ensuring a smooth transition from CMP to CMA
 - Option 3: From 2020/2021 with continuity of AF work and project funding
5. The APA/CMA makes a recommendation to the CMP / in line with 1/CMP.13 without prejudice to CMP decision. CMP 15 decides in 2019
6. The CMP stops providing guidance from date/end 2020 before CMA starts providing guidance to avoid duplication /confusion
7. The Adaptation Fund continues to serve the CMP functioning with established arrangements under the KP

- Decides that the CMA shall recommend, whether the Adaptation Fund shall serve the Paris Agreement exclusively under the guidance of and accountable to the CMA, to the CMP by its fifteenth session (November 2019), in line with decision 1.CMP/13 paragraph 13;
- The CMA-1 should recommend to the CMP that the AF shall serve the Paris Agreement exclusively from 2021 onward;
- CMP should give up all authority over the existing Adaptation Fund Board (AFB) and CMA should decide that the AF exclusively serves the Paris Agreement from the specified date (e.g. Jan 2021),

which will be also decided by CMP in 2019 in accordance with the CMP13 decision, ensuring a smooth transition from CMP to CMA;

- In this regard, CMP should stop providing guidance from the specified date (e.g. the end of 2020) before CMA starts providing guidance to the AF to avoid duplicative guidance to the AF and any confusion. APA will send a recommendation to CMP in 2018 in line with the CMP13 decision, without prejudice the CMP decision in 2019 (timing), on top of a recommendation to CMA;
- The CMA recommends to the CMP that the AF stops serving the KP from 2020/2021. There should be continuity of the Adaptation Fund's work and project funding;
- The Adaptation Fund shall continue to function under the established arrangements under the Kyoto Protocol.

D. Transitional period

8. Duration of the transitional period:
 - From the beginning of 2019 until the end of 2020
9. Serving which fund during the transitional period
 - AF to serve both funds
10. AF Board / Ad hoc technical working group to undertake work during transitional period on:
 - Which past guidance should apply from CMP *mutatis mutandis*
 - Any further legal decisions and policy adjustments necessary for a smooth transition
 - Whether operational policies and guidelines to access funding would have to be changed

- 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;
- Serve PA 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;
- The [AF Board][ad-hoc technical working group]³ 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;
- 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.

³ 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.

E. Board composition / practices

11. Board membership by governing body
 - Option 1: Parties to the CMP or the CMA only
 - Option 2: Parties to the PA only
12. Balance of Board composition
 - Option 1: Maintain current balance
 - Option 2: Change balance:
 - o Depending on sources of funding
 - o If sources of funding different from share of proceeds from PA in line with Art. 6
 - o More appropriate balance between donor countries (voluntary contributions) and recipient countries taking into consideration geographic distribution, gender, other relevant elements
 - o One LDC representative and one SIDS representative / preserving seats for LDCs and SIDS
 - o Ensures adequate geographic
13. Considerations
 - o New composition established under CMA, existing board terminated when handover to CMA
 - o Not categorize Annex 1 / non Annex 1
 - o Aims to achieve gender balance
 - o Change 2019 onwards, remaining same in transitional period and after

- Adaptation Fund will be managed by a Board that has a secured seat for the LDCs and one for the SIDS;
- Only Parties to the CMP or the CMA will be on the Board of the AF;
- 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;
- The composition of the AFB should eliminate Annex I and Non-Annex I demarcations;
- CMA should decide a new composition of the board, and the new board should be established under CMA, provided that the existing board will be terminated when hand-over to CMA;
- Only Parties to the Paris Agreement are allowed sit on the board, with a more appropriate balance of representation (between donor countries (i.e. voluntary contributions) and recipient countries) taking into consideration geographic distributions, gender, and other relevant elements while preserving seats for SIDs and LDCs;
- AFB decisions should be taken only when three-quarters of the entire AFB agree;
- Placeholder on Board Composition: The current composition of the Board has worked well. Potential revision of the composition depends on the outcome of the preparatory work, for instance sources of funding.

F. Arrangements for secretariat and trustee services

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| <p>14. Arrangements for secretariat and trustee services</p> <ul style="list-style-type: none">- Option 1: to continue with current arrangement- Option 2: to create new arrangements- Option 3: to create interim / transitional arrangements<ul style="list-style-type: none">o Governed by an ad hoc technical working groupo Extend until date / end 2020 <p>15. Functions of the secretariat and trustee during and interim / transitional period:</p> <ul style="list-style-type: none">- Check and consult on whether current arrangements are sufficient- Prepare amendments if necessary and report back to CMA- Decide on transitional period on the secretariat- Decide on administrative arrangements- Decide on the permanent trustee until end of 2020- Establish new agreements/arrangements for trustee and secretariat, effective on date / Jan 2021- Seek out appropriate legal personality for the Fund |
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- Adaptation Fund should continue to have its own secretariat;
- The CMA (i) invites the AFB, its interim Secretariat and interim Trustee to check and consult on whether their current arrangements are sufficient for them to serve the Adaptation Fund also under the Paris Agreement, and (ii) to prepare amendments if necessary, and (iii) to report back to the CMA;
- 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;
- CMP would decide to extend the current arrangements with the secretariat (GEF) and the trustee (the WB) to the specified date (e.g. the end of 2020)[*the current arrangement under MOU between CMP and the interim secretariat and trustee will be terminated in the end of May 2020];
- CMA and the new AFB should take subsequent actions to establish new agreements with regard to trustee and secretariat arrangements, which will be effective from the specified date (e.g. Jan 2021);
- The Adaptation Fund Board should seek out an appropriate legal personality for the Fund.

Annex – Inputs by Parties

Proposed Draft Decision submitted by Argentina, Brazil and Uruguay

Recalling Article 2, 3, 6, 7, 9 and 11 of the Paris Agreement;

Recalling paragraphs 59 and 60 of Decision 1/CP.21 and paragraphs 8 and 9 of Decision 1/CMP.11 and 1/CMP.13, paragraphs 12;

Further recalling paragraph 11 of Decision 1/CMA.1;

Highlighting the importance of the Adaptation Fund as a key and innovative funding institution of the Convention and Kyoto Protocol, and of the work it has done for supporting developing countries with regards to adaptation, including through enhanced direct access modalities;

Recognizes that the Adaptation Fund would enhance the implementation of the Paris Agreement, in particular with regards to supporting developing country Parties actions in adaptation in line with article 2 of the Paris Agreement;

Decides that the Adaptation Fund shall serve the Paris Agreement as of January 1 st 2019;

Also decides further that the Adaptation Fund shall continue to be financed from the share of proceeds on the clean development mechanism project activities of the Kyoto Protocol and other sources of funding;

Decides further that Parties and international organizations are invited to continue providing funding to the Adaptation Fund, which will be additional to the share of proceeds of clean development mechanism project activities of the Kyoto Protocol;

[Decides further that the Adaptation Fund shall be financed from the share of proceeds on the mechanisms under Article 6.2 and 6.4 of the Paris Agreement;]

Reaffirm that the sustainability, adequacy and predictability of funding for the Adaptation Fund shall be reassured;

Decides also 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 Paris Agreement;

Also decides that the Adaptation Fund Board will report and be accountable to the CMA and receive guidance from the Conference of the parties serving as meeting of the Parties of the Paris Agreement

Decides to request the Adaptation Fund Board to develop the necessary legal arrangements, to be concluded between the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and both the secretariat and the trustee servicing the Adaptation Fund, for the purpose of regulating the provisions of the required services, the terms and conditions thereof and the performance standards required from the secretariat and the trustee servicing the Adaptation Fund, and present these legal arrangements for adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third/fourth session;

Requests the Adaptation Fund Board to make recommendations to the CMA in 2019 regarding the arrangements/adjustments for trustee and secretariat services, as well as the rules of procedure of the AFB, or any other additional safeguards, operational policies, guidelines and procedures for application for funding for adaptation projects and programmes.



Submission from the Alliance of Small Island States

APA Item 8: Matters relating to the Adaptation Fund

2 May 2018

The following text constitutes the main elements for the CMA decision:

Welcomes and confirms the decision of the CMP at its thirteenth meeting that the Adaptation Fund shall serve the Paris Agreement subject to and consistent with decisions to be taken at the third part of the first session of the CMA, in line with decision 1/CMA.1, paragraph 11;

Decides that the CMA shall recommend, whether the Adaptation Fund shall serve the Paris Agreement exclusively under the guidance of and accountable to the CMA, to the CMP by its fifteenth session (November 2019), in line with decision 1.CMP/13 paragraph 13;

Decides that the operational policies and guidelines of the Adaptation Fund shall apply mutatis mutandis to the Agreement.

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.

APA 8 - future role of the Adaptation Fund

Submission by the EU and its Member States on textual elements for the CMA decision in 2018

WED 2 May @ 18:00

General views on the APA preparatory work

This submission complements the EU and its Member States' submission of 8th November 2017, in which we set out our view in detail, and which is attached to the cofacilitators' note of 14th of November.

The CMP13 decision of November means that the CMP allows the AF to serve the Paris Agreement. This is conditional on a CMA decision that accepts that the AF serves the Paris Agreement and defines "how". The CMP decision delegates the "how" to be decided by the CMA. (1/CMP13, para 12). Our preparatory work under the APA prepares that CMA decision to be taken at COP24, addressing the issues set out in the cofacilitators note of 14 November 2017.

In addition, the CMP addressed separately the issue of whether, and from which point in time, the AF would stop serving the Kyoto Protocol and from then on *only* serve the Paris Agreement. This can only be decided by the CMP. Decision 1/CMP13 has asked the CMA for a recommendation in this regard, so that the CMP can decide on it in 2019. Our preparatory work should address this issue and the CMA should provide this recommendation at COP24.

On this basis the EU and its Member States consider that the CMA should decide and recommend the following at COP24. **The following inputs focus on "Governance and institutional arrangements":**

1. The CMA decides on the starting date from which the AF serves the PA. This should be 2020 or 2021.
2. From the date the Adaptation Fund serves the Paris Agreement, the Adaptation Fund operates under the guidance of, and reports annually to, the CMA.
3. The Adaptation Fund is not an operating entity of the financial mechanism.
4. Placeholder on Board Composition: The current composition of the Board has worked well. Potential revision of the composition depends on the outcome of the preparatory work, for instance sources of funding.
5. Applying existing guidance: There is existing guidance that the CMP has given to the Adaptation Fund in the past. That guidance applies to the Adaptation Fund serving the Kyoto Protocol. The CMA has to decide to what extent that existing guidance shall apply *mutandis mutandis* to the Adaptation Fund serving the Paris Agreement.
6. Secretariat and Trustee: The CMA (i) invites the AFB, its interim Secretariat and interim Trustee to check and consult on whether their current arrangements are sufficient for them to serve the Adaptation Fund also under the Paris Agreement, and (ii) to prepare amendments if necessary, and (iii) to report back to the CMA.
7. The CMA recommends to the CMP that the AF stops serving the KP from 2020/2021. There should be continuity of the Adaptation Fund's work and project funding. //

Inputs from the Least Developed Countries Group to the

APA Agenda 8 (Adaptation Fund)

A. Reaffirm that the AF shall serve the Paris Agreement

B. Governance and institutional arrangements for matters relating to the Paris Agreement

- Adaptation Fund shall function under the guidance of, and be accountable to, the CMA.
- Adaptation Fund will be managed by a Board that has a secured seat for the LDCs and one for the SIDS.
- Only parties to the CMP or the CMA will be on the Board of the AF.
- Adaptation Fund should continue to have its own secretariat
- For matters relating to the Paris Agreement, the Adaptation Fund Board will annually report to the CMA.

C. Operating modalities for matters relating to the Paris Agreement

- The Adaptation Fund Board will report to and receive guidance from the CMA.
- The Adaptation Fund shall be financed from the share of proceeds on the mechanisms under Article 6.2 and 6.4 of the Paris Agreement.
- While funding concrete adaptation projects, priorities are given to Parties that are particularly vulnerable, especially LDCs and SIDS.
- Continuation of direct access modality along with the Enhanced Direct Access Modality
- Open possibilities of accreditation for multiple NIEs from a single developing country.
- Adaptation Fund should coordinate with other funds and operating entities supporting adaptation projects/programme in developing countries under the Financial Mechanism for coherence and complementarity.

D. Operational Policies and Guidelines under the Paris Agreement

The Adaptation Fund shall apply existing policies and guidelines established under the Kyoto Protocol, including:

- (a) the Fiduciary Risk Management Standards;
- (b) Environmental and Social Safeguards policies
- (c) Gender Policies and Action Plan

E. Enhancement of Policies and Guidelines The Adaptation Fund Board shall be invited to enhance all guidelines to meet international best practice

F. Timeline

- The Adaptation Fund Board shall be invited to finalise arrangements for trustee and secretariat services, operational policies of the AFB, enhancement of safeguards, operational policies, guidelines and procedures for funding for adaptation projects and programmes by CMA.2.

In addition to the provisions above, the Adaptation Fund shall continue to function under the established arrangements under the Kyoto Protocol.

APA1-5 AGENDA ITEM 8(a) – Matters relating to the Adaptation Fund
Submission by Australia, Canada, Japan and the United States of America

[Overarching Considerations]

- It is significant that we should identify the issues that should be solved during 2018 and divide them into CMP decision and CMA decision.
 - We think all the issues relating to governance and institutional arrangements like below should be solved during 2018. In particular, the timing of transition from CMP to CMA will be a critical to such decisions.
1. Authority or guidance under which the Adaptation Fund operates
 - CMP should give up all authority over the existing Adaptation Fund Board (AFB) and CMA should decide that the AF exclusively serves the Paris Agreement from the specified date (e.g. Jan 2021), which will be also decided by CMP in 2019 in accordance with the CMP13 decision, ensuring a smooth transition from CMP to CMA.
 - In this regard, CMP should stop providing guidance from the specified date (e.g. the end of 2020) before CMA starts providing guidance to the AF to avoid duplicative guidance to the AF and any confusion. APA will send a recommendation to CMP in 2018 in line with the CMP13 decision, without prejudice the CMP decision in 2019 (timing), on top of a recommendation to CMA.
 2. Reporting of the Adaptation Fund Board to which governing body/ bodies?
 - CMP and CMA should make appropriate arrangements before the AF starts full operation (including approval of funding to new projects) under CMA for then ongoing projects approved under CMP.
 3. Composition of the board
 - The composition of the AFB should eliminate Annex I and Non-Annex I demarcations.
 - CMA should decide a new composition of the board, and the new board should be established under CMA, provided that the existing board will be terminated when hand-over to CMA.
 - Only parties to the Paris Agreement are allowed sit on the board, with a more appropriate balance of representation (between donor countries (i.e. voluntary contributions) and recipient countries) taking into consideration geographic distributions, gender, and other relevant elements while preserving seats for SIDs and LDCs.
 - Quorum for AFB decision making should be raised above three-quarters.
 - AFB decisions should be taken only when three-quarters of the entire AFB agree.
 4. Arrangements for the secretariat and the trustee
 - CMP would decide to extend the current arrangements with the secretariat (GEF) and the trustee (the WB) to the specified date (e.g. the end of 2020)[*the current arrangement under MOU between CMP and the interim secretariat and trustee will be terminated in the end of May 2020].
 - CMA and the new AFB should take subsequent actions to establish new agreements with regard to trustee and secretariat arrangements, which will be effective from the specified date (e.g. Jan 2021).
 - The Adaptation Fund Board should seek out an appropriate legal personality for the Fund.
