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SUBSIDIARY BODY FOR IMPLEMENTATION

Twenty-fifth session

Nairobi, 6–14 November 2006

Agenda item 6

Financial mechanism (Kyoto Protocol): Adaptation Fund

Adaptation Fund

Draft conclusions proposed by the Chair

Addendum

Recommendation of the Subsidiary Body for Implementation

The Subsidiary Body for Implementation, at its twenty-fifth 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 second session:

Draft decision -/CMP.2

Adaptation Fund

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

Recognizing that Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities and that, accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof,

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

Recalling its decisions 3/CMP.1 and 28/CMP.1,

Recalling also decisions 5/CP.7, 10/CP.7, 17/CP.7,

1. *Decides* that the Adaptation Fund shall be guided by the following principles:
 - (a) A share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
 - (b) Access to the fund in a balanced and equitable manner for eligible countries;
 - (c) Transparency and openness in the governance of the fund;
 - (d) Funding on full adaptation cost basis of projects and programmes to address the adverse effects of climate change;
 - (e) The Adaptation Fund should operate under the authority and guidance of and be accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol which shall decide on its overall policies;
 - (f) Accountability in management, operation and use of the funds;
 - (g) No duplication with other sources of funding for adaptation in the use of the Adaptation Fund;
 - (h) Efficiency and effectiveness in the management, operation and governance of the fund;
2. *Decides* that the Adaptation Fund shall operate with the following modalities:
 - (a) Funding for eligible Parties will be available for national, regional and community level activities;
 - (b) Facilitative procedures for accessing funds, including short and efficient project development and approval cycles and expedited processing of eligible activities;
 - (c) Projects should be country driven and should clearly be based on needs, views and priorities of eligible Parties, taking into account, inter alia, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
 - (d) Funding shall be available for concrete adaptation projects and programmes in eligible countries;
 - (e) Ability to receive contributions from other sources of funding;
 - (f) Competency in adaptation and financial management;
 - (g) Sound financial management, including the use of international fiduciary standards;
 - (h) Clearly defined responsibilities for quality assurance, management and implementation;
 - (i) Independent monitoring, evaluation and financial audits;
 - (j) Learning by doing;
3. *Decides* that membership of the governing body of the Adaptation Fund shall be from Parties to the Kyoto Protocol, follow a one-country-one-vote rule and have a majority of Parties not included in Annex I to the Convention;

4. *Requests* the Subsidiary Body for Implementation to develop recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its third session with the aim of adopting a decision on the following issues:

- (a) Eligibility criteria;
- (b) Priority areas;
- (c) Monetizing the share of proceeds;
- (d) Institutional arrangements;

5. *Invites* interested institutions to submit to the secretariat, by 23 February 2007, their views on how they would operationalize this decision;

6. *Requests* the secretariat to compile the submissions mentioned in paragraph 5 above into a miscellaneous document for consideration by the Subsidiary Body for Implementation at its twenty-sixth session;

7. *Requests* the Chair of the Subsidiary Body for Implementation to organize, with the assistance of the secretariat and subject to the availability of resources, consultations among Parties before the twenty-seventh session of the Subsidiary Body for Implementation with the aim of exchanging views on issues defined in paragraph 4 above and recommending possible ways forward.
