TERMS AND CONDITIONS OF SERVICES
TO BE PROVIDED BY THE TRUSTEE TO THE ADAPTATION FUND:
PROPOSED EXTENSION

Prepared by the World Bank as Trustee for the Adaptation Fund
A. Background:

1. At the Tenth meeting of the Adaptation Fund Board in June 2010, the Board considered the current Terms and Conditions of the World Bank as Trustee, the pending evaluation of the Adaptation Fund administrative arrangements, and the steps required to avoid any gap in the provision of trustee services to the Adaptation Fund. According to the Terms and Conditions between the CMP and the World Bank (IBRD) for the provision of trustee services to the Adaptation Fund, the Terms and Conditions of the Trustee expire automatically three months after the sixth CMP, i.e. in March 2011, unless a decision to extend the Terms and Conditions is made by the CMP, and agreed by the World Bank.1

2. As the current Terms and Conditions for trustee services automatically expire in March 2011, such a recommendation for extension of the interim arrangements would need to be included in the report of the Board to the Meeting of the Parties to the Kyoto Protocol for consideration and subsequent approval at its sixth meeting in Cancun in November/December 2010.

3. This document therefore responds to the request from the Board for the Trustee to prepare an amendment to the current Terms and Conditions that would provide for an extension of the interim services provided by the Trustee, for consideration and approval by the Adaptation Fund Board at its eleventh meeting in September 2010, and subsequent adoption by the CMP.

B. Decision:

4. As requested by the Board, this document presents a draft amendment to the Terms and Conditions of the Trustee, for consideration by the Adaptation Fund Board and recommendation to the CMP for adoption at its sixth session.

5. If the Board agrees, the amendment to the Terms and Conditions would be included in the Report of the Adaptation Fund Board to the CMP, accompanied by a recommendation from the Board to adopt the amendment. If adopted by the CMP, the amendment would then be submitted as soon as possible thereafter to the Trustee’s Board of Executive Directors for adoption. Upon approval by the Trustee’s Executive Directors, the amendment would become effective.

6. The Board may wish to recommend an extension of an additional two years, i.e. until after the eighth session of the CMP, expected to be held in 2012. This would be consistent with the end of the first commitment period under the Kyoto Protocol, and afford sufficient time for the review of the Adaptation Fund administrative arrangements and the implementation of any conclusions or subsequent CMP decisions that may arise from the review.

1 FCC/KP/CMP/2008/11/Add.2, Appendix, para 34.
I. Recitals

(a) A clean development mechanism (CDM) was established under Article 12 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the Convention) (the Kyoto Protocol).

(b) The Conference of the Parties decided in its decision 10/CP.7 that an adaptation fund (the Adaptation Fund) shall be established to 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.

(c) The decision was further endorsed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) through its decision 28/CMP.1.

(d) In decision 1/CMP.3, the CMP decided that the Adaptation Fund shall finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties, and that the Adaptation Fund Board shall be established as the operating entity of the Adaptation Fund.

(e) The CMP, in its decision 1/CMP.3, invited the International Bank for Reconstruction and Development (the World Bank) to serve as the trustee for the Adaptation Fund (the World Bank in such capacity, the Trustee) on a interim basis, and requested the Adaptation Fund Board to present the necessary legal arrangements to be concluded between the CMP and the trustee, for adoption by the CMP at its fourth session.

(f) The CMP on its fourth session on December 2-12, 2008 and through decision 1/CMP.4 and the Board of Directors of the World Bank effective on February 27, 2009, accepted and adopted the legal arrangements necessary for the World Bank to serve as trustee of the Adaptation Fund on an interim basis (the Terms and Conditions).

(g) In accordance with paragraph 34 of the Terms and Conditions, the Trustee’s role as trustee servicing the Adaptation Fund shall be automatically terminated three months after the sixth session of the CMP, unless the CMP and the Trustee affirmatively agree in writing to extend beyond this date the term of the Trustee’s services under the Terms and Conditions.

(h) The Adaptation Fund Board through decision [___________] recommended the CMP to adopt the necessary amendments to the Terms and Conditions to extend the role of the Trustee through the Eighth session of the CMP.

(i) The CMP and the World Bank wish to amend the Terms and Conditions in the manner set forth below.
II. Amendment to Terms and Conditions

Paragraphs 34 and 38 of the Terms and Conditions shall be amended to read as follows:

34. The Trustee’s role as trustee servicing the Adaptation Fund under the Terms and Conditions shall be automatically terminated three months after the eighth session of the CMP, unless the CMP and the Trustee affirmatively agree in writing to extend beyond this date the term of the Trustee’s services under the Terms and Conditions.

38. The Terms and Conditions or any amendments to the same shall become effective and constitute an agreement between the CMP and the World Bank upon decisions by the CMP and the World Bank to adopt and accept the Terms and Conditions or any amendments to the same.