

# The Adaptation Fund

AFB/B.1/7  
February 29, 2008

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Adaptation Fund Board  
First meeting  
Bonn, March 26-28, 2008

Agenda Item 8

## DRAFT ROLE AND RESPONSIBILITIES OF THE ADAPTATION FUND TRUSTEE

**FOR DISCUSSION PURPOSES ONLY**

1. In accordance with decision 1/CMP.3,<sup>1</sup> the trustee of the Adaptation Fund (the Fund) shall:
  - (a) Comply with the principles and modalities for operations stipulated in the relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
  - (b) Hold in trust the funds, assets and receipts that constitute the Fund, and manage and use them only for the purpose of, and in accordance with the provisions of relevant decisions;
  - (c) Hold the funds, assets and receipts that constitute the Fund separate and apart from its own assets but may commingle them for administrative and investment purposes with other trust fund assets maintained by the trustee;<sup>2</sup> and
  - (d) Be accountable to the Adaptation Fund Board for the performance of its fiduciary responsibilities and for the monetization of certified emission reductions in accordance with guidance provided by the Adaptation Fund Board.
2. To fulfill these functions, the trustee will:<sup>3</sup>
  - (a) Receive contributions and other assets in cash and other forms;
  - (b) Establish and maintain appropriate records and accounts identifying contributions and other receipts;
  - (c) Enter into contribution agreements, as appropriate, with donors to the Fund;
  - (d) Enter into legal agreements as necessary to effect transfer of funds to implementing and executing entities;
  - (e) Record all funding decisions made by the Adaptation Fund Board to monitor funding status;
  - (f) Transfer cash in accordance with the decisions of the Adaptation Fund Board;

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<sup>1</sup> See FCCC/SBI/2007/L.30; Decision 1/CMP.3 “Adaptation Fund.”

<sup>2</sup> Paragraph 21 of the decision 1/CMP.3 provides that “the trustee shall hold in trust the funds, assets and receipts that constitute the Fund, [...] keeping them separate and apart from all other accounts and assets of, or administered by, the trustee.” In accordance with the policies and procedures of the World Bank, the trust fund resources will be kept separate and apart from the assets of the World Bank, but may be commingled with other trust fund assets maintained by the trustee for administrative and investment purposes. When submitting the necessary legal arrangements for the trustee for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (the Meeting of the Parties) pursuant to paragraph 31 of the decision 1/CMP.3, the trustee will seek confirmation from the Meeting of the Parties on this point.

<sup>3</sup> Specific roles and responsibilities of the trustee in connection with monetization of CERs will be included once concrete arrangements for monetization are determined.

- (g) Prepare regular reports on the financial status of the Adaptation Fund trust fund and cause records and accounts of the trust fund to be audited by its external auditors in accordance with the rules of the trustee; and
- (h) Invest the proceeds of the trust fund in accordance with its policies and procedures for the investment of trust funds that it administers. Income earned will be credited to the Fund.

3. The trustee will administer the trust fund consistent with its policies, rules and procedures. The trustee will have no responsibility for the use of Fund resources transferred to implementing or executing entities or other recipients. Implementing and executing entities and any other recipients will be responsible for the use of Fund resources transferred to them and activities carried out therewith in accordance with the decisions of the Adaptation Fund Board.

4. The trustee shall be reimbursed annually from the resources of the Fund the reasonable expenses incurred by it in administering the Fund, including the costs incurred in connection with the establishment of the trust fund and monetization of certified emission reductions. The reimbursement shall be made on the basis of estimated cost, subject to end-of-year adjustment.

5. Upon instruction of the Adaptation Fund Board, the trustee may suspend commitments and transfers of Fund resources. If an implementing or executing entity or other recipient is in breach of its agreement with the trustee, the trustee may also suspend transfers of Fund resources to the entity.