



ADAPTATION FUND

AFB/B.7/Inf.3
July 21, 2009

Adaptation Fund Board
Seventh meeting
Bonn, September 14-16, 2009

BACKGROUND OF THE ADAPTATION FUND

Introduction

1. The Secretariat has assembled, in the attached annexes for ease of reference, the most relevant decisions of the Conferences of the Parties serving as the meeting of the Parties to the Kyoto Protocol, that are relevant for the Adaptation Fund. A synopsis of these decisions is provided below as a background to the Adaptation Fund.

Decisions related to the Adaptation Fund

2. Paragraph 8 of Article 12 of the Kyoto Protocol (Annex 1) requires a share of the proceeds from Clean Development Mechanism (CDM) project activities to be utilized to assist developing countries that are particularly vulnerable to the adverse effects of climate change to meet the cost of adaptation. The Adaptation Fund originated as part of the overall Bonn Agreements on the Implementation of the Buenos Aires Plan of Action from the Sixth Conference of Parties of the United Nations Framework Convention on Climate Change UNFCCC (COP 6). The annex to decision 5/CP.6 notes that an adaptation fund shall be established to finance concrete adaptation projects and programmes in developing country Parties that have become Parties to the Protocol, and that the adaptation fund shall be financed from the share of proceeds on the clean development mechanism project activities and other sources of funding.

3. At the seventh Conference of the Parties to the United Nations Convention on Climate Change (UNFCCC) serving as the meeting of the Parties to the Kyoto Protocol, held in Marrakech, Morocco, from October 29 to November 10, 2001, (COP7), the Parties agreed (Decision 10/CP.7 –Annex 2) to the establishment of the Adaptation Fund (the Fund). Paragraph 8 of decision 5/CP7 (Annex 3) identified the activities which could be financed by the adaptation fund, while paragraph 15 of decision 17/CP.7 (Annex 4) noted that a 2 percent share of the proceeds from CDM project activities would be used to finance the cost of adaptation. Given that the adaptation fund is financed through a share of proceeds from the CDM, activities related to the fund could not take place until the Kyoto Protocol came into force.

4. With the Kyoto Protocol coming into force on February 16, 2005, initial guidance was provided at the Conference of the Parties serving as the first Meeting of the Parties to the Kyoto Protocol, which was held in Montreal, Canada in December 2005. The initial guidance in decision 28/CMP.1 (Annex 5) decided the basic elements of the fund, while allowing for countries to provide further input they viewed necessary for the development of the fund. Decision 5/CMP.2 (Annex 6) taken in Nairobi in 2006 built on the decision taken in Montreal, further refining the elements of the fund

5. At the Conference of the Parties serving as the third Meeting of the Parties to the Kyoto Protocol, held in Bali, Indonesia from December 3 to 14, 2007, Parties decided (1/CMP.3 – Annex 7)) that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee. Parties invited the Global Environment Facility to provide secretariat services (the Secretariat) to the Board, and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.

6. At the Conference of the Parties serving as the fifth meeting of the Parties to the Kyoto Protocol, held in Poznan, Poland from December 1 to 12, 2008, Parties decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the discharge of its functions with regard to direct access by eligible Parties. Parties also adopted: a) the Rules of Procedure of the Adaptation Fund Board; b) the Memorandum of Understanding between the

Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Council of the Global Environment Facility, on an interim basis; c) the Terms and Conditions of Services to be provided by the International Bank for Reconstruction and developments (the World Bank), as trustee for the Adaptation Fund, on an interim basis; and d) the Strategic Priorities, Policies and Guidelines of the Adaptation Fund. Decision 1/CMP.4.

Article 12 of the Kyoto Protocol

1. A clean development mechanism is hereby defined.
2. The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3.
3. Under the clean development mechanism:
 - (a) Parties not included in Annex I will benefit from project activities resulting in certified emission reductions; and
 - (b) Parties included in Annex I may use the certified emission reductions accruing from such project activities to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3, as determined by the Conference of the Parties serving as the meeting of the Parties to this Protocol.
4. The clean development mechanism shall be subject to the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Protocol and be supervised by an executive board of the clean development mechanism.
5. Emission reductions resulting from each project activity shall be certified by operational entities to be designated by the Conference of the Parties serving as the meeting of the Parties to this Protocol, on the basis of:
 - (a) Voluntary participation approved by each Party involved;
 - (b) Real, measurable, and long-term benefits related to the mitigation of climate change; and
 - (c) Reductions in emissions that are additional to any that would occur in the absence of the certified project activity.
6. The clean development mechanism shall assist in arranging funding of certified project activities as necessary.
7. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session, elaborate modalities and procedures with the objective of ensuring transparency, efficiency and accountability through independent auditing and verification of project activities.
8. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that 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.

9. Participation under the clean development mechanism, including in activities mentioned in paragraph 3 (a) above and in the acquisition of certified emission reductions, may involve private and/or public entities, and is to be subject to whatever guidance may be provided by the executive board of the clean development mechanism.

10. Certified emission reductions obtained during the period from the year 2000 up to the beginning of the first commitment period can be used to assist in achieving compliance in the first commitment period.

Decision 10/CP.7

Funding under the Kyoto Protocol

The Conference of the Parties,

Recalling Articles 10, 11 and 12, paragraph 8, of the Kyoto Protocol,

Recalling also its decisions 11/CP.1 and 15/CP.1,

Recalling further its decision 5/CP.6, containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

Recognizing that funding should be made available to Parties not included in Annex I which is new and additional to contributions under the Convention,

Recognizing also that appropriate modalities for burden sharing need to be developed,

Welcoming the statements made at the second part of the sixth session of the Conference of the Parties by most Parties included in Annex II¹ on their willingness to commit themselves to provide funding,

Welcoming also the joint political declaration made by the European Community and its member States, together with Canada, Iceland, New Zealand, Norway and Switzerland, on their preparedness to collectively contribute €450 million/US\$410 million annually by 2005, with this level to be reviewed in 2008,

1. *Decides* that an adaptation fund shall be established to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Protocol, as well as activities identified in paragraph 8 of decision 5/CP.7;
2. *Decides* also that the adaptation fund shall be financed from the share of proceeds on the clean development mechanism project activities and other sources of funding;
3. *Decides* further that Parties included in Annex I that intend to ratify the Kyoto Protocol are invited to provide funding, which will be additional to the share of proceeds on clean development mechanism project activities;
4. *Decides* also that the adaptation fund shall be operated and managed by an entity entrusted with the operation of the financial mechanism of the Convention, under the guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, with guidance to be provided by the Conference of the Parties in the period prior to entry into force of the Kyoto Protocol;

¹ Joint political declaration by the European Community and its member States, together with Canada, Iceland, New Zealand, Norway and Switzerland, and a statement by Japan. For the text of the political declaration and the statement by Japan see document FCCC/CP/2001/MISC.4.

5. *Invites* the entity referred to in paragraph 4 above to make the necessary arrangements for this purpose;

6. *Decides* that Parties included in Annex I that intend to ratify the Kyoto Protocol shall report on their financial contributions to the fund on an annual basis;

7. *Decides* also to review the reports referred to in paragraph 6 above on an annual basis, and that, upon entry into force of the Kyoto Protocol, such reports are to be reviewed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

8th plenary meeting
10 November 2001

Paragraph 8 of Decision 5/CP.7

8. *Decides* that the implementation of the following activities shall be supported through the special climate change fund (in accordance with decision 7/CP.7) and/or the adaptation fund (in accordance with decision 10/CP.7), and other bilateral and multilateral sources:

(a) Starting to implement adaptation activities promptly where sufficient information is available to warrant such activities, *inter alia*, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management;

(b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention;

(c) Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;

(d) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible;

Paragraph 15 of 17/CP.7

15. *Decides:*

(a) That the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be two per cent of the certified emission reductions issued for a clean development mechanism project activity;

(b) That clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

Decision 28/CMP.1

Initial guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Adaptation Fund

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

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

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

Recognizing that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change,

Recognizing the need to operationalize the Adaptation Fund as soon as possible,

Taking note of the proposed arrangements for the Adaptation Fund presented by the Global Environment Facility as an entity entrusted with the operation of the financial mechanism of the Convention, as contained in paragraph 31 of the report of the Global Environment Facility to the Conference of the Parties (FCCC/CP/2005/3 and Corr.1),

Noting that the Adaptation Fund shall be financed from the share of proceeds on the clean development mechanism project activities and other sources of funding,

Recognizing that adaptation to climate change is an integral part of ongoing efforts for sustainable development,

1. *Decides* that the Adaptation Fund established under decision 10/CP.7 shall 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;
2. *Decides* 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 Kyoto Protocol;
3. *Decides* that the operation of the Adaptation Fund shall be guided by the following:
 - (a) A country-driven approach
 - (b) Sound financial management and transparency
 - (c) Separation from other funding sources
 - (d) A learning-by-doing approach;
4. *Decides* to adopt further guidance on policies, programme priorities and eligibility criteria for the operation of the Adaptation Fund, at its second session;
5. *Invites* Parties to submit to the secretariat, by 13 February 2006, their views on specific policies, programme priorities and eligibility criteria for consideration by the Subsidiary Body for Implementation at its twenty-fourth session (May 2006);

6. *Further invites* Parties and relevant international organizations to submit to the secretariat, by 13 February 2006, their views on possible arrangements for the management of the Adaptation Fund for consideration by the Subsidiary Body for Implementation at its twenty-fourth session;

7. *Requests* the secretariat to organize, before the twenty-fourth session of the Subsidiary Body for Implementation, subject to the availability of resources, a workshop to promote an exchange of views on further guidance for the operation of the Adaptation Fund.

*9th plenary meeting
9–10 December 2005*

**Decision 5/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.

*10th plenary meeting
17 November 2006*