

## **Decision 1/CMP.3**

### **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,

*Reaffirming* decisions 3/CMP.1, 28/CMP.1 and 5/CMP.2,

1. *Decides* that developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change are eligible for funding from the Adaptation Fund to assist them in meeting the costs of adaptation;<sup>1</sup>

2. *Decides* 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;

#### ***Operating entity***

3. *Decides* that the operating entity of the Adaptation Fund shall be the Adaptation Fund Board, serviced by a secretariat and a trustee;

4. *Decides* that the Adaptation Fund Board shall be established to supervise and manage the Adaptation Fund, under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and shall be fully 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 in line with relevant decisions;

#### ***Functions***

5. *Decides* that the functions of the Adaptation Fund Board shall include the following functions and any other functions assigned to it by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol:

- (a) To develop strategic priorities, policies and guidelines, and recommend their adoption to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (b) To develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (c) To develop criteria based on principles and modalities listed in decision 5/CMP.2 to ensure that the implementing and executing entities have the capacity to implement the administrative and financial management guidelines of the Adaptation Fund, and report on it to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (d) To decide on projects, including the allocation of funds, in line with the Adaptation Fund principles, criteria, modalities, policies and programmes, in accordance with decision 5/CMP.2;

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<sup>1</sup> Decision 28/CMP.1 makes reference in the preambular part to particularly vulnerable countries.

- (e) To develop and agree on additional rules of procedure to those included in this decision and recommend these for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (f) To monitor and review implementation of the operations of the Adaptation Fund, including its administrative arrangements and the expenditure incurred under the Adaptation Fund, and recommend decisions, as may be appropriate, for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (g) To establish committees, panels and working groups, if required, to provide, inter alia, expert advice, to assist the Adaptation Fund Board in the performance of its functions;
- (h) To draw upon and make use of the expertise that the Adaptation Fund Board may require to perform its functions;
- (i) To regularly review performance reports on implementation and ensure independent evaluation and auditing of activities supported by the Adaptation Fund;
- (j) To develop and approve draft legal and administrative arrangements for secretariat services and the trustee for approval by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (k) To be responsible for the monetization of certified emission reductions issued by the Executive Board of the clean development mechanism and forwarded to the Adaptation Fund to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, and to report annually to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the monetization of certified emission reductions;
- (l) To report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (m) To include in its work plan for the period up to the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, inter alia, those functions identified in paragraph 5 (a), (b), (c), (e), (j) and (k) above in order for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to adopt or take note thereof;

### ***Composition***

6. *Decides* that the Adaptation Fund Board shall comprise 16 members representing Parties to the Kyoto Protocol, taking into account fair and balanced representation among these groups as follows:

- (a) Two representatives from each of the five United Nations regional groups;
- (b) One representative of the small island developing States;
- (c) One representative of the least developed country Parties;
- (d) Two other representatives from the Parties included in Annex I to the Convention (Annex I Parties);
- (e) Two other representatives from the Parties not included in Annex I to the Convention (non-Annex I Parties);

7. *Decides* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall elect an alternate for each member of the Adaptation Fund Board on the same principles as set out in paragraph 6 above, and that the nomination of a candidate member shall be accompanied by a nomination of a candidate alternate member from the same group;

8. *Decides* that members, including alternate members, of the Adaptation Fund Board with the appropriate technical, adaptation and/or policy expertise shall be identified by their respective governments, nominated by the relevant groups as indicated in paragraphs 6 and 7 above and elected by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to serve as government representatives, and that vacancies shall be filled in the same manner;

9. *Decides* that members and alternate members shall serve for a term of two years and shall be eligible to serve a maximum of two consecutive terms;

#### ***Membership***

10. *Decides* that members, including alternate members, of the Adaptation Fund Board shall be bound by the rules of procedure of the Adaptation Fund Board and have no personal financial interest in any aspect of a project activity or a body presenting a project for approval to the Adaptation Fund Board;

#### ***Quorum***

11. *Decides* that a simple majority of the members of the Adaptation Fund Board must be present at the meeting to constitute a quorum;

#### ***Decision-making***

12. *Decides* that decisions of the Adaptation Fund Board shall be taken by consensus; if all efforts at reaching a consensus have been exhausted, and no agreement has been reached, decisions shall be taken by a two-thirds majority of the members present at the meeting on the basis of one member, one vote;

#### ***Chairmanship***

13. *Decides* that the Adaptation Fund Board shall elect its own Chair and Vice-Chair, with one being a member from an Annex I Party and the other being from a non-Annex I Party, and that the positions of Chair and Vice-Chair shall alternate annually between a member from an Annex I Party and a member from a non-Annex I Party;

#### ***Frequency of meetings***

14. *Decides* that the Adaptation Fund Board shall convene its first meeting soon after the election of its members;

15. *Decides* that, thereafter, the Adaptation Fund Board shall meet at least twice a year, while retaining the flexibility to adjust the number of meetings to suit its needs, and meet in the country hosting the UNFCCC secretariat except when meeting in conjunction with sessions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol or with sessions of subsidiary bodies under the Convention;

***Observers***

16. *Decides* that meetings of the Adaptation Fund Board shall be open to attendance, as observers, by UNFCCC Parties and by UNFCCC accredited observers, except where otherwise decided by the Adaptation Fund Board;

***Transparency***

17. *Decides* that the full text of all decisions taken by the Adaptation Fund Board shall be made publicly available in all six official languages of United Nations;

***Secretariat***

18. *Decides* that secretariat services shall be provided to the Adaptation Fund Board in order to support and facilitate its activities, that a dedicated team of officials shall be identified to render secretariat services to the Adaptation Fund Board in a functionally independent and effective manner and that the head of the secretariat responsible for rendering the services shall be accountable to the Adaptation Fund Board;

19. *Invites* the Global Environment Facility to provide secretariat services to the Adaptation Fund Board on an interim basis;

***Trustee***

20. *Decides* that the Adaptation Fund shall have a trustee that shall have fiduciary responsibility and the administrative competence to manage the Adaptation Fund, and shall comply with principles and modalities for operations stipulated in relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

21. *Decides* that the trustee shall 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, keeping them separate and apart from all other accounts and assets of, or administered by, the trustee;

22. *Decides* that the trustee shall be accountable to the Adaptation Fund Board for the performance of its fiduciary responsibilities and in particular for the monetization of certified emission reductions in accordance with guidance provided by the Adaptation Fund Board;

23. *Invites* the World Bank to serve as the trustee of the Adaptation Fund on an interim basis;

24. *Decides* that a trust fund shall be established under the management of the trustee, to be funded by the monetized share of proceeds of certified emission reductions, to meet the costs of adaptation and other sources of funding;

25. *Decides* that the administrative expenses for operating the Adaptation Fund shall be financed by the trust fund for the Adaptation Fund;

26. *Decides* that the cost of participation of members and of alternate members from developing country Parties and other Parties eligible under the UNFCCC practice shall be covered by the trust fund for the Adaptation Fund;

27. *Invites* Parties to finance the administrative expenses for operating the Adaptation Fund in an interim phase, until the monetization of the share of proceeds of certified emission reductions to meet the costs of adaptation is operational, by making contributions to the trust fund for the Adaptation

Fund and that such contributions shall be reimbursed, if requested, from the monetization of the share of proceeds of certified emission reductions to meet the costs of adaptation, in accordance with procedures and a timetable to be determined by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol upon the recommendation of the Adaptation Fund Board;

### ***Monetization***

28. *Decides* that the monetization of certified emission reductions referred to in paragraphs 5 (k), 22 and 27 above shall be undertaken in order to:

- (a) Ensure predictable revenue flow for the Adaptation Fund;
- (b) Optimize revenue for the Adaptation Fund while limiting financial risks;
- (c) Be transparent and monetize the share of the proceeds in the most cost-effective manner, utilizing appropriate expertise for this task;

### ***Access to funding***

29. *Decides* that eligible Parties shall be able to submit their project proposals directly to the Adaptation Fund Board and that implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund may also approach the Adaptation Fund Board directly;

30. *Decides* that in order to submit a project proposal, Parties and implementing or executing entities shall meet the criteria adopted by the Adaptation Fund Board in accordance with paragraph 5 (c) above, in order to access funding from the Adaptation Fund;

### ***Institutional arrangements***

31. *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 Kyoto Protocol 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 Kyoto Protocol at its fourth session;

### ***Review***

32. *Decides* that the interim institutional arrangements mentioned in paragraphs 19 and 23 above shall be reviewed after three years at the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

33. *Decides* to undertake, at its sixth session, a review of all matters relating to the Adaptation Fund, including the institutional arrangements, with a view to ensuring the effectiveness and adequacy thereof, and thereafter every three years, in order to adopt an appropriate decision on the outcome of such a review; the review shall take into account the outcome of performance reviews of the secretariat and the trustee servicing the Adaptation Fund, submissions by Parties and other interested intergovernmental organizations and stakeholders;

34. *Decides* that in the event of any revision of the decision on institutional arrangements, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall make the necessary arrangements to ensure that any project activities already funded and in the process of being implemented are not jeopardized.

*9<sup>th</sup> plenary meeting  
14–15 December 2007*