

# Operationalising the Kyoto Protocol's adaptation fund: A new proposal

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**The 1997 Kyoto Protocol states that “a share of the proceeds from certified project activities” of the Clean Development Mechanism (CDM) should be used “to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.” In the 2003 KP rule-book – known as the ‘Marrakech Accords’ – this share was specified as 2% of the Certified Emission Reductions (CERs) to be administered through a special Kyoto Protocol Adaptation Fund.**

An Adaptation Fund was established under the 1997 Kyoto Protocol to finance concrete adaptation activities in developing country Kyoto Protocol Parties. However, due to the delay in coming into force of the Kyoto Protocol, this fund lay dormant. Two other funds for adaptation under the UN Framework Convention on Climate Change (namely the Least Developed Countries Fund and the Special Climate Change Fund) became operational under the Marrakech Accords, and were given to the Global Environment Facility (GEF) to manage.

At the Conference of the Parties (COP) of the UNFCCC and Meeting of the Parties to the Kyoto Protocol (MOP1) in December 2005 and SB24 May 2006, making the

Adaptation Fund operational was discussed but there was no agreement. One of the main sticking points was the role given to the GEF in managing the UNFCCC Funds. It was assumed by some Parties that the Adaptation Fund should be given to the GEF. This was also opposed by a number of developing countries and no agreement was reached.

## The Proposal

During a recent series of meetings under the aegis of the European Capacity Building Initiative (ecbi),<sup>2</sup> a number of developing country negotiators with a particular interest in the Adaptation Fund put together their proposals for managing the AF.

Instead of debating the merits of specific institutions which have been put forward as potential operating entities of the Adaptation Fund, we propose an ‘architecture’ – a number of necessary characteristics – for such an operating entity, based on two principles, namely:

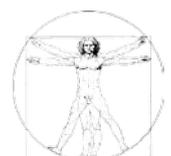
- The decision-making processes of the Adaptation Fund should be flexible, transparent and uncomplicated. They should be balanced and reflect the needs of the developing country Parties to the Kyoto Protocol.

## KEY MESSAGES:

- **Significant funding is needed to cover the costs of adaptation to climate change in developing countries**
- **The governance structure of the Adaptation Fund should be agreed before deciding on the institutional management of the Fund**
- **The governance of the Adaptation Fund should be directly under the COP/MOP**
- **There should be an Executive Body for the Adaptation Fund with regional representation (as with other UNFCCC Bodies such as the CDM Executive Board) with extra representation for the Least Developed Countries**

<sup>1</sup> The views expressed in this article are the authors' personal views and do not represent either their respective countries or negotiating Groups.

<sup>2</sup> All three authors are Fellows of the ecbi Oxford Fellowship Programme and this article is based on a presentation put together by the Fellows for the 2006 Oxford Seminar. For more on the ecbi see [www.EuroCapacity.org](http://www.EuroCapacity.org).



- Funding should be reliable and adequate and on the basis of covering the full costs of adaptation.

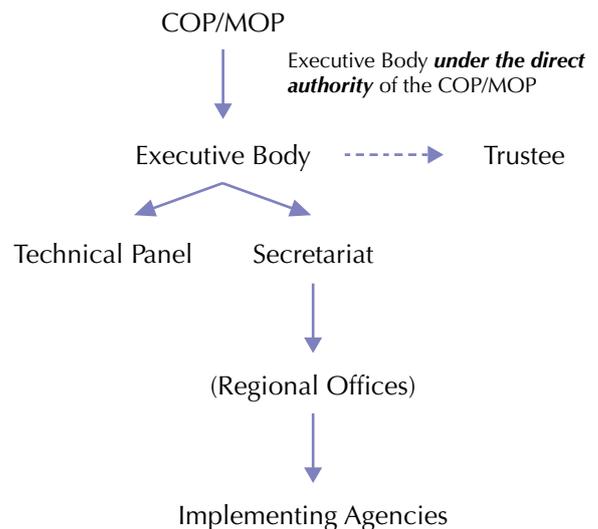
The key elements of the proposed framework concern the governance of the Adaptation Fund. The Executive Body of the Adaptation Fund is meant to be under the direct authority of the COP/MOP (see figure). The COP/MOP is to take binding decisions concerning that body, and not merely issue guidance. As to the balanced representation of the KP Parties on the Executive Body, the proposal is to use the formula of the Compliance Committee and the CDM Executive Board (which have been previously agreed by the COP), with the addition of an additional LDC representative.<sup>3</sup> Procedurally, the Executive Body is also meant to follow the example of Joint Implementation Supervisory Committee, CDM EB, Compliance Committee (i.e. to take decisions by consensus and, if impossible, by <sup>3</sup>/<sub>4</sub> majority of the members present and voting).

Developing country Parties to the Kyoto Protocol are meant to be eligible for funds from the Adaptation Fund to meet costs of adapting to climate change; and the funding is to be directed particularly to activities benefiting the most vulnerable communities.

The Adaptation Fund is unique because of its unprecedented private sector replenishment through the CDM levy. Given that adaptation funding needs are unlikely ever to be covered through intergovernmental aid, one way in which these funding needs might be met is through additional private sector contributions. The Adaptation Fund, as the 'natural home' of this type of contribution, thus has the potential to become far more important than any of the other climate change funds. We should therefore avoid trying to rush the operationalisation of the Adaptation Fund by forcing a choice between a number existing agencies. It is more important to decide on a mutually satisfactory governance structure for this fund which institutions would have to satisfy to become an operational entity of the Adaptation Fund.

Two aspects of governance are of critical importance: the 'sovereignty' of the COP/MOP over any Adaptation Fund executive body; and the representational composition of any such body. The COP/MOP should be able to give legally binding instructions to any such executive, as opposed to just 'providing guidance'. As to the issue of representation, apart from ensuring regional representation, any executive body of the Adaptation Fund should also have special representatives for designated (UN) constituencies, such as the Group of Least Developed Countries and AOSIS, to lend a voice to these constituencies, and ensure their interests are heard by those 'at the table', particularly if decision-making is to be primarily by consensus. Moreover, the individual members of any executive body should have experience in climate change, and particularly adaptation matters.

## AF Governance Structure:



<sup>3</sup> 1 from each regional group (Africa, Asia & Pacific, Central and Eastern Europe, Latin America & Caribbean, Western Europe & Others), 1 AOSIS, 1 LDC, 2 Annex 1, 2 non-Annex 1, 11 Alternate members

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