

**Proposal of the CEO for a Council Decision on the Governance of the Climate Change Funds**

1. The Council reconfirms that for purposes of the Least Developed Countries Fund for Climate Change (LDCF) and the Special Climate Change Fund (SCCF), the GEF will function under the guidance of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP). For purposes of the Adaptation Fund (AF), the GEF will function under the guidance of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP/MOP).
2. The Council reconfirms that the policies and procedures and the governance structure of the GEF will apply to the climate change funds, managed by the GEF in accordance with the decisions of the COP or the COP/MOP, unless the Council decides it is necessary to modify such policies and procedures to be responsive to the guidance of the COP or COP/MOP.
3. The Council also confirms that the policies and procedures separately established for the climate change funds will not apply or be taken to establish any precedent for the operation of the GEF Trust Fund.
4. The administrative costs of managing each fund will be financed solely from the resources of the relevant fund.
5. The Council agrees that the general decision making principles applied to the operation of the LDCF and the SCCF, as approved by the Council at its May 2002 meeting on the basis of Document GEF/C.19/6, *Arrangements for the Establishment of the New Climate Change Funds*, should be modified as follows.
6. With respect to decision making for the LDCF and SCCF, the Council will meet as the Council for the LDCF and the SCCF (hereafter referred to as the LDCF/SCCF Council.) Any Council Member may choose to participate in the LDCF/SCCF Council. Council Members may also choose to attend as observers. A formal vote by the LDCF/SCCF Council will be taken where consensus cannot be achieved. Such vote will be conducted by a double weighted majority, that is, an affirmative vote representing both a 60 percent majority of GEF Participants represented on the LDCF/SCCF Council and a 60 percent majority of the total contributions to such fund. The total contributions will be calculated based on the actual cumulative payments made to the respective fund.
7. Pursuant to the request of the SBI inviting relevant institutions to submit information on issues raised in the compilation document on the AF, the Council agrees that in the case of the AF, the Council would meet as the Council for the AF. Decisions of the Council on matters concerning the operation of the fund would be taken by

consensus among all Council Members representing Participants that are parties to the Kyoto Protocol. A formal voting procedure would be agreed by the Council meeting as the Council for the AF following further guidance of the COP/MOP and taking into account the GEF Instrument.

8. Notwithstanding any other provision of this decision, any decisions or actions directly affecting only the LDCF, the SCCF and the AF, respectively, will be delegated to the LDCF/SCCF Council and the AF Council, as appropriate. The LDCF/SCCF Council and the AF Council cannot amend this delegation of authority without approval of the GEF Council.

9. The Council requests the Secretariat and the Trustee to make necessary arrangements to effect the changes reflected in this decision.