



ADAPTATION FUND

**[PROJECT]/[PROGRAMME] FORMULATION  
GRANT AGREEMENT**

**([Project]/[Programme] in [Country])**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**[IMPLEMENTING ENTITY]**

**[PROJECT]/[PROGRAMME] FORMULATION  
GRANT AGREEMENT**

**(Formulation of the [Name of the] [Project]/[Programme] in [Country])**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**[IMPLEMENTING ENTITY]**

**Whereas**, the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in its Decision 10/CP.7 decided that an Adaptation Fund (AF) shall be established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol to the UNFCCC (Kyoto Protocol);

**Whereas**, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in its Decision 1/CMP.3 decided that the operating entity of the AF shall be the Adaptation Fund Board (Board), with the mandate to supervise and manage the AF under the authority and guidance of the CMP;

**Whereas**, in its Decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board adopted the AF *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund*, including the *Fiduciary Risk Management Standards to be Met by Implementing Entities* (AF Operational Policies and Guidelines<sup>1</sup>);

**Whereas**, in its Decision [No./ref], the Board decided to endorse the [pre-concept] [concept] of the [project]/[programme] [project/programme title] (the Project) in [Country] submitted by the [Implementing Entity] and to make a project formulation grant available to support the [Implementing Entity] in formulating the Project, as set out in Schedule 1 to this Agreement; and

**Whereas**, the International Bank for Reconstruction and Development (IBRD) has agreed to serve as the Trustee of the AF Trust Fund (Trustee) and, in that capacity, to make transfers of the Grant to the [Implementing Entity] on the written instructions of the Board;

The Board and the [Implementing Entity] have agreed as follows:

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<sup>1</sup> <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

## 1. DEFINITIONS

Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement shall have the respective meanings set forth therein and the following additional terms shall have the following meanings:

1.01. “Grant” means the AF resources approved by the Board for the formulation of the [Project]/[Programme] under this Agreement and to be transferred by the Trustee to the Implementing Entity on the written instructions of the Board;

1.02. “Designated Authority” means the authority that has endorsed on behalf of the national government the Grant request by the Implementing Entity seeking access to AF resources to finance the formulation of the [Project]/[Programme];

1.03. “Executing Entity” means the [Executing Entity] that will execute the formulation of the [Project]/[Programme] under the overall management of the Implementing Entity;

1.04. “Implementing Entity” means the [Implementing Entity], which is a party to this Agreement and the recipient of the Grant;

1.05. “Implementing Entity Grant Account” means the account to be established by the Implementing Entity to receive, hold and administer the Grant;

1.06. “Secretariat” means the body appointed by the CMP to provide secretariat services to the Board, consistent with decision 1/CMP.3, paragraphs 3, 18, 19 and 31, which body is currently the secretariat of the Global Environment Facility; and

1.07. “AF Trust Fund” means the trust fund for the AF administered by the Trustee in accordance with the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund*.

## 2. [PROJECT]/[PROGRAMME] FORMULATION AND THE GRANT

2.01. The Board agrees to provide to the [Implementing Entity] the Grant in a maximum amount equal to [Approved amount] United States Dollars (US \$ [Approved amount]) for the purposes of the formulation of the [Project]/[Programme]. The Implementing Entity shall ensure that the Grant funds will exclusively be used to carry out the [Project]/[Programme] formulation activities, and finance the expenditures, as set out in Schedule 2 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to the Implementing Entity on the written instructions of the Board. The transfer shall be made in one lump sum to the following bank account of the Implementing Entity:

[Insert Implementing Entity's bank account details.]

2.03. The Implementing Entity shall make the Grant funds available to the [Executing Entity] in accordance with its standard practices and procedures.

2.04. The Implementing Entity may convert the Grant into any other currency to facilitate its disbursement to the Executing Entity.

2.05. Grant funds made available to the Implementing Entity for the purposes of the Project in [Country] shall be kept separate and apart from all non-Adaptation Fund funds disbursed to the Implementing Entity. No Grant funds shall be transferred, loaned, exchanged, pledged, delivered, gifted, between or among projects approved for the Implementing Entity.

2.06. Any investment income earned from the Grant funds shall be held in the Implementing Entity Grant Account and used for the same purposes and administered in accordance with the terms of this Agreement.

### **3. ADMINISTRATION OF THE GRANT**

3.01. The Implementing Entity shall be responsible for the administration of the Grant and shall carry out such administration with the same degree of care used in the administration of its own funds, taking into account the provisions of this Agreement.

3.02. The Implementing Entity shall carry out all its obligations under this Agreement in accordance with:

- (i) the AF Operational Policies and Guidelines<sup>2</sup> effective [MMYYYY]; and
- (ii) its standard practices and procedures.

3.03. The Implementing entity:

- (i) undertakes to use reasonable efforts, consistent with its standard practices and procedures, including those pertaining to combating financing for terrorists, to ensure that the Grant funds provided to the Implementing Entity by the Trustee are used for their intended purposes and are not diverted to terrorists;

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<sup>2</sup> <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

(ii) shall not use the Grant funds for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions;

(iii) shall immediately inform the Board in the event the Grant funds are not being used or have not been used for the implementation of the Project or of any illegal or corrupt practice. The Implementing Entity consistent with its standard practices and procedures and integrity of the investigative process shall keep the Board informed of the progress of any formal investigation concerning the misuse of Grant funds and provide a final report to the Board on the findings of such investigation upon its conclusion; and

(iv) shall include provisions corresponding to subparagraphs (i) - (ii) above in any agreements that the Implementing Entity enters into with Consultants to which the Implementing Entity makes payments using Grant funds.

3.04. If, during the course of administering the Grant, the Implementing Entity identifies any material inconsistency between the AF Operational Policies and Guidelines and its own standard practices and procedures, (a) the [Implementing Entity] shall immediately notify the Board, through the Secretariat, of such inconsistency, and (b) the [Implementing Entity] and the Board shall discuss and promptly take any necessary or appropriate action to resolve such inconsistency.

3.05. In the event that the Implementing Entity makes any disbursements of the Grant in a manner inconsistent with the AF Operational Policies and Guidelines, and these inconsistencies cannot be resolved as provided in paragraph 3.04, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

#### **4. IMPLEMENTATION OF THE [PROJECT]/[PROGRAMME] FORMULATION**

4.01. The Implementing Entity shall be responsible for the overall management of the formulation of the Project, including all financial, monitoring and reporting responsibilities.

4.02. The Implementing Entity shall ensure that the Grant is used exclusively for the purposes of the formulation of the [Project]/[Programme], and shall refund to the AF Trust Fund, through the Trustee, any disbursements made for other purposes. Where the Board believes that the Grant has been used for purposes other than the formulation of the [Project]/[Programme], it

shall inform the Implementing Entity of the reasons supporting its view and provide the Implementing Entity an opportunity to provide any explanation or justification for such use.

4.03. Any material change to the approved budget allocation for the [Project]/[Programme] formulation (as set out in Schedule 2 to this Agreement) by the Implementing Entity, in consultation with the Executing Entity, shall be communicated to the Board for its approval and shall be made in conformity with the Operational Policies and Guidelines of the Fund. "Material change" shall mean any cumulative total budget change at output-level between the revised budget and the original budget that involves thirty per cent (30%) or more of the total budget.

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management, or the Executing Entity's execution, of the [Project]/[Programme] formulation or otherwise jeopardize the achievement of the objectives of the [Project]/[Programme] formulation, providing detailed information thereof to the Board for its information.

4.05. The Implementing Entity shall be fully responsible for the acts, omissions or negligence of its employees, agents, representatives and contractors under the formulation of the [Project]/[Programme]. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons under the formulation of the [Project]/[Programme] resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and contractors.

## **5. SUSPENSION**

5.01. The Board may suspend the formulation of the [Project]/[Programme] for reasons that include, but are not limited to:

- (i) financial irregularities in the implementation of the formulation of the [Project]/[Programme], or
- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the formulation of the [Project]/[Programme] can no longer achieve its objectives;

provided, however, that before the Board makes its final decision (a) the Implementing Entity shall be given an opportunity to present its views to the Board, through the Secretariat; and/or (b) the Implementing Entity may make any reasonable proposal to promptly remedy the financial irregularities, material breach or poor implementation performance.

## **6. PROCUREMENT**

6.01. The procurement of goods and services (including consultants' services) for activities financed by the Grant shall be carried out in accordance with the Implementing Entity's standard practices and procedures, including its procurement and consultants' guidelines. In the event that the Implementing Entity makes any disbursements in a manner which the Board considers to be inconsistent with the AF Operational Policies and Guidelines, the Board shall so inform the Implementing Entity giving the reasons for its view and seeking a rectification of the inconsistency. If the inconsistency cannot be resolved, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

## **7. RECORDS AND REPORTING**

7.01. The Implementing Entity shall provide to the Board, through the Secretariat, the following reports and financial statements:

- (i) a notification of project start<sup>3</sup> shall be submitted within one (1) month of the Project start date. The Project start date is considered to be the date of first disbursement towards an activity related to the Grant; and
- (ii) project monitoring reports for the Project formulation shall be submitted one (1) year from the Project start date, and every one (1) year thereafter from the date of the last project monitoring report.

7.02. Copies of the reports referred to in Section 7.01 shall be forwarded by the Implementing Entity to the Designated Authority for information.

7.03. The Implementing Entity shall provide to the Board, through the Secretariat:

- (i) a summary of the actual expenditures incurred by the Implementing Entity including net investment income earned from the Grant funds and the associated expenditures for the Project formulation within fifteen (15) months of the effectiveness date of this Agreement as documented by means of a final Statement of Expenditure (in the standard form of Annex 1), signed by the Implementing Entity's chief financial officer. Originals of all receipts shall be retained by the Implementing Entity as part of its accounting records and made available to the Trustee upon request; or

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<sup>3</sup> The notification of project start should be submitted using the template in Annex X to document AFB/B.34-35/6, available at <https://www.adaptation-fund.org/document/policy-for-projectprogramme-delays/>.

- (ii) if the [Project]/[Programme] is approved within the said fifteen (15) month period, and the Board so agrees in writing, a final audited financial statement together with the first audit due under the approved [Project]/[Programme].

7.04. Grant funds are subject exclusively to the internal and external audit of the Implementing Entity. The Implementing Entity shall make available to the Board through the Secretariat a copy of any audit report of the Implementing Entity's external auditor(s) containing any observations pertaining to the Grant as soon as such report is available.

7.05. The Implementing Entity shall submit any other reports related to the Grant and/or the Project to the Board, through the Secretariat, as may be requested by the Board.

## **8. MANAGEMENT FEE**

8.01. The Board authorizes the Implementing Entity to deduct from the total amount of the Grant and retain for its own account the management fee specified in Schedule 2 to this Agreement.

## **9. OWNERSHIP OF EQUIPMENT**

9.01. If any part of the Grant is used to purchase any equipment, such equipment shall be transferred upon the completion of the formulation of the [Project]/[Programme] to any such entity as the Designated Authority may designate.

## **10. CONSULTATION**

10.01. The Board and the Implementing Entity shall share information with each other, at the request of either one of them, on matters pertaining to this Agreement.

## **11. Branding**

11.01. The Implementing Entity shall, where feasible, endeavor to maximize opportunities for acknowledging the identity of the Grant provided by the Adaptation Fund (e.g. through use of the Adaptation Fund logo, and appropriate references in reports, publications, information given to beneficiaries and press, related publicity materials, and any other forms of public information).

## **12. COMMUNICATIONS**



12.01. All communications between the Board and the Implementing Entity concerning this Agreement shall be made in writing, in the English language, to the following persons at their addresses designated below, by letter or by facsimile:

For the Board:

Adaptation Fund Board Secretariat  
1818 H Street, NW  
Washington, D.C. 20433  
USA  
Attention: Adaptation Fund Board Chair  
Fax: \_\_\_\_\_

For the Implementing Entity:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Fax: \_\_\_\_\_

### **13. EFFECTIVENESS AND AMENDMENT OF THE AGREEMENT**

13.01. Upon receipt by the Adaptation Fund Board of this countersigned copy, this Agreement shall become effective as of the date of countersignature by the Implementing Entity.

13.02. This Agreement may be amended, in writing, by mutual consent between the Board and the Implementing Entity.

[13.03. Nothing in this Agreement is intended to be a waiver or should be construed as a waiver of the privileges and immunities of the Parties or their officers and employees, which privileges, and immunities are hereby specifically reserved.]

### **14. TERMINATION OF THE AGREEMENT**

14.01. This Agreement may be terminated by the Board or the Implementing Entity, by giving prior written notice of at least ninety (90) days to the other.

14.02. This Agreement shall automatically be terminated in the event of:

- a) cancellation of the Implementing Entity's accreditation by the Board; or
- b) receipt of a communication from the Designated Authority that it no longer endorses the Implementing Entity, the endorsed [pre-concept] [concept] of the [Project]/[Programme], or the [Project]/[Programme].

14.03. Upon termination of this Agreement, the Board and the Implementing Entity shall consider the most practical way of completing any ongoing activities under the Project, including meeting any outstanding commitments incurred under the Project prior to the termination. The Implementing Entity shall promptly refund to the AF Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination.

14.04. In the event of expiration of accreditation and/or the Board's decision to not to re-accredit the Implementing Entity, the responsibilities and obligations in this Agreement survive and shall be unaffected, and the Implementing Entity shall continue to disburse the Grant funds, in accordance with its standard practices and procedures and the AF Operational Policies and Guidelines to the extent necessary to fulfill the Implementing Entity's obligations hereunder.

## **15. SETTLEMENT OF DISPUTES**

15.01. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be settled amicably by discussion or negotiation between the Board and the Implementing Entity.

15.02. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, which has not been settled amicably between the Board and the Implementing Entity, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.



**ANNEX 1: TEMPLATE FOR THE STATEMENT OF EXPENDITURE**Statement of Expenditure

Implementing Entity Name: \_\_\_\_\_

Country: \_\_\_\_\_

AF Project ID: \_\_\_\_\_

Project Title: \_\_\_\_\_

Reporting Period  [DATE] to [DATE]

Budget Category	Expenses for total grant amount			
	Currency	Budgeted	Amount Spent (Reporting period)	Total Grant Undisbursed (Reporting period)
<b>Sub-total</b>				<b>(A)</b>
<b>Total Investment Income earned (Reporting period)</b>		Instead of budgeted, please indicate the total amount accumulated here		<b>(B)</b>
<b>Budget Grand Total (A+B)</b>				

I/We hereby certify that the above amounts have been expended for Eligible Expenditures for the proper execution of the Project in accordance with the terms and conditions of this Agreement dated (\_\_\_\_\_).

Certified by<sup>4</sup>: \_\_\_\_\_ [Name]\_\_\_\_\_

Title: \_\_\_\_\_

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

<sup>4</sup> Equivalent to Chief Financial Officer

# Schedule 1

## Schedule 2