



ADAPTATION FUND

May 9, 2011

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Adaptation Fund Board

***Agreement on Project Formulation Grant (PFG) for Uruguay***

*The Adaptation Fund Board decides:*

- a) To approve the attached draft agreement for the formulation of the “Building Resilience to Climate Change in Vulnerable Smallholders” project in Uruguay;*
- b) That the attached text will be used as a model for future PFG requests.*

*Decision B.13-14/2*



**ADAPTATION FUND**

**PROJECT FORMULATION  
GRANT AGREEMENT**

**(Formulation of the “Building Resilience to Climate Change  
in Vulnerable Smallholders” Project in Uruguay)**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**AGENCIA NACIONAL DE INVESTIGACIÓN E INNOVACIÓN**

***April 25, 2011***

## PROJECT FORMULATION

### GRANT AGREEMENT

(Formulation of the “Building Resilience to Climate Change  
in Vulnerable Smallholders” Project in Uruguay)

between

THE ADAPTATION FUND BOARD

and

AGENCIA NACIONAL DE INVESTIGACIÓN E INNOVACIÓN

**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), as set out in Schedule 1 to this Project Formulation Grant Agreement (Agreement);

**Whereas**, in its Decision B.12/27, the Board decided to make available project formulation grants for projects submitted through national implementing entities;

**Whereas**, the proposal submitted by the Agencia Nacional de Investigación e Innovación, as an implementing entity, to the Board seeking access to the resources of the AF in support of the formulation of the “Building Resilience to Climate Change in Vulnerable Smallholders Project” (Project) in Uruguay, as set out in Schedule 2 to this Agreement, has been approved by the Board, and the Board has agreed to make a project formulation grant (Grant) to the Agencia

Nacional de Investigaciòn e Innovaciòn for the formulation of the Project under the terms of 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 transfer the Grant to the Agencia Nacional de Investigaciòn e Innovaciòn on the written instructions of the Board;

The Board and the Agencia Nacional de Investigaciòn e Innovaciòn have agreed as follows:

## **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 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;

1.03. “Executing Entity” means the entity that will execute the formulation of the Project under the overall management of the Implementing Entity;

1.04. “Implementing Entity” means the Agencia Nacional de Investigaciòn e Innovaciòn, 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 FORMULATION AND GRANT TRANSFER**

2.01. The Board agrees to transfer to the Implementing Entity the Grant in a maximum amount equivalent to thirty thousand United States Dollars (US \$30,000) for the purposes of the formulation of the Project. The Implementing Entity shall ensure that the Grant funds will exclusively be used to carry out the Project 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.

### **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; and
- (ii) its standard practices and procedures.

3.03. 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.

3.04. 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 3.03, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

#### **4. IMPLEMENTATION OF THE PROJECT FORMULATION**

4.01. The Implementing Entity shall ensure that the Grant is used exclusively for the purposes of the formulation of the Project, 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, 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.

4.02. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its administration of the Grant or the implementation of the formulation of the Project, providing detailed information thereof to the Board for its information.

4.03. Any material change to the approved budget allocation for the Project 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. "Material change" shall mean, in respect of the budget allocation, any change 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 formulation or otherwise jeopardize the achievement of the objectives of the Project 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. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons under the formulation of the Project 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 for reasons that include, but are not limited to:

- (i) financial irregularities in the implementation of the formulation of the Project, or

- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the formulation of the Project 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. AUDITED FINANCIAL STATEMENT**

07.01. The Implementing Entity shall provide to the Board, through the Secretariat, a final audited financial statement of the Implementing Entity Grant Account, prepared by an independent auditor or evaluation body: (i) within fifteen (15) months of the effectiveness date of this Agreement; or, (ii) if the Project is approved within the said fifteen (15) month period, and the Board so agrees in writing, together with the first audit due under the approved Project.

## **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 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. COMMUNICATIONS**

11.01. 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  
MSN: P4-400  
Washington, D.C. 20433, USA  
Attention: Adaptation Fund Board Chair  
Fax: +1(202) 522-3240

For the Implementing Entity:

Agencia Nacional de Investigacion e Innovacion  
Rincon 528  
Montevideo, Uruguay 11100  
Attention: CEO  
Fax: +598 2916 9115

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

12.01. This Agreement shall become effective upon its signature by both parties.

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

## **13. TERMINATION OF THE AGREEMENT**

13.01. 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.

13.02. 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 formulation of the Project, or the Project.

13.03. Upon termination of this Agreement, the Board and the Implementing Entity shall consider the most practical way of completing any ongoing activities, including meeting any outstanding commitments incurred 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. SETTLEMENT OF DISPUTES**

14.01. 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.

14.02. 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.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement on \_\_\_\_\_ 2011

**THE ADAPTATION FUND BOARD**

\_\_\_\_\_  
Ana Fornells de Frutos, Chair

**AGENCIA NACIONAL DE INVESTIGACIÓN E INNOVACIÓN**

\_\_\_\_\_  
Dr. Fernando Amestoy, CEO

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*Two Schedules attached*

**SCHEDULE 1**

***AF Operational Policies and Guidelines***

*[to be inserted]*

**SCHEDULE 2**

***Project Formulation Proposal***