



ADAPTATION FUND

AFB/EFC.22/5
17 March 2018

Adaptation Fund Board
Ethics and Finance Committee
Twenty-second meeting
Bonn, Germany, 20-21 March 2018

Agenda item 6 a)

INVESTMENT INCOME EARNED BY IMPLEMENTING ENTITIES

Background

1. The Adaptation Fund Board (the Board), at its twenty-fifth meeting, discussed the amendment to the Project Performance Report (PPR) template in relation to investment income earned by implementing entities (IEs) on amounts transferred to them for Fund projects and programs, and requested the secretariat to send a letter to the accredited IEs to request them to inform the secretariat of respective situations. The secretariat received responses from some IEs on the matter.
2. The Board, during the intersessional period between the twenty-fifth and twenty-sixth meetings, approved the amendment to the PPR template to allow IEs to report on any investment income attributable to undisbursed balances generated by Fund transfers to them for projects and programs on an annual basis (Decision B.25-26/14).
3. The secretariat, at the seventeenth meeting of the Ethic and Finance Committee (EFC), presented the responses received from the IEs on such investment income earned. Some IEs informed the secretariat that no investment income had been generated while others reported the specific figures. The reported information varied from one IE to another due to the differences in their own reporting periods, the number of projects under implementation, the types of accounts they use and the countries in which the accounts are located.
4. The Board, at its twenty-sixth meeting, requested the secretariat to present a compilation of the practice/operational rules followed by other funds regarding investment income earned by IEs and a proposal of guideline on investment income accrued by IEs for the Adaptation Fund (Decision B.26/36). The Board also decided, *for the purpose of facilitating the return of funds to the Adaptation Fund Trust Fund, to authorize the trustee to receive funds from IEs for deposit to the Adaptation Fund Trust Fund in accordance with the trustee's Terms of Conditions and procedures agreed between the trustee and secretariat* (Decision B.26/37).
5. The Board, at its twenty-seventh meeting, having considered the comments and recommendation of the EFC, decided to *request the secretariat to hold further discussions with the trustee on a proposal on the best approach to deal with the interest generated by implementing entities on amounts held in respect of project grants and to report back to the nineteenth meeting of the EFC* (Decision B.27/32).
6. Due to insufficient comprehensiveness of data to facilitate the Board to make an informed decision, the Board, at its twenty-eighth meeting requested the secretariat *(Decision B.28/42) to Launch a survey of all implementing entities asking them to report their yearly investment income for the Adaptation Fund fiscal years 2014, 2015 and 2016 and, in consultation with the trustee, present a recommendation to the twentieth meeting of the EFC on an approach to deal with investment income generated by implementing entities on amounts held in respect of project grants, based on the survey results*
7. In response to the recommendation, the secretariat launched a survey on 3 November

2016, followed by several reminders between February and April 2017 to report to the secretariat the yearly investment income figures for the Fund fiscal years 2014, 2015 and 2016.

8. The Board at its twenty-ninth meeting requested the secretariat (*Decision B.29/35*) to compile a comprehensive analysis after following up with the implementing entities that did not respond to the survey launched pursuant to decision B.28/42; and to prepare, in consultation with the trustee, a recommendation on an approach for dealing with investment income generated by the implementing entities on amounts held in respect of project grants, to be presented to the EFC at its twenty-first meeting.

9. In response to the comprehensive analysis, the secretariat collected missing data from the IEs that had not responded to the survey launched pursuant to decision B.28/42. In addition, the secretariat collected a breakdown / more details from IEs who had earned substantial interests generated from amount of project grants. Two options were suggested, Option 1: Investment Income remitted to Adaptation Fund Trust Fund through the Trustee and Option 2 Allowing the Implementing Entities to use the funds for project/program purposes

10. At its thirtieth meeting, the Board decided to:

- (a) Approve option 2 for addressing the issue of investment income earned by implementing entities on amounts held in respect of project grants, namely allowing implementing entities to use the funds for project/programme purposes, as set out in document AFB/EFC.21/6; and
- (b) To request each implementing entity that had received funding from the Adaptation Fund:
 - (i) To hold the income earned on amounts held in respect of Adaptation Fund project grants in their Implementing Entity Grant Account;
 - (ii) To use the income earned on amounts held in respect of Adaptation Fund project grants solely for the purposes of the associated project/programme; and
 - (iii) To report such income and the associated expenditures to the Board as part of the regular financial reporting; and
- (c) To request the secretariat:
 - (i) To gather more comprehensive information from implementing entities on amounts held in respect of project grants;
 - (ii) Based on the information gathered, to prepare a relevant document that includes some specific examples of accounting/treasury practices regarding income earned by implementing entities on amounts held in respect of project grants, for consideration by the EFC at its twenty-second meeting; and

(iii) *If necessary, to prepare a proposal for an amendment to the standard legal agreement between the Board and the Implementing Entity for consideration by the EFC at its twenty-second meeting in order to address the issue of income earned by implementing entities.*

(Decision B.30/40)

11. On 29 November 2017, the secretariat informed the IEs about the Board Decision. and on 20 December 2017, requested the IEs to provide additional details/clarification on the amounts held in respect of project grants. The IEs were asked to share their experience on how they plan to use/spend those amounts and, in cases the amounts had already been disbursed, to provide the breakdown details of the expenses.

12. As of March 2018, and compared to March 2017, the secretariat has received the following information by 24 out of 28 entities. 12 out of 24 entities reported that their projects generated incomes; 10 stated that they will spend the amounts towards the projects through various activities such as project formulation, knowledge, dissemination, translation of documents, etc. IBRD stated that the amounts generated will be returned to the Trustee. UNEP didn't send the breakdown as requested. 10 out of 24 entities informed that their grants did not generate any income. Two out of 24 entities who just started implementing their project will report to the secretariat in case any income be generated and provide details on how they intend to spend them. The remaining have projects which have been approved recently and thus, disbursements do not fall in the AF fiscal years 2014, 2015 and 2016 but 2017 and 2018 instead. The information collected by the secretariat is summarized in the table below.

Investment income generated from the Fund grants as of March 2018

Implementing entities	Investment income generated (US\$)	Reporting period	Additional information as of February 2018
MIEs			
IBRD (as Implementing Entity)	13,187.00	11-Nov-16	Investment income earned will be returned to the Trustee.
IFAD	9,714	30-Jun-17	Not yet been used. Plans to allocate the earned interest (US\$ 9,714) to Component 1 of the project.
UNDP (Please see breakdown details by project)	885,699.14	2011-2016	According to UNDP current policies, the investment income earned will be used primarily to fund country programme support activities, including project formulation, knowledge codification and dissemination and related activities. For investment income earned on Adaptation

			Funded projects, UNDP-GEF plans to use the amount following UNDP policy.
- Columbia	59,372.00	2012-2016	
- Cook Islands	32,851.01	2012-2016	
- Cuba	14,620.00	2014-2016	
- Djibouti	23,558.53	2012-2016	
- Eritrea	39,010.13	2011-2016	
- Georgia	37,112.53	2012-2016	
- Guatemala	9,451.16	2015-2016	
- Honduras	42,655.35	2011-2016	
- Maldives	92,665.16	2012-2016	
- Mali	41,502.77	2015-2016	
- Mauritius	33,350.32	2012-2016	
- Mongolia	23,647.20	2012-2016	
- Myanmar	40,797.28	2014-2016	
- Nicaragua	71,599.30	2011-2016	
- Pakistan	53,654.40	2011-2016	
- Papua New Guinea	86,964.13	2012-2016	
- Samoa	63,885.50	2012-2016	
- Seychelles	13,456.54	2014-2016	
- Solomon Islands	66,746.66	2011-2016	
- Turkmenistan	24,780.33	2012-2016	
- Uzbekistan	13,302.10	2014-2016	
- Ghana	548.24	2016	
- Regional: Cuba, Dominican Republic and Jamaica	87.10	2016	
- Regional: Mauritius and Seychelles	80.63	2016	
UNEP	97,459.64	30-June-2017	Investment income will be held until towards the end of the projects and could be reprogrammed into the projects
WFP	20,825.64	2013-2017	Income generated by the Egypt AF project grant at HQ level from January 2013 to June 2017. posted under the Egypt AF project grant. It will be used for project activities (details on its utilization to be provided in the next PPR).
RIE			

WMO (new reporting)	3,400.18	31-Dec-2017	To be used for direct project costs for Consultants and indirect project costs for Administration fees and bank charges.
NIEs			
Agence pour le Développement Agricole (Morocco)	36,399.08		To be used towards the PACCZO project after the mid-term review,
Agencia de cooperacion internacional (Chile)	0	2013-2014	n/a
Agencia Nacional de Investigacion e Innovacion (Uruguay)	0	24-Nov-16	n/a
Centre de Suivi Ecologique (Senegal)	0	2-Feb-17	n/a
Desert Research Foundation of Namibia (DRFN)	0	2014-2016	The DRFN will only start implementing the first AF approved project shortly. Currently awaiting the first disbursement from the AF. They will report the required information once available.
Fundacion Natura (Panama)	50.70	31-Dec-17	The first amount will be used for translation of documents. The second generated income will be initiating on Feb. 5, 2018 for a period of 60 days.
Fundecooperacion para el Desarrollo Sostenible (Costa Rica)	16,240.00	30-Jun-16	Has not yet used the income generated but have decided to use any income to support communication monitoring and evaluation of the activities and each of the specific initiatives. The decision was made due to the importance of creating a multiplying effect through the evaluation of results and the promotion of those results at local and national level. Consider those actions will allow to increase the impact of the program.
Ministry of Natural Resources (MINIRENA) (Rwanda)	0	2-Oct-2017	Funds received from Adaptation Fund through the Trustee are transferred to the Account opened by the NIE (Ministry of Environment) do not generate interests (no interest rates applied to these funds).
National Bank for Agriculture and Rural Development (NABARD)	107,395.93 <i>(exchange rate used in</i>	30-Jun-17	The Entity has not yet disbursed any generated income. But their strategies for spending the income in future would be in

	<i>the calculation was US\$ 1= INR 64.63 on 30 June 2017)</i>		providing complementary support (Skill or Entrepreneurship development) to the ongoing AF projects and to support additional interventions in project area, which may enhance the benefits of projects in long run.
Micronesia Conservation Trust (Federated States of Micronesia)	0	31-Dec-16	n/a
Ministry of Planning and International Cooperation (Jordan)	0	9-Feb-17	n/a
National Environment and Climate Fund (FNEC - Benin)	0	August 2017	n/a
NEMA (Kenya)	0	30-April-17	n/a
Observatoire du Sahara et du Sahel (OSS) – Tunisia (<i>new reporting</i>)	0	May 2017	OSS is implementing only one project which officially started on May 2017. With this regard, OSS has temporarily placed, for three months, on a bank account an unused amount of 800,000 US\$ which will generate income. In compliance with their guidelines, these future incomes will be reinvested into the project budget and reused for its activities. Also, the first PPR is scheduled for June 2018 and will include data about the indicated possible income and associated expenditures.
Planning Institute of Jamaica	15,741.57	31-Oct-17	Toward NIE's operating expenses during extension period (10,292.75) and co-finance climate change education and awareness raising activities targeting schools/educational institutions (15,741.57).
PROFONANPE (Peru)	0		Regarding the project "Adaptation to the Impacts of Climate Change on Peru's Coastal Marine Ecosystem and Fisheries", the grant has been disbursed in a current account that here in Peru doesn't generate incomes. They are evaluating the possibility to make term deposits in order to generate incomes that could be used for the project. These resources would be scheduled at the end of each semester.

SANBI (South Africa)	33,756.51	30-Jun-16	They will be reporting on investment income in the PPRs of the two projects, that are due in early 2018. They have not yet disbursed any of the investment income and are still in the process of programming the funds. They will provide the AF with these plans once they are finalized.
Unit for Rural Change (UCAR - Argentina)	0	2012-2017	UCAR's special account (as an official account of the Argentina's Government) does not have investment income attributable to undisbursed balances.
TOTAL	1,239,869.39		

13. The total amount of interest generated from amount of project grants is US\$ 1.23 million compares to US\$ 1.25 million in March 2017.

14. On specific examples of accounting/treasury practices regarding income earned by implementing entities on amounts held in respect of project grants, the entities have stated that the amounts are being held in the project account and will be disbursed towards project activities. They also stated that expenses will be reported in the PPR and the financial audit reports.

15. Based on the above, the secretariat suggests that the standard legal grant agreement template be amended to address the issue of income earned by implementing entities. A proposed amended standard legal agreement is contained in the Annex I, with amendments highlighted.

Recommendation

16. Considering the information contained in document AFB/EFC.22/5 and in accordance with decision B.30/40, the EFC may wish to recommend that the Board consider and approve proposed amendments to the standard legal agreement between the Board and the Implementing Entity to address the issue of income earned by implementing entities, as contained in the Annex I to this document AFB/EFC.22/5.

ANNEX I: Amended standard legal agreement



ADAPTATION FUND

AGREEMENT

(The _____ [Project] [Programme] in [Country])

between

THE ADAPTATION FUND BOARD

and

[IMPLEMENTING ENTITY]

AGREEMENT

[The _____ Project 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 Guidelines¹);

Whereas, the proposal submitted by the [Implementing Entity] to the Board seeking access to the resources of the AF in support of the [Project] [Programme], as set out in Schedule 1 to this Agreement, has been approved by the Board, and the Board has agreed to make a grant (Grant) to the [Implementing Entity] for the [Project] [Programme] 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 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:

1. DEFINITIONS

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

Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement (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 [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 Project proposal by the Implementing Entity seeking access to AF resources to finance the [Project][Programme];

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

1.04. “Implementing Entity” means the [Implementing Entity] that is the 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” is 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 Global Environment Facility (GEF); 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. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to the [Implementing Entity] the Grant in a maximum amount equivalent to _____United States Dollars (US \$_____) for the purposes of the [Project] [Programme]. The [Project] [Programme] document, which details the purposes for which the Grant is made, is set out in Schedule 1 to this Agreement. The disbursement schedule and special conditions that apply to the implementation of the Grant are 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. Any subsequent transfer of Grant funds to the Implementing Entity after the first tranche shall only be transferred after the Board approved the annual Project

Performance Reports (PPR) referred to in section 7.01.b. Transfers shall be made to the following bank account of the Implementing Entity in accordance with the disbursement schedule set out in Schedule 2 to this Agreement:

[Insert Implementing Entity's bank account details]

2.03. The Implementing Entity shall make the disbursed 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. 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 Guidelines² effective October 2017; and
- (ii) the Implementing Entity's 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;
- (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;

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

(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.

(iv) shall include provisions corresponding to subparagraphs (i) – (ii) above in any agreements that the Implementing Entity enters into with executing entities to which the Implementing Entity makes Grant funds available.

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, the [Implementing Entity] shall: (a) 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. [PROJECT] [PROGRAMME] IMPLEMENTATION

4.01. The Implementing Entity shall be responsible for the overall management of the [Project] [Programme], 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 [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 [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 made in the original budget allocation for the Project 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 ten per cent (10%) or more of the total budget of the [Project]/[Programme].

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

5. [PROJECT] [PROGRAMME] SUSPENSION

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

- (i) financial irregularities in the implementation of the [Project] [Programme], or
- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that 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 will 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, it will 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:

- a) An inception report submitted to the secretariat no later than one (1) month after the inception workshop has taken place. The start date of the [Project] [Programme] is considered the date of the inception workshop;
- b) Annual Project Performance Reports (PPR) on the status of the [Project]/[Programme] implementation, including the disbursements made during the relevant period **and net investment income earned from the Grant funds and the associated expenditures**, or more frequent progress reports if requested by the Board. The PPR shall be submitted on a yearly basis one (1) year after the start of [Project]/[Programme] implementation and no later than two (2) months after the end of the reporting year;
- c) A mid-term evaluation, prepared by an independent evaluator selected by the Implementing entity for any [Project]/[Programme] that is under implementation for over four years; the mid-term evaluation should be submitted to the Fund Secretariat within six months of the mid-point of [Project]/[Programme] implementation;
- d) A [Project]/[Programme] completion report, including any specific [Project]/[Programme] implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after [Project]/[Programme] completion;
- e) A final evaluation report, prepared by an independent evaluator selected by the Implementing Entity. The final evaluation report shall be submitted within nine (9) months after [Project]/[Programme] completion. Copies of these reports shall be forwarded by the Implementing Entity to the Designated Authority for information; and
- f) A final audited financial statement of the Implementing Entity Grant Account **including net investment income earned**, prepared by an independent auditor or evaluation body, within six (6) months of the end of the Implementing Entity's financial year during which the [Project]/[Programme] is completed.

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 durable assets or equipment, such assets or equipment shall be transferred upon the completion of the [Project] [Programme] to the Executing Entity/Entities or such other 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 [Project]/[Programme] 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. The representatives are:

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.

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 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] [Programme], including meeting any outstanding commitments incurred under the [Project][Programme] 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.

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, will 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 presently in force.

THE ADAPTATION FUND BOARD

[Name], Chair

Date

[IMPLEMENTING ENTITY]

[Name, Title]

Date

[The following Schedules will be attached to the Agreement: Schedule1 ([Project] [Programme] Proposal) and Schedule 2 (Disbursement Schedule)].