



ADAPTATION FUND

AFB/B.34-35/12  
20 February 2020

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Adaptation Fund Board

**AMENDMENT TO THE LEGAL AGREEMENT TEMPLATES  
FOR READINESS GRANTS**

## Background

1. At its twenty-seventh meeting the Adaptation Fund Board (the Board) decided to institutionalize the readiness programme through Decision B.27/38 by integrating it into the Adaptation Fund (the Fund) work plan and budget in a more permanent manner.

2. At its twenty-eighth meeting, the Board had discussed making the intersessional review of readiness grant proposals between its October and March Board meetings an on-going process. At this meeting, having considered the comments and recommendation of the Project and Programme Review Committee (PPRC), the Board decided to:

*(a) Request the secretariat to continue to review readiness grant proposals annually, during an intersessional period of less than 24 weeks between two consecutive Board meetings;*

*(b) Notwithstanding the request in paragraph (a) above, recognize that any readiness grant proposal can be submitted to regular meetings of the Board;*

*(c) Request the PPRC to consider intersessionally the technical review of such readiness grant proposals as prepared by the secretariat and to make intersessional recommendations to the Board;*

*(d) Consider such intersessionally reviewed proposals for intersessional approval in accordance with the Rules of Procedure; and*

*(e) Request the secretariat to present, in the twentieth meeting of the PPRC, and annually following each intersessional review cycle, an analysis of the intersessional review cycle.*

*(Decision B.28/30)*

3. At its twenty-ninth meeting, the Board had discussed document AFB/B.29/8 which presented the overall framework for the readiness programme. The framework presented a description of the readiness programme elements for its transitioning into a long-term and permanent feature of the Fund that could be monitored and evaluated using outcomes, outputs and core indicators that are aligned to the results-based management (RBM) approach and results framework of the Fund. In its consideration of the readiness programme framework, the Board also decided to update the legal agreement templates for readiness grants. The Board decided:

*(a) To approve the framework for the Readiness Programme as contained in document AFB/B.29/8;*

*(b) To request the secretariat:*

[...]

- (v) *To update the standard legal agreement for readiness grants for consideration by the Board intersessionally between its twenty-ninth and thirtieth meetings;*

[...]

*(Decision B.29/42)*

4. At its thirty-first meeting, the Board had approved the Fund's medium-term strategy (MTS) through decision B.31/32, and subsequently approved the MTS Implementation Plan at its thirty-second meeting through decision B.32/39. In its decision the Board also made project scale-up grants available to National Implementing Entities (NIEs) requested the secretariat to prepare a legal agreement template for project scale-up grants. The Board decided:

[...]

- (e) *To request the secretariat to develop and present to the Board at its thirty-third meeting:*
  - (i) *A standard legal agreement for project scale-up grants;*

[...]

*(Decision B.32/39)*

5. At its twenty-second meeting, the Board had discussed the Adaptation Fund (the Fund) Environmental and Social Policy (ESP) and the related amendments to the OPGs that would ensure that implementing entities had the ability to implement the ESP. At this meeting;

*Following a discussion, the Adaptation Fund Board decided to:*

- (a) *Approve:*
  - (i) *The environmental and social policy contained in document AFB/B.22/5;*
  - (ii) *The amendments to the operational policies and guidelines for Parties to access resources from the Adaptation Fund, its related templates, and instructions as contained in document AFB/B.22/5/Add.1;*

[...]

*(Decision B.22/23)*

6. During the intersessional period between its thirty-third and thirty-fourth meetings, the Board had decided to approve the monitoring and reporting requirements for project scale-up

grants. In its decision, the Board also requested the secretariat to present readiness grant and project scale-up grant templates for its consideration at its thirty-third and thirty-fourth meetings. The Board decided:

[...]

*(b) To request the secretariat to present the legal agreement templates for readiness grants and project scale-up grants for consideration by the Board intersessionally between its thirty-third and thirty-fourth meetings.*

[...]

*(Decision B.33-34/12)*

7. The secretariat has prepared this current document subsequent to Decision B.33-34/12 by the Board to present the legal agreement templates for readiness grants and project scale-up grants for consideration by the Board. The legal agreement templates are presented with proposed updates to align with the standard legal agreement for concrete projects/programmes, to include the new reporting requirements for readiness grants and project scale-up grants, and to standardize the language used across all readiness grant legal agreements.

8. It is proposed that legal agreement templates that contain similar language and provisions be merged to make the administrative process of preparing and managing the legal agreements for signing between the Board and national implementing entities (NIEs) more efficient and effective. For this reason, the legal agreement templates for the Technical Assistance Grant for the Environmental and Social Policy and Gender Policy (TA-ESGP) and Technical Assistance Grant for the Gender Policy (TA-GP) are presented as one template in Annex II of the current document, and the legal agreement templates for South-South Cooperation (SSC) grants and readiness package grants (RPGs) are also presented as one template in Annex III. New legal agreement templates for project formulation assistance (PFA) grants and project scale-up (PSU) grants are presented in Annex IV and V respectively.

9. To facilitate the Board's review of the readiness grant legal agreement templates, an explanatory note has been prepared for the proposed amendments in the merged legal agreement templates. The explanatory note is presented in Annex I of the current document. The following points should also be noted:

(i) The first readiness grants to be approved by the Board were SSC grants and Technical Assistance grants for the Environmental and Social Policy (TA-ESP). The TA-ESP became redundant when the Board introduced the TA-ESGP grant. The legal agreement templates for SSC grants and the TA-ESGP have therefore been used as the main templates from which language from all other readiness grants were drawn from.

(ii) The language used in all readiness grant legal agreements is very similar, with minor differences between the templates for technical assistance grants and grants to

enable accreditation to the Fund through peer-peer support (SSC grants and RPGs). For this reason, as mentioned above, the legal agreement templates for TA-ESGP and TA-GP have been merged into one and the legal agreement templates for SSC grants and the RPGs have also been merged into one.

- (iii) Many of the changes to the text in the amended legal agreement templates have been minor grammatical edits to provide more clarity to the text. Deletions have been presented as strikethroughs in the text and new text added is presented as insertions in red font.
- (iv) Since many of the edits are minor grammatical refinements, only the legal agreement paragraphs that have significant changes proposed to the existing text are presented in the explanatory note including a description of the proposed change:

### **Recommendation**

10. The Board may want to consider the proposed amendments to legal agreement templates for technical assistance grants for the environmental and social policy and gender policy, gender policy grants, South-South cooperation grants, readiness package grants, and the proposed new legal agreement templates for project formulation assistant grants and project scale-up grants contained in document AFB/B.34-35/12 and decide to:

- a) Approve the amended and merged legal agreement template for the technical assistance grants for the environmental and social policy and gender policy (TA-ESGP) and the technical assistance grants for the gender policy (TA-GP) as presented in Annex I of document AFB/B.34-35/12.
- b) Approve the amended and merged legal agreement template for the South-South Cooperation (SSC) grants and the readiness package grants as presented in Annex II of document AFB/B.34-35/12
- c) Approve the legal agreement template for project formulation assistance (PFA) grants as presented in Annex III of document AFB/B.34-35/12
- d) Approve the legal agreement template for project scale-up (PSU) grants as presented in Annex IV of document AFB/B.34-35/12
- e) Request the Adaptation Fund Board Secretariat to make available on the Fund website, the legal agreement templates mentioned in paragraphs (a) – (d) above.
- f) Request the Adaptation Fund Board Secretariat to notify all accredited national implementing entities of the amended and new legal agreement templates for readiness grants.

(Decision B.34-35/X)

## **ANNEX I: EXPLANATORY NOTE ON PROPOSED AMENDMENTS TO THE LEGAL AGREEMENT TEMPLATES**

Legal agreement template for Technical Assistance Grants (TA-ESGP) and the Technical Assistance Grants for the Gender Policy (TA-GP).

The previous legal agreement templates for TA-ESGP and TA-GP have been merged into a single template using the TA-ESGP as the baseline template (see Annex I). The changes made to the TA-ESGP template to accommodate the merge are explained below:

- (i) **Preamble paragraph 4.** The wording was edited to align with the revised title of the legal agreement template. Preamble paragraphs 4 and 5 had similar wording. The text had been further repeated in paragraph 2.01. Preamble paragraphs 4 and 5 were therefore merged into one and a definition of “the Project” added to the merged text. Paragraph 2.01 was revised to avoid repeating the wording that defines “the Project”.
- (ii) **Preamble paragraph 5.** This paragraph was deleted because it was merged with preamble paragraph 4 as stated above.
- (iii) **Sub-paragraph 1.02.** Minor grammatical edits were made, including an insertion of text to provide a clearer definition of Designated Authority that is in alignment with the definition provided in the standard legal agreement template for concrete projects/programmes. The paragraph was updated with minor tailoring to make the updated text relevant to readiness grants.
- (iv) **Sub-paragraph 1.07.** Insertion of new paragraph and text to provide a definition for the term “Consultant”.
- (v) **Sub-paragraph 2.01.** Grammatical edits made to align the text with the updated text in preamble 4.
- (vi) **Sub-paragraph 2.02.** Insertion of table to provide guidance and consistency on the bank account information required from implementing entities.
- (vii) **Sub-paragraph 2.06.** Insertion of new paragraph concerning investment income in line with insertion of the same clause into the standard legal agreement template, which insertion was approved by the Board at its 31<sup>st</sup> meeting (AFB Decision B.31/27).
- (viii) **Sub-paragraph 3.02 (i).** Insertion of footnote and bracketed “effective date” to align with standard legal agreement template for concrete projects/programmes.
- (ix) **Sub-paragraph 3.02 (ii).** Deletion of old text and insertion of language consistent with standard legal agreement template for concrete projects/programmes.

- (x) **Sub-paragraph 3.03 (iv).** Insertion of sub-paragraph (iv) to align with similar paragraph in standard legal agreement template for concrete projects/programmes.
- (xi) **Paragraph 4.** Insertion of sub-paragraph 4.01 and re-ordering of sub-paragraphs coupled with minor grammatical edits to align language with similar sub-paragraphs in standard legal agreement template for concrete projects/programmes. Sub-paragraph 4.03 has been updated with minor grammatical edits and insertions to align the text with wording used in Annex 7 of the Operational Policies and Guidelines (OPG), approved by the Board at its 30<sup>th</sup> meeting (AFB Decision B.30/39).
- (xii) **Paragraph 7.** Edit of section heading to align with wording used in the standard legal agreement template for concrete projects/programmes for the same section.
- (xiii) **Sub-paragraphs 7.01 – 7.05.** Replacement of all previous sub-paragraphs with text that align with updated reporting requirements for readiness grants as approved by the Board (AFB Decision B.29/42) and with the policy on project delays. To note is that it is proposed in the new reporting requirements that after project closure, NIEs submit only a statement of expenditure as presented in the annexes of the legal agreements, in place of an audited financial statement. The replacement reduces the financial burden on NIEs to audit readiness grants, which at times could cost as much as half the size of the grant. However, each NIE that receives a readiness grant would still be required to submit to the Board, any audit report by the NIE's external auditor that includes observations on readiness grants. The Board would also be able to request as relevant and needed, that original copies of all receipts from use of the grant funds be submitted to the Adaptation Fund Trustee.
- (xiv) **Paragraph 11.** Insertion of new paragraph on branding to align with the standard legal agreement template for concrete projects/programmes. Subsequent old paragraphs from 11 – 14 have been renumbered 12 – 15 respectively.
- (xv) **Sub-paragraph 13.01 (now sub-paragraph 14.01).** Wording updated to align with the standard legal agreement template for concrete projects/programmes.
- (xvi) **Sub-paragraph 14.04.** Insertion of new sub-paragraph regarding the expiration of accreditation and consequences for project implementation to align with a similar insertion in the standard legal agreement template for concrete projects/programmes and as per Board Decision B.34/3.
- (xvii) **Annex 1.** Insertion of new annex with new format for financial reporting using the statement of expenditure template.

Legal agreement template for South-South Cooperation (SSC) and Readiness Package grants.

The SSC grant and Readiness Package grant legal agreement templates have been merged into a single template (see Annex II) using the SSC grant legal agreement template as the baseline template. The changes made to the SSC grant template to accommodate the merge are explained below:

- (i) **The updates made to the legal agreement template from the title to sub-paragraph 1.07 are similar to changes made to the legal agreement template for TA-ESGP described above, but with language specific to Readiness Package grants and the Project Scale-Up grants.**
- (ii) **Sub-paragraph 1.08.** Insertion of a definition for peer support relevant to Readiness Package grants and the Project Scale-Up grants.
- (iii) **Paragraphs 2 to 15.** Edits made are similar to the edits for the same paragraphs in the TA-ESGP but with language specific to Readiness Package grants and the Project Scale-Up grants.
- (iv) **Annex 1.** Insertion of new annex with new format for financial reporting using the statement of expenditure template.

Legal agreement templates for project formulation assistance (PFA) grants and project scale-up grants

New legal agreement templates for the PFA grants and the Project Scale-Up grants are presented in annexes III and IV respectively. They draw from standard language used in the updated legal agreement template for the merged TA-ESGP and TA-GP.



**ANNEX II: PROPOSED AMENDMENTS TO LEGAL AGREEMENT TEMPLATE FOR TECHNICAL ASSISTANCE GRANTS (TA-ESGP) AND THE TECHNICAL ASSISTANCE GRANTS FOR THE GENDER POLICY (TA-GP).**

**~~TECHNICAL ASSISTANCE GRANT AGREEMENT~~**

**~~Project to support National Implementing Entity sourcing of Technical Assistance for Assessment and Management of Environment, Social and Gender Risks within Projects and Programmes~~**

**Project to support [Implementing Entity] in sourcing technical assistance for assessment and management of [environmental, social and gender related] [gender related] issues and for compliance with the Fund's [Environmental and Social Policy and Gender Policy] [Gender Policy]**

**in**

**[Country]**

**between**

**THE ADAPTATION FUND BOARD**

**And**

**[IMPLEMENTING ENTITY]**

~~TECHNICAL ASSISTANCE GRANT AGREEMENT~~

~~Project to Support National Implementing Entity sourcing of Technical Assistance for Assessment and Management of Environment, Social and Gender Risks within Projects and Programmes~~

**Project to support [Implementing Entity] in sourcing technical assistance for assessment and management of [environmental, social and gender related] [gender related] issues and for compliance with the Fund's [Environmental and Social Policy and Gender Policy] [Gender Policy]**

**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 (the Fund) 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 Fund shall be the Adaptation Fund Board (the Board), with the mandate to supervise and manage the Fund under the authority and guidance of the CMP;

**Whereas**, in accordance with Decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board adopted the *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* (Operational Policies and Guidelines<sup>1</sup>);

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

**Whereas**, in its Decision [No./ref], the Board decided to make a grant available to support the [Implementing Entity] to address [environmental, social and gender related] [gender related] issues and comply with the Fund's [environmental and social policy and gender policy] [gender policy] (the Project); and

~~**Whereas**, in its Decision [No./ref], the Board decided to make a grant available to support the national implementing entity to implement the Fund's environmental and social policy and gender~~

~~policy through the proposal submitted by the national implementing entity;~~

~~**Whereas**, the proposal submitted by the [Implementing Entity], as an Implementing Entity, to the Board seeking access to access the resources of the Fund in support of the [Implementing Entity] sourcing external expertise for targeted technical assistance to strengthen their capability to comply with the Fund's environmental and social policy and gender policy, as set out in Schedule~~

~~[Number] to this Agreement, has been approved by the Board, and the Board has agreed to make~~

~~a grant (Grant) available to the [Implementing Entity] 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 Adaptation Fund Trust Fund (the Trustee) and, in that capacity, to make transfers of the Grant Grants to [Implementing Entity] on the written instructions of the Board;

The Board and [Implementing Entity] 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 Fund's resources approved by the Board for the projects under this Agreement and to be transferred by the Trustee to the Implementing Entity on the written instruction 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**

**Adaptation Fund resources to finance the Project;** ~~in whose territory the Grant is undertaken by the Implementing Entity which has requested access to Fund's resources to finance the project.~~

1.03. "Implementing Entity" means the [Implementing Entity] which is a party to this Agreement and the recipient of the **Grant Grants**;

1.04. "Implementing Entity Grant Account" means the account to be established by the Implementing Entity to receive, hold and administer the **Grant Grants**;

1.05. "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~~

1.06. "Adaptation Fund Trust Fund" means the trust fund for the Fund 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 Fund*; **and**

**1.07. "Consultant" means an institution, company or individual that performs services under contract to the Implementing Entity.**

**2. THE PROJECTS AND THE GRANTS**

2.01. The Board agrees to provide to [Implementing Entity] a Grant in a lump sum amount of \_\_\_\_\_ United States Dollars (US\$\_\_\_\_\_) for the purposes **of the Project.** ~~sourcing external expertise to help improve the national implementing entity's capability to comply with the Fund's environmental and social policy and gender policy. The Project document, which details the purposes for which the Grant is made, is set out in Schedule 1 to this Agreement.~~ The Implementing Entity shall ensure that the ~~Grant's~~ **Grant** funds will exclusively be used to carry out the ~~projects~~ **Project**, and finance the expenditures in accordance with the budget included in the approved Project, as set out in Schedule 1 ~~[Number]~~ to this Agreement.

2.02. The Trustee shall transfer the ~~Grant's~~ **Grant** funds to **the** [Implementing Entity] on the written instruction of the Board. The transfer shall be made in one lump sum (with specific disbursement instructions) to the following bank account of the Implementing Entity:

[Insert Implementing Entity's bank account details]

Legal owner of bank account:	
Bank account title/name:	

Bank account number:	
Bank name:	
Bank address:	
Bank SWIFT/RTGS code or Bank routing number:	

2.03. The Implementing Entity shall utilize Grant funds 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.

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 dispersed 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 Fund's operational policies and guidelines<sup>2</sup>, effective [MMYYYY]; and
- (ii) ~~its standard practices and procedures~~ the Implementing Entity's standard practices and procedures.

3.03. The Implementing Entity:

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

- (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's 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; ~~and~~
- (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~~ Grant's 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 Fund's 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 Fund's Operational Policies and Guidelines, and that these inconsistencies cannot be resolved as provided in paragraph 3.04, the Implementing Entity shall refund to the Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

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

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

~~4.02. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management, or where applicable, the executing entity's execution of the Project or otherwise jeopardize the achievement of the objectives of the Project, providing detailed information thereof to the Board for its information.~~

4.02. The Implementing Entity shall ensure that the Grant is used exclusively for the purposes of the **Project** ~~Project's activities~~ and shall refund to the Adaptation Fund 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, 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 (as set out in Schedule 1 ~~[Number]~~ to this Agreement) by the Implementing 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, in respect of the budget allocation, any change that involves thirty per cent (30%) or more of the total budget.~~ **“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 of the Project.**

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its ~~management, or where applicable, the executing entity's execution~~ **management or with the execution** of the Project or otherwise jeopardize the achievement of the objectives of the Project, 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 Consultants** ~~and contractors~~ involved with the Project. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons involved with the Project resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and ~~contractors~~ **Consultants.**

## **5. SUSPENSION**

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

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

- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that 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 [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 Fund's 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 Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

## 7. ~~REPORTING AND AUDITED FINANCIAL STATEMENTS~~ **RECORDS AND REPORTING**

~~7.01. The Implementing Entity shall provide to the Secretariat a project completion report for the Project. The completion report shall be submitted at least three (3) months, but not more than six (6) months after completion of the project.~~

~~7.02. The Implementing Entity shall also provide to the Board, through the Secretariat, a final audited financial statement for each project and of the Implementing Entity Grant Account, prepared by an independent auditor or evaluation body after project completion and within fifteen (15) months of the effectiveness date of this Agreement.~~

**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 shall be submitted within one (1) month of the Project start date. The Project start date is considered to be the date when the contract between the Implementing Entity and the Consultant is signed, or the date when the first disbursement towards an activity related to the grant is made, whichever occurs first;***



- (ii) *Project monitoring reports for the Project* shall be submitted six (6) months from the Project start date, and every six (6) months thereafter from the date of the last project monitoring report;
- (iii) *A notification of project completion* shall be submitted within two (2) months of the Project completion date; and
- (iv) *A project completion report for the Project*, including any specific project implementation information, as may be requested by the Board through the Secretariat, shall be submitted within six (6) months of completion of the Project.

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 also provide to the Board, through the Secretariat, 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 within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed 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.

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 where applicable, the management fee specified in the budget included in the approved Project as set out in Schedule 1 ~~{Number}~~ 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 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. BRANDING**

11.01. The Implementing Entity shall, where feasible, endeavor to maximize opportunities for acknowledging the identity of the Project 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: +1 (202) 522-3240

For the Implementing Entity:

[Address \_\_\_\_\_]

Attention: [Name and title]

Email: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax: \_\_\_\_\_

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

~~13.01. This Agreement shall become effective upon its signature by both parties. 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 a Designated Authority that it no longer endorses the Implementing Entity or the Project.

~~14.03. If the Board suspends any Project under this Agreement, such suspension shall have no effect on any other project governed by the terms of this Agreement.~~

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 Adaptation Fund 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 fulfil 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 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules as at present in force.

~~IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement on [Date]~~

**THE ADAPTATION FUND BOARD**

\_\_\_\_\_  
[Name], Chair

\_\_\_\_\_  
Date

**[IMPLEMENTING ENTITY NAME]**

\_\_\_\_\_  
[Authorized representative]

\_\_\_\_\_  
Date

\_\_\_\_\_  
[The following Schedule will be attached to the Agreement: Schedule 1 [Number] (Project Proposal)].

**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] .

<b>Budget Category</b>	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 the Readiness Grant Agreement dated (\_\_\_\_\_).

Certified by<sup>1</sup>: \_\_\_\_\_ [Name]\_\_\_\_\_

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

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

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

\_\_\_\_\_  
<sup>1</sup> Equivalent to Chief Financial Officer

# Schedule 1 [Number]

**ANNEX III: PROPOSED AMENDMENTS TO LEGAL AGREEMENT TEMPLATE FOR SOUTH-SOUTH COOPERATION (SSC) GRANTS AND READINESS PACKAGE GRANTS.**

**AGREEMENT**

**Project to Support National Implementing Entity  
Accreditation through [South-South Cooperation] [the  
Readiness Package] in**

**[Country/ies]**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**[IMPLEMENTING ENTITY]**

**[Date]**

## AGREEMENT

**Projects Project to Support National Implementing Entity Accreditation**

**through [South-South Cooperation] [the Readiness Package]**

**in [Country/ies]**

**between**

**THE ADAPTATION FUND BOARD**

**[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 (the Fund) 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 Fund shall be the Adaptation Fund Board (the Board), with the mandate to supervise and manage the Fund under the authority and guidance of the CMP;

**Whereas**, in accordance with Decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board adopted the *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* (Operational Policies and Guidelines<sup>1</sup>);

**Whereas**, in its Decision [No./ref.] the Board decided to make grants a grant available to support the accreditation of a national implementing entity national implementing entities in [Country] through [South-South cooperation] [the Readiness Package]

~~**Whereas**, the proposals submitted by [Implementing Entity] as an Implementing Entity, to the Board seeking access to the resources of the Fund in support of national implementing entity accreditation for project(s) in [Country/ies], as set out in Schedule(s) [Number(s)] to this~~

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



~~Agreement, have been approved by the Board, and the Board has agreed to make grant(s) (Grants) available to [Implementing Entity] for project(s) in [Country/ies] 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 Adaptation Fund Trust Fund (the Trustee) and, in that capacity, to make transfers of the **Grant Grants** to [Implementing Entity] on the written instructions of the Board;

The Board and [Implementing Entity] 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 Fund’s resources approved by the Board for the projects under this Agreement and to be transferred by the Trustee to the Implementing Entity on the written instruction 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 Adaptation Fund resources to finance the Project;** ~~in whose territory the Grant is undertaken by the Implementing Entity which has requested access to the Fund’s resources to finance the Project.~~

1.03. “Implementing Entity” means the [Implementing Entity] which is a party to this Agreement and the recipient of the **Grant Grant(s)**;

1.04. “Implementing Entity Grant Account” means the account to be established by the Implementing Entity to receive, hold and administer the **Grant Grant(s)**;

1.05. “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~~

1.06. “Adaptation Fund Trust Fund” means the trust fund for the Fund 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 Fund*;

1.07. “Consultant” means an institution, company or individual that performs services under contract to the Implementing Entity; and

1.08. “Peer Support” means any assistance or guidance provided by the [Implementing Entity] for the purposes of the Project.

**2. THE PROJECT(S) AND THE GRANT(S)**

2.01. The Board agrees to transfer to [Implementing Entity] ~~[Number] a Grant/Grants~~ in a lump sum amount of \_\_\_\_\_ United States Dollars (US\$ \_\_\_\_\_) ~~for activities to support National Implementing Entity accreditation in [Country] through South-South cooperation~~ **the purposes of the Project.** with a breakdown as follows:

- ~~US\$ \_\_\_\_\_ for National Implementing Entity accreditation support to [Country 1], and~~
- ~~US\$ \_\_\_\_\_ for National Implementing Entity accreditation support to [Country 2].~~

The Project document, which details the purposes for which the Grant is made, is set out in **Schedule 1 to this Agreement.** The Implementing Entity shall ensure that the ~~Grant(s)~~ **Grant** funds will exclusively be used to carry out the ~~Projects~~ **Project**, and finance the expenditures in accordance with the budget included in the approved ~~Projects~~ **Project**, as set out in Schedule(s) ~~[Number]~~ **1** to this Agreement.

2.02. The Trustee shall transfer the ~~Grants'~~ **Grant** funds to **the** [Implementing Entity] on the written instructions of the Board. The transfer shall be made in one lump sum (with specific disbursement instructions) to the following bank account of the Implementing Entity:

[Insert Implementing Entity’s bank account details]

Legal owner of bank account:	
Bank account title/name:	
Bank account number:	
Bank name:	
Bank address:	

Bank SWIFT/RTGS code or Bank routing number:	
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2.03. The Implementing Entity shall utilize Grant funds in accordance with its standard practices and procedures.

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

2.05. Grant funds made available to the Implementing Entity for the purposes of **the** Projects in [Country/ies] shall be kept separate and apart from all non-Adaptation Fund funds dispersed 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 Grants 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:

(iii) the Fund's operational policies and guidelines<sup>2</sup> **effective [MMYYYY]**; and

(iv) ~~its standard practices and procedures~~ **the Implementing Entity's standard practices and procedures.**

3.03. The Implementing Entity:

(v) 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/>

- (vi) shall not use the ~~Grant's Grants'~~ 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; ~~and~~
- (vii) 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 Grants'~~ funds and provide a final report to the Board on the findings of such investigation upon its conclusion; ~~and~~
- (viii) 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 Grants, the Implementing Entity identifies any material inconsistency between the Fund's 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 Grants in a manner inconsistent with the Fund's Operational Policies and Guidelines, and that these inconsistencies cannot be resolved as provided in paragraph 3.04, the Implementing Entity shall refund to the Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

#### **4. IMPLEMENTATION OF THE PROJECTS**

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

4.02. The Implementing Entity shall ensure that the ~~Grant Grants~~ ~~is are~~ used exclusively for the purposes of the ~~Project Projects'~~ activities and shall refund to the Adaptation Fund Trust Fund, through the Trustee, any disbursements made for other purposes. Where the Board believes that the ~~Grant Grants~~ ~~has have~~ been used for purposes other than the ~~Project Projects~~,

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 Grants or the implementation of Projects, providing detailed information thereof to the Board for its information.~~

4.03. Any material change to the approved budget allocation for the Projects (as set out in Schedule(s) [Number] 1 to this Agreement) by the Implementing 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. **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 of the Project.**

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its ~~management, or where applicable, the executing entity’s execution,~~ **management or with the execution** of the **Project** Projects or otherwise jeopardize the achievement of the objectives of the **Project** Projects, 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~~ **Consultants** involved with the Projects. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons involved with the Projects resulting from the acts, omissions or negligence of the Implementing Entity’s employees, agents, representatives and ~~contractors~~ **Consultants**.

## **5. SUSPENSION**

5.01. The Board may suspend ~~any or all~~ **the** Projects for reasons that include, but are not limited to:

(iii) financial irregularities in the implementation of the Projects, or

(iv) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the Projects can no longer achieve ~~its~~ **their** 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 Grants shall be carried out in accordance with [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 Fund's 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 Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

## 7. ~~REPORTING AND AUDITED FINANCIAL STATEMENTS~~ **RECORDS AND REPORTING**

~~7.01. The Implementing Entity shall provide to the Secretariat a project completion report for each Project. Each completion report shall be submitted at least three (3) months, but not more than six (6) months after completion of each project.~~

~~7.02. The Implementing Entity shall also provide to the Board, through the Secretariat, a final audited financial statement for each project and of the Implementing Entity Grant Account, prepared by an independent auditor or evaluation body after project completion and within fifteen (15) months of the effectiveness date of this Agreement.~~

**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 shall be submitted within one (1) month of the Project start date. The Project start date is considered to be the date of the project inception meeting with the recipient of Peer Support;**
- (ii) Project monitoring reports for the Project shall be submitted six (6) months from the Project start date, and every six (6) months thereafter from the date of the last project monitoring report;**
- (iii) A notification of project completion shall be submitted within two (2) months of the Project completion date; and**

- (iv) *A project completion report*, including any specific project implementation information, as may be requested by the Board through the Secretariat, shall be submitted within six (6) months of completion of the Project.

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 also provide to the Board, through the Secretariat, 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 within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed 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.

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 Grants and retain for its own account where applicable, the management fee specified in the budget included in the approved project as set out in Schedule(s) [Number] 1 to this Agreement.

## **9. OWNERSHIP OF EQUIPMENT**

9.01. If any part of the Grants is used to purchase any equipment, such equipment shall be transferred upon the completion of the Projects 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 Project 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: +1 (202) 522-3240

For the Implementing Entity:

[Address \_\_\_\_\_]

Attention: [Name and title]

Email: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax: \_\_\_\_\_

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

13.01. ~~This Agreement shall become effective upon its signature by both parties.~~ 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:

- c) cancellation of the Implementing Entity's accreditation by the Board; or
- d) receipt of a communication from a Designated Authority that it no longer endorses the Implementing Entity, or a **the Project. managed by the Implementing Entity**

~~14.03. If the Board suspends any Project under this Agreement, such suspension shall have no effect on any other Project governed by the terms of this Agreement.~~

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 Adaptation Fund 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 fulfil 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 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules as at present in force.

~~IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement on [Date].~~

**THE ADAPTATION FUND BOARD**

\_\_\_\_\_  
[Name], Chair

\_\_\_\_\_  
Date

**[IMPLEMENTING ENTITY NAME]**

\_\_\_\_\_  
[Authorized representative]

\_\_\_\_\_  
Date

\_\_\_\_\_  
[The following Schedule will be attached to the Agreement: Schedule(s) [Number] 1 (Project Proposal(s)).

**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 the Readiness Grant Agreement dated (\_\_\_\_\_).

Certified by<sup>1</sup>: \_\_\_\_\_ [Name] \_\_\_\_\_

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

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

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

\_\_\_\_\_  
<sup>1</sup> Equivalent to Chief Financial Officer

# Schedule 1

**ANNEX IV: PROPOSED LEGAL AGREEMENT TEMPLATE FOR PROJECT  
FORMULATION ASSISTANCE (PFA) GRANTS**

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

**(Technical assistance to support formulation of**

**[project][programme]**

**[project / programme title]**

**in [Country])**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**[IMPLEMENTING ENTITY]**

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

**(Technical assistance to support formulation of  
the [project][programme] [project/programme Title] [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 [project]/[programme] concept: [project/programme title] in [Country] submitted by [Implementing Entity] and to make a project formulation assistance grant available to support the [Implementing Entity] in undertaking technical assessments to help formulate the endorsed [project]/[programme] (the Project); and

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

**Whereas**, the International Bank for Reconstruction and Development (IBRD) has agreed to serve as the Trustee of the Adaptation Fund 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 [Implementing Entity] 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 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 Project proposal by the Implementing Entity seeking access to AF resources to finance the Project;

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

1.04. "Implementing Entity Grant Account" means the account to be established by the Implementing Entity to receive, hold and administer the Grant;

1.05. "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;

1.06. "Adaptation Fund 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*; and

1.07. "Consultant" means an institution, company or individual that performs services under contract to the Implementing Entity.

## 2. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to [Implementing Entity] a Grant in a lump sum amount of \_\_\_\_\_ United States Dollars (US \$ \_\_\_\_\_) for the purposes of the Project. The Project document, which details the purposes for which the Grant is made, is set out

in Schedule 1 to this Agreement. The Implementing Entity shall ensure that the Grant funds will exclusively be used to carry out the Project and finance the expenditures in accordance with the budget included in the approved Project as set out in Schedule 1 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to [Implementing Entity] on the written instruction of the Board. The transfer shall be made in one lump sum (with specific disbursement instructions) to the following bank account of the Implementing Entity:

[Insert Implementing Entity's bank account details.]

Legal owner of bank account:	
Bank account title/name:	
Bank account number:	
Bank name:	
Bank address:	
Bank SWIFT/RTGS code or Bank routing number:	

2.03. The Implementing Entity shall utilize the Grant funds 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.

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 dispersed 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) 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 funds from the Project Formulation Assistance Grant 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;
- (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

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

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 Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

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

4.01. The Implementing Entity shall be responsible for the overall management 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 Project and shall refund to the Adaptation Fund 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, 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 (as set out in Schedule 1 to this Agreement) by the Implementing 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 of the Project.

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management or with the execution of the Project or otherwise jeopardize the achievement of the objectives of the Project, 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 Consultants involved with the Project. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons

involved with the Project resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and Consultants.

## **5. SUSPENSION**

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

- (i) financial irregularities in the implementation of the Project, or
- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that 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 [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 Adaptation Fund 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 shall be submitted within one (1) month of the Project start date. The Project start date is considered to be the date when the contract between the Implementing Entity and the Consultant is signed, or the date when the first disbursement towards an activity related to the grant is made, whichever occurs first; and

- (ii) Project monitoring reports for the Project shall be submitted six (6) months from the Project start date, and every six (6) months 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 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
- (ii) if the [Project]/[Programme] is approved within fifteen (15) months of the effectiveness date of this Agreement, 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 where applicable, the management fee specified in the budget included in the approved Project as set out in Schedule 1 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 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. BRANDING**

11.01. The Implementing Entity shall, where feasible, endeavor to maximize opportunities for acknowledging the identity of the Project 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:

[Address\_\_\_\_\_]

Attention: [Name and title]

Email: \_\_\_\_\_ Tel: \_\_\_\_\_ 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, the Project, or the endorsed concept of the Project [Project/Programme title] in [Country].

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 Adaptation Fund 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 fulfil 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 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules as at present in force.

**THE ADAPTATION FUND BOARD**

\_\_\_\_\_

[Name], Chair

\_\_\_\_\_

Date

**[NAME OF IMPLEMENTING ENTITY]**

\_\_\_\_\_

[Authorized representative]

\_\_\_\_\_

Date

\_\_\_\_\_

[The following Schedules will be attached to the Agreement: Schedule 1 (Project Formulation Assistance Proposal) and Schedule 2 ([Project] [Programme] Concept)].

**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 the Readiness Grant Agreement dated (\_\_\_\_\_).

Certified by<sup>1</sup>: \_\_\_\_\_ [Name] \_\_\_\_\_

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

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

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

<sup>1</sup> Equivalent to Chief Financial Officer



# Schedule 1

**ANNEX V: PROPOSED LEGAL AGREEMENT TEMPLATE FOR PROJECT  
SCALE-UP GRANTS**

**PROJECT SCALE-UP GRANT AGREEMENT**

**(Support for the development of a scale-up plan for the  
[Project]/[Programme] [Project/Programme Title])**

**In [Country])**

**between**

**THE ADAPTATION FUND BOARD**

**and**

**[IMPLEMENTING ENTITY]**

**PROJECT SCALE-UP GRANT AGREEMENT**

**(Support for the development of a scale-up plan for the  
[Project]/[Programme] [Project/Programme Title] 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>10</sup>);

**Whereas**, in its Decision, [No./ref], the Board decided to make a grant available to support the [Implementing Entity] to develop a plan to scale-up the [project][programme] [project/programme title] in [Country]) (the Project); and

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

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<sup>10</sup> <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

The Board and [Implementing Entity] 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 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 Project proposal by the Implementing Entity seeking access to AF resources to finance the Project;
- 1.03. "Implementing Entity" means the [Implementing Entity], which is a party to this Agreement and the recipient of the Grant;
- 1.04. "Implementing Entity Grant Account" means the account to be established by the Implementing Entity to receive, hold and administer the Grant;
- 1.05. "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;
- 1.06. "Adaptation Fund 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*; and
- 1.07. "Consultant" means an institution, company or individual that performs services under contract to the Implementing Entity.

## 2. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to [Implementing Entity] a Grant in a lump sum amount of \_\_\_\_\_ United States Dollars (US \$ \_\_\_\_\_) for the purposes of the Project. The Project document, which details the purposes for which the Grant is made, is set out in Schedule 1 to this Agreement. The Implementing Entity shall ensure that the Grant funds will exclusively be used to carry out the Project and finance the expenditures in accordance with the

budget included in the approved Project as set out in Schedule 1 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to [Implementing Entity] on the written instructions of the Board. The transfer shall be made in one lump sum (with specific disbursement instructions) to the following bank account of the Implementing Entity:

[Insert Implementing Entity's bank account details.]

Legal owner of bank account:	
Bank account title/name:	
Bank account number:	
Bank name:	
Bank address:	
Bank SWIFT/RTGS code or Bank routing number:	

2.03. The Implementing Entity shall utilize the Grant funds 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.

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 dispersed 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>11</sup>, effective [MMYYYY]; and
- (ii) the Implementing Entity's standard practices and procedures.

3.03. The Implementing Entity:

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

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<sup>11</sup> <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

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 Adaptation Fund Trust Fund, through the Trustee, any such disbursements.

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

4.01. The Implementing Entity shall be responsible for the overall management 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 Project and shall refund to the Adaptation Fund 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, 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 (as set out in Schedule 1 to this Agreement) by the Implementing 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 of the Project.

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management or with the execution of the Project or otherwise jeopardize the achievement of the objectives of the Project, 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 Consultants involved with the Project. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons involved with the Project resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and Consultants.

#### **5. SUSPENSION**

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

- (i) financial irregularities in the implementation of the Project; or
- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that 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 [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 Adaptation Fund 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:

- (v) *A notification of project start* shall be submitted within one (1) month of the Project start date. The Project start date is considered to be the date when the contract between the Implementing Entity and the consultant is signed, or the date when the first disbursement towards an activity related to the grant is made, whichever occurs first;
- (vi) *Project monitoring reports for the Project* shall be submitted six (6) months from the Project start date, and every six (6) months thereafter from the date of the last project monitoring report;
- (vii) *A notification of project completion* shall be submitted within two (2) months of the Project completion date; and



- (viii) *A project completion report for the Project*, including any specific project implementation information, as may be requested by the Board through the Secretariat, shall be submitted within six (6) months of completion of the Project.

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 also provide to the Board, through the Secretariat, 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 within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed 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.

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 where applicable, the management fee specified in the budget included in the approved Project as set out in Schedule 1 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 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. BRANDING**

11.01. The Implementing Entity shall, where feasible, endeavor to maximize opportunities for acknowledging the identity of the Project 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:

[Address \_\_\_\_\_]

Attention: [Name and title]

Email: \_\_\_\_\_ Tel: \_\_\_\_\_ 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:

- c) cancellation of the Implementing Entity's accreditation by the Board; or
- d) receipt of a communication from the Designated Authority that it no longer endorses the Implementing Entity or the Project.

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 Adaptation Fund 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 fulfil 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 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules as at present in force.

**THE ADAPTATION FUND BOARD**

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[Name], Chair

---

Date

**[NAME OF IMPLEMENTING ENTITY]**

---

[Authorized representative]

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Date

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[The following Schedules will be attached to the Agreement: Schedule 1 (Project Formulation Assistance Proposal) and Schedule 2 ([Project] [Programme] Concept)].

**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 the Readiness Grant Agreement dated (\_\_\_\_\_).

Certified by<sup>1</sup>: \_\_\_\_\_ [Name]\_\_\_\_\_

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

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

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

\_\_\_\_\_  
<sup>1</sup> Equivalent to Chief Financial Officer

# Schedule 1