



ADAPTATION FUND

AFB/B.35.a-35.b/2
20 April 2020

Adaptation Fund Board

**LEGAL AGREEMENT TEMPLATE
FOR SMALL INNOVATION GRANT**

Background

1. At its thirtieth meeting the Adaptation Fund Board (the Board) adopted the medium-term strategy of the Adaptation Fund (the Fund) as contained in the Annex 1 of the document AFB/B.30/5/Rev.1 (Decision B.30/42). At its thirty-first meeting the Board approved the implementation plan for the medium-term strategy for the Fund for 2018-2020 as contained in the Annex of the document AFB/B.31/5/Rev.1 (Decision B.31/32).

2. At the thirty-second meeting, having considered document AFB/PPRC.23/4/Rev.2, *Programme on Innovation: Small Grants Projects Through Direct Access Modality*, the Board decided:

(a) *To approve the process for providing funding for innovation through small grants to National Implementing Entities (NIEs), as described in document AFB/PPRC.23/4/Rev.2, including the proposed objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features as described in the document; and*

(b) *To request the secretariat to prepare the first request for proposals to NIEs for US\$ 2 million, to be launched at the twenty-fourth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2018.*

(Decision B.32/4)

3. At the thirty-fourth meeting, having considered the respective recommendations of the Project and Programme Review Committee (PPRC) on three innovation small grant project proposals in Armenia, Chile, and the United Republic of Tanzania, the Board decided as follows:

Having considered the recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

(a) *Approve the innovation small grant, as supplemented by the clarification responses provided by the Environmental Project Implementation Unit (EPIU) to the request made by the technical review;*

(b) *Approve the funding of US\$ 231,250 for the implementation of the project, as requested by EPIU; and*

(c) *Request the secretariat to draft an agreement with EPIU as the national implementing entity for the project.*

(Decision B.34/35)

Having considered the recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

- (a) Approve the innovation small grant, as supplemented by the clarification responses provided by Chilean International Cooperation Agency for Development (AGCID) to the request made by the technical review;*
- (b) Approve the funding of US\$ 230,000 for the implementation of the project, as requested by AGCID; and*
- (c) Request the secretariat to draft an agreement with AGCID as the national implementing entity for the project.*

(Decision B.34/36)

Having considered the recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

- (a) Not approve the innovation small grant, as supplemented by the clarification responses provided by the National Environment Management Council (NEMC) to the request made by the technical review;*
- (b) Suggest that the NEMC reformulate the proposal taking into account the observations in the technical review sheet annexed to the notification of the Board's decision; and*
- (c) Request the NEMC to transmit the observations under item b) to the Government of the United Republic of Tanzania.*

(Decision B.34/37)

4. In accordance with Decision B.34/35 (c) and Decision B.34/36 (c), a legal agreement template for Small Innovation Grant, as contained in Annex to this document, is prepared and submitted by the secretariat to the Board for intersessional consideration and approval. The legal agreement template for Small Innovation Grant is developed based on the existing legal agreement templates,¹ and therefore, all the responsibilities and obligations of the implementing entity under the legal agreement for Small Innovation Grant remain in line with those under the existing legal agreements.

¹ Available at <https://www.adaptation-fund.org/documents-publications/legal-documents/>.

Recommendation

5. Having considered document AFB/B.35.a-35.b/2 and its Annex, the Adaptation Fund Board decides to approve the Legal Agreement for Small Innovation Grant as contained in Annex to document AFB/B.35.a-35.b/2.

ANNEX



ADAPTATION FUND

SMALL INNOVATION GRANT AGREEMENT

(The Project [Project title_____] in [Country])

between

THE ADAPTATION FUND BOARD

and

[IMPLEMENTING ENTITY]

SMALL INNOVATION GRANT AGREEMENT
(The Project [Project 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 Guidelines¹);

Whereas, in its Decision B.32/4, the Board decided to make small innovation grants available to National Implementing Entities in support of the AF Programme on Innovation;

Whereas, the proposal submitted by the [Implementing Entity] to the Board seeking access to the resources of the AF in support of the Project [Project title_____] in [Country] (the Project), as set out in Schedule 1 to this Agreement, has been approved by the Board (Decision [No./Ref]), and the Board has agreed to make transfers of the Grant to the [Implementing Entity] for the [Project] under the terms of this Agreement; and

¹ <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 AF Trust Fund (Trustee) and, in that capacity, to make transfers of the Grant to the [Implementing Entity] on the written instructions of the Board;

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

1. DEFINITIONS

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

1.01. "Grant" means the AF resources approved by the Board for the Project 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 each national governments the Project proposal by the Implementing Entity seeking access to AF resources to finance the Project;

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

1.04. "Implementing Entity" means the [Implementing Entity] that is the party to this Agreement and the recipient of the Grant;

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

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

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

2. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to the [Implementing Entity] the Grant in a maximum amount equivalent to _____ United States Dollars (US \$ _____) for the

purposes of the Project. The Project document, which details the purposes for which the Grant is made, is set out in Schedule 1 to this Agreement. Conditions, if any, that apply to the implementation of the Grant are set out in Schedule 2 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to the [Implementing Entity] on the written instructions of the Board. 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 make the disbursed Grant funds available to the [Executing Entity] in accordance with its standard practices and procedures.

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

2.05. 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 Guidelines² 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 Grant funds provided to the Implementing Entity by the Trustee are used for their intended purposes and are not diverted to terrorists;
- (ii) shall not use the Grant funds for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions;
- (ii) 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
- (iii) shall include provisions corresponding to subparagraphs (i) – (ii) above in any agreements that the Implementing Entity enters into with executing entities to which the Implementing Entity makes Grant funds available.

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

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

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

4. PROJECT IMPLEMENTATION

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 AF Trust Fund, through the Trustee, any disbursements made for other purposes. Where the Board believes that the Grant has been used for purposes other than the Project, it shall inform the Implementing Entity of the reasons supporting its view and provide the Implementing Entity an opportunity to provide any explanation or justification for such use.

4.03. Any material change made in the original budget allocation for the Project (as set out in Schedule 1 to this Agreement) by the Implementing Entity, in consultation with the Executing Entity, shall be communicated to the Board for its approval and shall be made in conformity with the Operational Policies and Guidelines of the Fund. "Material change" shall mean any cumulative total budget change at output-level between the revised budget and the original budget that involves ten per cent (10 %) 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 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.

4.05. The Implementing Entity shall be fully responsible for the acts, omissions or negligence of its employees, agents, representatives and contractors under the Project. The Board shall

not be responsible or liable for any losses, damages or injuries caused to any persons involved with the Project resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and contractors.

5. PROJECT 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 will be carried out in accordance with the [Implementing Entity's] standard practices and procedures, including its procurement and consultants' guidelines. In the event that the Implementing Entity makes any disbursements in a manner which the Board considers to be inconsistent with the AF Operational Policies and Guidelines, it will so inform the Implementing Entity giving the reasons for its view and seeking a rectification of the inconsistency. If the inconsistency cannot be resolved, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

7. RECORDS AND REPORTING

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

- (i) *A notification of project start* shall be submitted within one (1) month of the Project start date. The Project start date is considered the date of the inception workshop;
- (ii) *Project Performance Reports (PPR)* on the status of the Project implementation, including the disbursements made during the relevant period and net investment income earned from the Grant funds and the associated expenditures, shall be

submitted on a yearly basis one (1) year from the Project start date and no later than two (2) months after the end of the reporting year. More frequent progress report shall be submitted if requested by the Board.

(iii) *A Project completion report*, including any specific Project implementation information, as reasonably requested by the Board through the Secretariat, shall be submitted within six (6) months after the completion of the Project; and

(iv) *A final evaluation report*, prepared by an independent evaluator selected by the Implementing Entity, shall be submitted within nine (9) months after the 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, 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, within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed. 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 reasonably requested by the Board.

8. MANAGEMENT FEE

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

9. OWNERSHIP OF EQUIPMENT

9.01. If any part of the Grant is used to purchase any durable assets or equipment, such assets or equipment shall be transferred upon the completion of the Project to the Executing Entity/Entities or such other entity as the Designated Authority may designate.

10. CONSULTATION

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

11. BRANDING

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

12. COMMUNICATIONS

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

For the Board:

Adaptation Fund Board Secretariat

1818 H Street, NW

Washington, D.C. 20433

USA

Attention: Adaptation Fund Board Chair

Fax: _____

For the Implementing Entity:

[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:

- (i) cancellation of the Implementing Entity's accreditation by the Board; or
- (ii) 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 AF Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination.

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

15. SETTLEMENT OF DISPUTES

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

15.02. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, which has not been settled amicably between the Board and the Implementing Entity shall be settled by arbitration in accordance with the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules as presently in force.

THE ADAPTATION FUND BOARD

[Name], Chair

Date

[IMPLEMENTING ENTITY]

[Name, Title]

Date

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

ANNEX 1: TEMPLATE FOR THE STATEMENT OF EXPENDITUREStatement 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)
Sub-total				(A)
Total Investment Income earned (Reporting		Instead of budgeted, please indicate the		(B)
Budget Grand Total (A+B)				

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

Certified by³: _____ [Name]_____

Title: _____

Signed: _____

Dated: _____

³ Equivalent to Chief Financial Officer

Schedule 1