



ADAPTATION FUND

Amendments to AF Standard Project Legal Agreement – Policy compliance and auditing requirement

Post B.44 webinar

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Background and Decision B.44/3

- Applies uniformly to all IEs and has not been up for negotiations to accommodate individual IE's requests for an exception exclusively applied to an individual IE (Decision B.40/70)
- AF Project Legal Agreement and AF policies and requirements *embody the Board's efforts to fulfil its fiduciary obligations to manage the resources entrusted to the AF*
- Decision B.44/3:

The Adaption Fund Board, having considered confidential document AFB/B.44/6/Rev.1 and its annexes, refers to its decision B.43/30 requesting the Secretariat to consult with the Board and the relevant Fund stakeholders, including the implementing entities, on the draft amendments to the standard project legal agreement contained in the annex to document AFB/B.43/8, and to update the draft amendments to the standard project legal agreement, taking into considerations and reflecting the input collected through the consultation, decided:

(a) To approve the amendments to the Adaptation Fund standard project legal agreement contained in Annex B to document AFB/B.44/6/Rev.1;

(b) To request the secretariat:

(i) To communicate the present decision to the Implementing Entities;

*(ii) To **update other funding agreements templates of the Adaptation Fund, as appropriate, in alignment with the amendments to the Adaptation Fund standard project legal agreement as approved by the current decision.***



Overview of the Amendments

- Section 4.03 ('*material or minor change*' in original budget allocation for the Project') [for all IEs]: Aligned with the Policy on Project Post-Approval Request for Changes in Projects/Programmes, approved at B.44.

Section 4.03 : The IE shall submit a request for any minor or material changes in the original budget allocation for the Project, in consultation with the Executing Entity, to the Board, for its approval. These request must conform to, and be processed in accordance with, the OPG and the Policy on Project Post-Approval Request for Changes in Projects/Programmes.

A "material change" shall mean any cumulative total budget modification, either as a single request or through separate consecutive requests, at the output level where the variance between the revised budget and the original budget amounts to twenty per cent (20%) or more of the total original budget of the Project.

A "minor change" is defined as any cumulative budget modification at the output level that results in less than twenty per cent (20%) of the total original budget of the Project/Programme.

- Section 3 (*optional for MIEs*) : Compliance with AF policies

- No Change** in the Standard Project Legal Agreement (for Single Country/Regional Project) to be signed by NIE/RIE.
- MIE is allowed to use its own policies 'to comply with AF policies and requirements.'
- INCORRECT Interpretation:** MIE can use its own policies 'disregarding' AF policies and requirements. AF policies, processes, requirements set out by AF Board must be complied in implementing AF projects and managing AF grants.
- All the AF policies and requirements to be complied are listed.



Overview of the Amendments

- Section 7 (**optional for MIEs**) : Project reporting & Financial reporting requirements
 - **No Change** in the Standard Project Legal Agreement (for Single Country/Regional Project) **to be signed by NIE/RIE**.
 - Annual PPR Submission & other project reporting requirements remain the same.
 - **(*NEW*) Annual 'certified' financial report :**
 - Can be submitted in MIE's standard reporting format
 - Must be certified by controllership, CFO, or an **'authorized financial officer'** of MIE
 - **Required financial info:** (i) the dates & amounts of the AF grant received and disbursed by the IE as well as the respective cumulative amounts up to the period (statement of cash receipts and payment); (ii) a comparison of budget and actual amounts for the Project activities during the relevant reporting period, as well as the cumulative amounts up to the period, broken down by each Project activity (comparison of budgets and actual amounts); and (iii) a statement of net investment income earned from AF grant funds and the associated expenditures.
 - **'Final' certified financial statements after project cosure (alternative to final independent financial statements)**
 - Can be submitted in MIE's standard reporting format
 - Certified by controllership, CFO or the **'most senior financial officer'** of the MIE.
 - **Required financial info:** (i) statement of financial position (balance sheet) (accrual basis); (ii) statement of changes in net asset/equity (accrual basis); (iii) statement of cash receipts and payments (accrual basis); (iv) comparison of budget and actual amounts; (v) statement of net investment income earned from AF grant funds & associated expenditures; (vi) notes (a summary of significant accounting practices & other explanatory notes).

