

Adaptation Fund Board
Forty-Seventh Meeting
Bonn, Germany

Options for the Adaptation Fund's Legal Agreement with Multilateral Development Banks

Strategic Issues

- a) The Board is the operating entity of the Adaptation Fund responsible for supervising and managing the Fund, with legal capacity established under German law, that signs the Fund's project legal agreement on behalf of the Fund.
- b) The Fund's Operational Policies and Guidelines states that for any project approved by the Board, the Secretariat is to "draft a standard legal agreement between the Board and the Implementing Entity using the template approved by the Board. The Board may, at its discretion, review any of the proposed agreements."
- c) The strength and utility of the Adaptation Fund's standard project legal agreement is integral to the Fund's ability to fulfill its mandate of delivering adaptation financing for concrete adaptation projects approved by the Adaptation Fund Board.
- d) The Fund's standard project legal agreement between the Board and Implementing Entities (IE) is also a key tool by which the Board can fulfill its fiduciary responsibilities with regard to the use of the Fund's resources.
- e) The Board is accountable to the Parties for the use of the Fund's resources, in line with its mandate and decisions made by Parties, to ensure funding received and provided is used according to the mandate of the Fund, as well as the strategy and operational policies and procedures the Board established to align the use of funding with that mandate.
- f) The Board has confirmed the legal agreement cannot be amended to accommodate a request by an individual IE or to make an exception exclusively for an individual IE.

Purpose

1. This board paper presents an update on work to identify and clarify concerns raised by multilateral development banks (MDBs) with the Adaptation Fund legal agreement and present an analysis of issues identified.

Recommended Decision

2. The Adaptation Fund Board, having considered document AFB/B.47/9, refers to its decision B.46/59 requesting the Secretariat to identify and clarify concerns raised by multilateral development banks (MDBs) with the Adaptation Fund legal agreement and present an analysis of issues identified, takes note of the update on work to date and looks forward to further analysis of draft amendments proposed by the MDBs and any policy and legal implications of those amendments, for the Board's consideration at its forty-eighth meeting.

Background

3. At its 46th meeting in April 2026, the Adaptation Fund Board considered under “Other Matters” the issue of concerns raised by multilateral development banks (MDBs) with the Adaptation Fund Board’s legal agreement, such that MDBs were not signing the legal agreement.
4. By way of context, a representative of the Secretariat explained that in 2009 the Board decided to invite 15 multilateral agencies to seek accreditation with the Fund, including five multilateral development banks (MDBs), namely the World Bank, the European Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank and the Inter-American Development Bank, in order to engage with a wide pool of implementing entities available to eligible parties receiving grants from the Fund. Although accredited, these MDBs had not engaged much with the Fund for a long time, in part because of the limited size of Fund grants at that time and MDBs’ desire not to be seen as competing with national implementing entities for scarce resources. More recently, these MDBs expressed renewed interest in working with the Fund and raised concerns with the Fund’s legal agreement.
5. At the same meeting in April 2026, the representative of the Secretariat further recalled that more than a year ago, through decision B.43/30, the Board had mandated the Secretariat to hold consultations with six multilateral implementing entities that were United Nations entities that had raised issues with regard to the Fund’s legal agreement. Following Board approval of amendments to the legal agreement in April 2025, four of the United Nations entities in question had signed the amended legal agreement, as had other United Nations entities. The Secretariat proposed it could engage in a similar manner with those MDBs to explore their concerns with the legal agreement and potential ways to address them.
6. The Adaptation Fund Board approved an exploratory consultation with MDBs, the decision of which is below:

The Adaptation Fund Board (the Board), decided:

- (a) To request the Secretariat to consult with those multilateral implementing entities accredited to the Adaptation Fund that were multilateral development banks (MDBs) to identify and clarify concerns raised by them regarding the Adaptation Fund’s legal agreement, during the intersessional period between the forty-sixth and the forty-seventh meetings of the Board;
- (b) To present an analysis of issues identified through the consultation referred to in paragraph (a), including the feasibility and any policy and legal implications of the draft amendments proposed by the MDBs, for the Board’s consideration at its forty-seventh meeting.

(Decision B.46/59)

7. The Secretariat initiated consultations with the World Bank as a starting place to begin clarifying concerns raised regarding the legal agreement. The basis of this consultation was the legal agreement as amended in April 2025 with optional sections 3 and 7 for multilateral implementing entities (MIEs). The Secretariat will continue to engage in these initial consultations with the World Bank to attempt to clarify and resolve issues and concerns raised. As proposed draft amendments are explored and provisionally agreed on at the level of the Secretariat, the legal, policy, and operational feasibility and implications will be further assessed and brought to the Board for its consideration.