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Enabling poor rural people  
to overcome poverty

## **Agreement with the Adaptation Fund Board on the Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon (AgriCAL) project**

### **Note to Executive Board representatives**

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**For: Approval**

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## **Recommendation for approval**

The Executive Board is invited to authorize the President to countersign the Agreement between the Adaptation Fund Board and IFAD concerning the Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon (AgriCAL) project.

### **I. Background**

1. The Adaptation Fund was established at the seventh session of the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2001. It finances climate adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol. The Adaptation Fund is supervised and managed by the Adaptation Fund Board (AFB), to which the Global Environment Facility (GEF) provides secretariat services. The International Bank for Reconstruction and Development (IBRD) serves as trustee of the Adaptation Fund (see appendix I).<sup>1</sup>
2. At the 100<sup>th</sup> session of the IFAD Executive Board, noting that the Adaptation Fund Board had agreed to accredit IFAD as a multilateral implementing entity (MIE), the Executive Board authorized the President "to negotiate and finalize with the AFB and/or IBRD the agreements required for the accreditation of IFAD as a multilateral implementing entity of the Adaptation Fund. The texts of such agreements to be negotiated and concluded will be submitted to the Executive Board for its information at a subsequent session".<sup>2</sup>
3. Further to the Executive Board's decision, IFAD was informed by the Adaptation Fund Board that no separate accreditation agreement was necessary, and that legal agreements would be entered into on a project-by-project basis.
4. According to the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, agreements for the transfer of funds pertaining to approved projects are signed by the Chair of the Adaptation Fund Board and forwarded for countersignature to accredited multilateral implementing entities (MIEs) on a project-by-project basis.
5. Upon receipt of the funds, the MIE shall open a grant bank account in its books in the name of the recipient, to which the amount of the grant shall be credited. The funds shall be on-granted to the executing entity in accordance with the MIE's policies and procedures. The executing entity will execute and manage day-to-day project operations and activities while the MIE will administer the Adaptation Fund financing and supervise the project.
6. In addition to applying its own procedures, IFAD intends to complete a fiduciary capacity assessment of the project Executing Entity prior to on-granting funds for each Adaptation Fund project. In addition to the applicable provisions of the General Conditions for Agricultural Development Financing, and as a result of this assessment, IFAD may decide to apply additional specific requirements relating to financial management and disbursements of grant funds for the recipient.

### **II. Agreement between the Adaptation Fund and IFAD on Lebanon**

7. On 28 June 2012, the Adaptation Fund Board, at its eighteenth meeting, approved the project proposal entitled "Climate Smart Agriculture: Enhancing Adaptive

<sup>1</sup> See <https://webapps.ifad.org/members/eb/107/docs/EB-2012-107-R-47-Appendix-1-Background-Information-Appendix-2-Agreement-between-AFB-and-IFAD.pdf>.

<sup>2</sup> EB 2012/100/R.40.

Capacity of the Rural Communities in Lebanon (AgriCAL)” which had been submitted by the Government of Lebanon through IFAD serving as the MIE.

8. On 6 September 2012, IFAD received for countersignature the first agreement between the Adaptation Fund Board and IFAD for the transfer of funds for the AgriCAL project (appendix II).<sup>3</sup>
9. According to section 54 of the Adaptation Fund Operational Policies and Guidelines, which form an integral part of the agreement, an implementing entity has four months from the notification of approval of the project proposal to sign the agreement. In this case, notification of approval dates back to a letter sent by the Adaptation Fund Board Secretariat to IFAD on 11 July 2012, thereby establishing a deadline of 11 November 2012 for signature by IFAD.
10. An internal review of the Operational Policies and Guidelines of the Adaptation Fund, which as indicated form an integral part of the AgriCAL agreement, has noted that by countersigning the agreement, IFAD would be subject to certain provisions with regards to financial reporting and audit as well as investigation by the Adaptation Fund Board. In view of these provisions, and considering that the Operational Policies and Guidelines are not open for negotiation with implementing entities, the countersignature of the agreement by IFAD is subject to the Executive Board’s approval.
11. Prior to expiry of the four-month deadline, IFAD notified the Adaptation Fund Board Secretariat that it intended to submit the agreement to the IFAD Executive Board, and that the first full Board cycle available to present this matter after the date of notification would be the 107<sup>th</sup> session. The Adaptation Fund Board Secretariat acknowledged IFAD’s notification of the corresponding delay.
12. According to the Operational Policies and Guidelines and the terms and conditions stipulated in the agreement, which together form an integral part of the agreement, the following provisions apply to IFAD:
  - (a) Multilateral implementing entities such as IFAD bear full responsibility for the overall management of projects and programmes financed by the Adaptation Fund, including all financial, monitoring and reporting responsibilities. However, all references to the overall management of the project are to be read in the context of the respective roles of the MIE and the Executing Entities foreseen in the Operational Policies and Guidelines, whereby the Executing Entities are responsible for the execution of the projects and programmes and MIEs support eligible countries in accessing resources, provide the funds to the Executing Entity, administer the financing and supervise the project/programme in accordance with their applicable rules and procedures.
  - (b) The agreement specifies that a final audited financial statement of the Implementing Entity grant account be prepared by an independent auditor. In accordance with IFAD’s financial regulations and standard procedures, the grant account is audited on an annual basis by an external and independent audit firm (IFAD’s external auditors) as part of IFAD’s consolidated financial statements. In addition, IFAD will ensure that the grant agreement between IFAD and the recipient requires the recipient to provide relevant cumulative audited financial data, which will be transmitted to the Adaptation Fund Board together with the extract from IFAD’s audited, consolidated financial statements. Should the Adaptation Fund Board so require, the project’s final financial statements may in addition have to be separately audited by IFAD’s external auditor.

<sup>3</sup> See <https://webapps.ifad.org/members/eb/107/docs/EB-2012-107-R-47-Appendix-1-Background-Information-Appendix-2-Agreement-between-AFB-and-IFAD.pdf>.

- (c) The Adaptation Fund Board reserves the right to investigate the use of its resources if there is any indication of inappropriate allocations. Upon such notification by the Adaptation Fund Board, IFAD will collaborate to the full extent through its existing anti-corruption policy and other relevant procedures.
- (d) The Adaptation Fund Board reserves the right to reclaim all or parts of the financial resources allocated to IFAD and on-granted by IFAD to the Executing Entity for the implementation of a project/programme, or to cancel projects/programmes later found not to be satisfactorily accounted for.

### **III. Requested decision**

- 13. Subject to the above clarifications and interpretations, it is recommended that the Executive Board authorizes the President to countersign the Agreement for the Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon (AgriCAL) project.