

ADMINISTRATIVE AGREEMENT

December 16, 2016

With reference to the Amended and Restated Cooperation Framework Arrangement (the “Amended and Restated Framework Arrangement”) dated October 3, 2004, as amended and restated on February 29, 2012, between the Government of the United Kingdom of Great Britain and Northern Ireland (the “U.K.”), and the Inter-American Development Bank (the “IDB”), I am pleased to inform the IDB that the Department of Environment, Food and Rural Affairs of the U.K. (the “Donor” or “DEFRA”) will make a Contribution in the amount of thirty million British pounds sterling (GBP30,000,000.00) (the “Contribution”), to be administered by the IDB for the single-donor DTF (as defined in Sub-paragraph 1.2(c) of the Amended and Restated Framework Arrangement) titled, “*Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund*” (the “Fund”). The Fund builds on the experience of the IDB project No. BR-X1028 titled, “Low-Carbon Agriculture and Avoided Deforestation to Reduce Poverty in Brazil” financed with Donor resources.

1. Following signature of this Administrative Agreement by DEFRA and the IDB, DEFRA shall deposit with the Bank of England the Contribution in the form of one (1) noninterest-bearing demand promissory note (the “Promissory Note”) of DEFRA, totaling GBP30,000,000.00 (thirty million British pounds sterling) in December 2016, which will be in a form and substance acceptable to the IDB. DEFRA shall notify the IDB when the Promissory Note is deposited with the Bank of England, and provide the IDB with copies of such Promissory Note.
2. The Donor will deposit the Contribution in four (4) installments into an account indicated by the IDB in writing, and upon written request from the IDB, in accordance with the following payment schedule:
 - (a) Upon signature of this Administrative Agreement by the Parties and no later than July 31, 2017 (for DEFRA fiscal year 2016/2017): GBP9,710,000.00 (nine million seven hundred ten thousand British pounds sterling)
 - (b) No later than July 31, 2018 (for DEFRA fiscal year 2017/2018): GBP7,490,000.00 (seven million four hundred ninety thousand British pounds sterling)
 - (c) No later than July 31, 2019 (for DEFRA fiscal year 2018/2019):

GBP6,800,000.00(six million eight hundred thousand British pounds sterling) (d) No later than July 31, 2020 (for DEFRA fiscal year 2019/2020): GBP6,000,000.00 (six million British pounds sterling)

3. The IDB acknowledges that the dates in the payment schedule above are target dates and DEFRA shall be entitled to withhold payment of Contribution installments if the IDB cannot show successful progress against the milestones of Eligible Operations (as defined in Paragraph 6(a) below of this Administrative Agreement) financed with resources of the Fund, as indicated in each individual Project Document for an Eligible Operation (the “Project Document”), in accordance with Paragraph 6(d) of this Administrative Agreement. In such case, the IDB and the Donor will meet to discuss and agree on appropriate measures to ensure the Fund’s objectives are being met, and may revise the payment schedule accordingly. For the avoidance of doubt, the IDB will report on the progress made on milestones achieved at an Eligible Operation level in the Fund’s unaudited annual reports contemplated in Sub-paragraph 5.1.1 of the Amended and Restated Framework Arrangement.
4. Pursuant to Sub-paragraph 4.1.1 of the Amended and Restated Framework Arrangement, upon receipt of the Contribution from the Donor, the IDB will convert the Contribution installments into U.S. dollars. Pursuant to Sub-paragraphs 4.2.7(i) and 4.2.7(ii) of the Amended and Restated Framework Arrangement, and upon conversion, the IDB will charge: (i) at the time of each installment, an administrative fee of five percent (5%) of each Contribution installment, in order to defray the IDB’s cost of administration; and (ii) at the time of the first installment, a one-time flat fee of thirty-five thousand U.S. dollars (USD35,000.00) to cover the initial costs associated with the establishment of a singledonor DTF. Following the conversion of the Contribution installments into U.S. dollars, the IDB is authorized to transfer the resulting Contribution amounts to a separate Fund account.
5. (a) The amount resulting from the conversion of the Contribution into U.S. dollars will be administered by the IDB to establish the Fund and for the purposes and objectives of the Fund, and will be used exclusively for such purposes.

(b) **The general objective of the Fund is to** finance Eligible Operations that promote sustainable low-carbon land use and forest management in small and medium-scale farms by encouraging technological progress, ensuring that agriculture can continue to develop while preserving natural resources, reducing deforestation, and reducing GHG emissions in the largest biomes in Brazil. It seeks to reach smallholders as well as medium landholders. Its overarching aims are to improve resource efficiency, increase the productivity and income, significantly reduce GHG emissions, generate employment

opportunities and therefore reduce poverty in rural areas, as well as to strengthen Brazilian Nationally Determined Contribution (NDC) achievements.

(c) **The Fund will focus on the following areas of intervention:** (i) Capacity building of producers and technical assistance to promote the adoption of sustainable low-carbon rural development, poverty reduction, conservation of biodiversity, and climate protection; (ii) Results-based financing for the implementation of low-carbon agriculture practices and technologies; (iii) Information support and communication strategy for accessing official and market credit lines; (iv) Support to low-carbon agriculture monitoring and evaluation activities and; (v) General coordination and implementation support.

(d) **It is expected that the Fund will contribute to the following outcomes:** (i) Reduce deforestation and pressure on the remaining forests of Brazil, reducing GHG emissions and increasing CO₂ removals and stocks; (ii) Increase investments in integrated croplivestock forestry and agro-forestry systems from both the public and private sectors; (iii) Provide benefits for biodiversity and ecosystem services and forest communities, in particular contributing to reducing poverty by improving land use and increasing the productivity and sustainability of various economic activities related to the forest; (iv) Generate food security benefits as a take-up of low-carbon technologies can help meet (local) food demand which is set to increase significantly in Brazil; and (v) Increase capacity of government institutions, particularly at a federal level, to improve the management of land and forests.

(e) All monitoring and results reporting for Eligible Operations will be guided by the IDB's applicable policies and procedures. The IDB will conduct a periodic review of the activities of the Fund and will record the results of such review, which will serve as basis for monitoring and evaluating how the expected outcomes of the Fund have been met (the "Results Framework"). An indicative Results Framework is attached to this Administrative Agreement as Annex A. While the expected outcomes mentioned in the Results Framework are projected to remain unchanged, the IDB may further detail the Results Framework in consultation with the Donor and provide any updates thereto. The IDB shall endeavor to provide the first such update by no later than July 31, 2017. Such updates, if any, will supersede the version included as Annex A.

6. (a) The resources of the Fund will be used exclusively to finance on a grant basis, in Brazil, "Eligible Operations" defined as: (i) non-reimbursable technical cooperation operations of the IDB (including, but not limited to, consulting services, training activities, travel expenses and per diem) pursuant to the IDB's applicable policies and procedures, including the IDB's framework and policy on technical cooperation and operational guidelines as may be approved and amended by the IDB from time-to-time; and (ii) other activities that may be agreed to between the Parties in writing, subject to the IDB's applicable policies, procedures and guidelines.

(b) In accordance with Sub-paragraph 1.3 of the Amended and Restated Framework Arrangement, and in lieu of the Trust Fund Appointee Program (the “TFAP”) defined therein, the Contribution may also be used to finance Externally Funded Contractuals (“EFCs”) pursuant to the IDB’s policies, procedures, and guidelines. For the avoidance of doubt, and for the purposes of this Administrative Agreement, any references to trust fund appointees and the TFAP in the Amended and Restated Framework Arrangement will be construed as EFCs, as if EFCs were defined therein. Further, the proposed financing of EFCs will be subject to previous consultation between the IDB and the Donor.

(c) Pursuant to Sub-paragraph 4.1.6 of the Amended and Restated Framework Arrangement, and in accordance with the applicable IDB policies, the Contribution resources may also support technical cooperation operations executed by IDB staff members, by financing their costs of delivering such Fund-financed operations (including salaries, benefits, travel and overhead costs). For the avoidance of doubt, the Contribution resources may not supplement the budget of an IDB department or division for routine or customary activities.

(d) The IDB will require the Donor’s written approval for Eligible Operations financed with resources of the Fund, pursuant to an approval request (the “Approval Request”). The IDB will provide sufficient information in the Approval Request to allow DEFRA to understand how the proposed Eligible Operation meets the Fund’s objectives, areas of intervention and expected outcomes, as set forth in Paragraph 5 of this Administrative Agreement. The Approval Request shall include a draft Project Document, in accordance with the applicable Project Document template maintained by the IDB substantially in the form attached to this Administrative Agreement as Annex B (as may be modified from time-to-time), for each Eligible Operation. DEFRA shall have fifteen (15) business days to respond to the Approval Request. At any time during this period, the IDB shall provide to DEFRA any additional information as may be maintained by the IDB and that DEFRA may reasonably request in writing. Lack of response from the Donor within fifteen (15) business days after the IDB submits the Approval Request or provides additional information requested by the Donor will be construed as an approval of the proposed use of the Contribution. For the avoidance of doubt, a “business day” means a day (other than a Saturday or a Sunday) on which the IDB is open for business in its headquarters, in Washington, D.C., United States of America.

7. The provisions of the Amended and Restated Framework Arrangement will apply to this Administrative Agreement. The IDB will administer the Contribution in accordance with the provisions of the Amended and Restated Framework Arrangement, except as otherwise provided herein. The financial reporting will be expressed in U.S. dollars.
8. Reporting requirements: as per the Amended and Restated Framework Arrangement and, more specifically, as follows:

(a) Notwithstanding the requirements for DTFs set forth in Sub-paragraph 5.1.3(a) of the Amended and Restated Framework Arrangement, the Parties agree that no later than June 30 of every second year *and* upon termination of this Administrative Agreement, the IDB will deliver to the Donor the audited financial statements for DTFs, including the Fund . The Parties further agree that the first year will be considered the year 2017 and, therefore, the IDB will deliver to the Donor the first audited financial statement mentioned therein no later than June 30, 2019 as of December 31, 2018.

(b) Other reporting requirements: Eligible Operations financed with resources of the Fund shall have a mid-term and final evaluation.

9. Subject to the IDB's applicable policies and procedures, the IDB and DEFRA, and other stakeholder representatives if agreed by the Parties (the "Advisory Council"), will meet at least annually to review the progress of the Fund and to discuss issues of mutual interest, including sharing information, as needed, that allows DEFRA to answer the questions set forth in the 'Annual Review Template' attached to this Administrative Agreement as Annex C. In the event there are matters that require attention prior to the next scheduled annual meeting of the Advisory Council, either Party may request a special ad-hoc meeting. However, all Fund monitoring and results reporting will be guided by the IDB's applicable policies and procedures.
10. The officers responsible for coordination of all matters related to this Administrative Agreement are:

For the Donor:

Head, International Climate Fund
Department of Environment, Food and Rural Affairs
Area 1B, Nobel House, 17 Smith Square
London SW1P 3JR
UNITED KINGDOM

For the IDB:

- a. All communications pertaining to Donor relations and resource mobilization will be directed to:

Attention: Manager, Office of Outreach and Partnerships (ORP)
Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577 U.S.A.

E-mail: partnerships@iadb.org

- b. Day-to-day communications regarding the Contribution, management of the Fund and the implementation of this Administrative Agreement will be directed to:

Attention: Chief, Grants and Co-financing Management Unit
Office of Outreach and Partnerships (ORP/GCM)
Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577 U.S.A.
Telephone: (202) 623-2018
E-mail: orp-gcm@iadb.org

- 11. The Donor acknowledges that the IDB's commitment to use the Contribution as contemplated in this Administrative Agreement will be subject to the IDB's formalization of all internal approvals necessary for the Fund.
- 12. The IDB acknowledges that if DEFRA does not approve the draft Project Document for the first Eligible Operation, pursuant to an Approval Request as set forth in Paragraph 6(d) of this Administrative Agreement, by July 31, 2017, DEFRA may terminate this Administrative Agreement in accordance with Sub-paragraph 6.3.1 of the Amended and Restated Framework Arrangement. For the avoidance of doubt, the IDB shall not be entitled to receive draw-down of the first Contribution installment set forth in Paragraph 2 of this Administrative Agreement until the first draft Project Document has been approved by DEFRA.
- 13. (a) Pursuant to Sub-paragraph 4.2.3 of the Amended and Restated Framework Arrangement, DEFRA may consult with the IDB in the event the Contribution has not been used in accordance with this Administrative Agreement or for the purposes contemplated in individual ongoing Eligible Operations approved by the IDB. Additionally, as part of these consultations, DEFRA may send a written notice to the IDB requesting the IDB to:
(i) provide specific information as may be maintained by the IDB during its regular operations regarding the use of the Contribution and in accordance with the applicable policies and procedures of the IDB; and (ii) implement appropriate measures to ensure the Contribution is used in accordance with the purposes stated in this Administrative Agreement and/or the respective Project Document. If information requested by DEFRA is not maintained by IDB in the course of its regular operations, the IDB will use reasonable efforts to obtain such information from the executing agencies for Eligible Operations, subject to the IDB's applicable policies and procedures.

(b) If appropriate measures are not or cannot be implemented within six (6) months (or any other period agreed upon in writing by the Parties), as of the last communication by the IDB to DEFRA regarding measures to be taken by the IDB in response to the written notice from DEFRA set forth in Paragraph 13(a) above, then DEFRA or the IDB may

terminate this Administrative Agreement in accordance with Sub-paragraph 6.3.1 of the Amended and Restated Framework Arrangement.

14. The period of effectiveness of the Fund will cover the period from the date of the last signature of this Administrative Agreement by each of the Parties until December 31, 2022 (the “Effectiveness Period”), unless otherwise agreed to by the Parties in writing. During the Effectiveness Period, resources of the Fund may be used to finance Eligible Operations, unless terminated earlier pursuant to Paragraphs 12 and 13 of this Administrative Agreement. In the event of termination per Paragraph 13 above, such termination will not affect commitments already entered by the IDB with third parties in accordance with this Administrative Agreement, and the IDB may continue to draw Contribution funds in order to honor such third-party commitments.
15. Notwithstanding Sub-paragraph 4.1.5 of the Amended and Restated Framework Arrangement, upon completion of the Effectiveness Period or early termination (as set forth in Paragraph 14 above), whichever comes first, the IDB shall return to the Donor, within sixty (60) days, any remaining uncommitted balance of the Contribution, unless otherwise agreed to by the Parties in writing.
16. Capitalized terms used but not defined in this Administrative Agreement will have the meanings ascribed to them in the Amended and Restated Framework Arrangement.
17. This Administrative Agreement satisfies the requirement of a Contribution Letter for the purposes of Sub-paragraph 4.1.1 of the Amended and Restated Framework Arrangement.
18. Subject to their respective policies and procedures with respect to access to information, the Parties may make this Administrative Agreement and the unaudited annual reports prepared and delivered pursuant to Sub-paragraph 5.1.1 of the Amended and Restated Administrative Arrangement publicly available.
19. For the avoidance of doubt, the Donor and the IDB agree that Annexes A, B and C are indicative, working documents for reference purposes only. Furthermore, the Donor accepts that any subsequent versions of Annexes A, B and C may vary from the attached versions, in which case any such subsequent versions will prevail, and no amendment to this Administrative Agreement will be required.

(The remainder of this page is intentionally left blank.)

20. The Parties may amend any provision of this Administrative Agreement as mutually agreed in writing.

I would like to propose that this letter, executed by exchange of signature via e-mail in scanned .pdf format, and upon your confirmation where indicated below, constitutes an Administrative Agreement under the Amended and Restated Framework Arrangement between the Donor and the IDB.

Sincerely yours,

Deputy Director International
Department of Environment, Food and Rural Affairs

Confirmed and accepted:

Inter-American Development Bank

Manager

Office of Outreach and Partnerships

ANNEX A: Indicative Results Framework

The following **indicative** results framework will be further worked upon, to be reviewed on an annual basis during the effectiveness period of the Fund, with further DEFRA and Bank feedback:

EXPECTED RESULTS	INDICATORS	BASELINE DATA	TARGETS	DATA SOURCES	DATA COLLECTION METHODS	FREQUENCY	RESPONSIBILITY
Ultimate outcome							
Reduced greenhouse gas emissions	Change in greenhouse gas (GHG) emissions as a result of ICF support (KPI #6)	cede	See <i>Business Case</i>	EMBRAPA	EMBRAPA/ICF methodology	Bi-Annually	IDB and executing partners
Poverty reduction & Biodiversity protection	Extent to which ICF intervention is likely to have a transformational impact (KPI#15)		ICF methodology			Annually	IDB and executing partners
	# of L of water reduced	Varies per state	See <i>Business Case</i>	EMBRAPA	EMBRAPA methodology	Annually	IDB and executing partners
EXPECTED RESULTS	INDICATORS	BASELINE DATA ¹	TARGETS	DATA SOURCES	DATA COLLECTION METHODS	FREQUENCY	RESPONSIBILITY
Intermediate outcome							
Reduced deforestation	# of hectares where deforestation and degradation have been avoided through ICF support (KPI#8)		See <i>Business Case</i>	EMBRAPA	EMBRAPA/ICF(Ecometrica methodology	Annually	IDB and executing partners (EMBRAPA)
Increase in forest and land restoration activities	Value of ecosystem services generated or protected as a result of ICF support (KPI#10)			EMBPAPA	ICF methodology	Annually	IDB and executing partners

¹ Data will be disaggregated into male and female

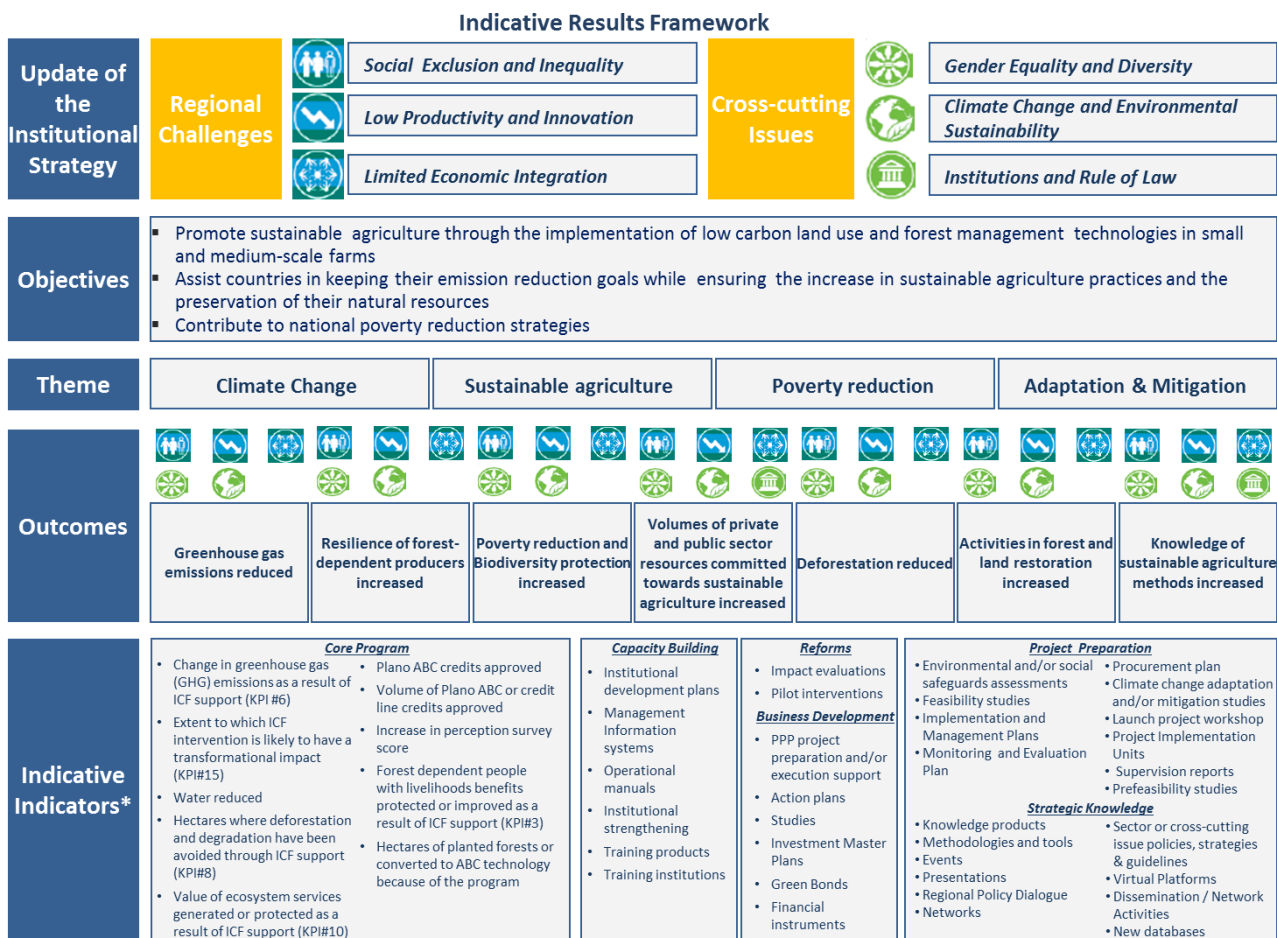
Increase in volume of private and public sector resources committed towards sustainable agriculture	# of approved Plano ABC credits	Phase 1 data, where relevant	See <i>Business Case</i>	Potential Plano ABC executors	Reporting by Bank and through coordination with partner executing entities	Annually	IDB and executing partners
	Volume of Plano ABC or credit lines approved	Phase 1 data, where relevant	See <i>Business Case</i>	Potential Plano ABC executors	<i>ibidem</i>	Annually	
Increased producer knowledge of sustainable agr. methods	Increase in perception survey score	N/A: a baseline will be generated for each state	Substantial increase for each state ²	EMBRAPA surveys	Survey methodology TBD	Annually	IDB and executing partners (EMBRAPA)

EXPECTED RESULTS	INDICATORS	BASELINE DATA	TARGETS	DATA SOURCES	DATA COLLECTION METHODS	FREQUENCY	RESPONSIBILITY
Immediate Outcomes							
Increased resilience of forestdependent producers	# of forest dependent people with livelihoods benefits protected or improved as a result of ICF support (KPI#3)	Will be generated per state	See <i>Business Case</i>	EMBRAPA / other relevant sources	Reporting verified by IDB and executed through coordination with selected partner entities using IFRI developed methodology.	Annually	IDB and executing partners
	# of hectares of planted forests or converted to ABC technology because of the program	Phase 1 Data	See <i>Business Case</i>	EMBRAPA	Third party verification ³	Annually	IDB and executing partners (EMBRAPA)
Increase in use of Plano ABC and official credit line	# of approved Plano ABC and official credits	Will be generated per state	2,000	Potential Plano ABC executors		Annually	IDB and executing partners

² A first step in the design process will establish relevant baselines of existing perceptions for each state where the program will be active.

³ Strong enforcement through third party verification on an annual basis to ensure multi-annual compliance and effective reforestation

The IDB may also report on results achieved with Trust Fund resources in the context of IDB's NDC invest platform, following the indicative results framework, below. The below results framework is in line with the IDB's institutional strategy on sustainability and climate change.



**This is an exhaustive list of potential indicators which may be used in addition to those already listed and agreed upon in the business case, and presented in the table below.*

ANNEX B: IDB TC Document Template as of 12/01/2016 TC

Document Template

FORMAT AND CONTENT

I. Basic Information for TC [OPUS generates “Basic Information” and PTL follows rest of template]

▪ Country/Region:	
▪ TC Name:	
▪ TC Number:	
▪ Team Leader/Members:	
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	

▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	
▪ Donors providing funding:	
▪ IDB Funding Requested:	
▪ Local counterpart funding, if any:	
▪ Disbursement period (which includes Execution period):	
▪ Required start date:	
▪ Types of consultants (firm or individual consultants):	
▪ Prepared by Unit:	
▪ Unit of Disbursement Responsibility:	
▪ TC Included in Country Strategy (y/n):	
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	

II. Description of the Associated Loan/Guarantee (estimated length: 1 page) [to be included in OS-TC Document only not in TC Annex or CS-TC or RD-TC Documents]

2.1 This subheading should provide a brief overview of the proposed loan/guarantee associated with the OS-TC including its stage of preparation and current status.

III. Objectives and Justification of the TC (estimated length: 1 page)

3.1 This subheading should facilitate a clear understanding of the objectives and the problem the TC aims to address.

3.2 If an OS-TC, explain how the TC will support the design and/or execution of the loan/guarantee and why it is needed.

3.3 If an OS-TC Document, explain why the OS-TC requires clearance outside of the ERM or QRR of the underlying financial product and indicate when TC resources would be needed so as not to delay preparation/execution of the associated loan/guarantee.

3.4 Explain how the TC is aligned with the Bank's GCI-9 sector priorities, value-added, and relationship to the [country and programs under preparation or execution].

IV. Description of activities/components and budget (estimated length: 1-2 pages)

4.1 This subheading should describe major activities/components, responsible parties and timing for completion, procurement plan, as well as expected outputs and expected results of the TC. Expected results should include concrete statements of expected and recognizable development results in order to avoid objectives like "improving the living conditions of vulnerable communities".

Indicative Results Matrix

[additional level of detail required in Results Matrix will be elaborated to provide good guidance]

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- 4.2 Provide the total amount of funding need to achieve the expected outputs by main component. Indicate if there is local counterpart.

Indicative Budget

[additional level of detail required in budget will be elaborated to provide good guidance]

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding

- 4.3 Arrangements for TC supervision should also be specified, including: the designated focal point in the COF, sector specialist responsible for execution, supervision costs to COF (especially for Bank-executed TCs, and need to review allocation of transactional budget resources).

- 4.4 Monitoring arrangements should also be specified. Include frequency and source of financing.

- 4.5 Evaluation reports, if any, should also be specified. Include frequency and source of financing.

V. Executing agency and execution structure (estimated length: 1 page)

- 5.1 This subheading should provide relevant information on the nature of the executing agency (including evidence of existence and legal representation), its track record in areas pertinent to the TC activities/components and ability to undertake and effectively manage the TC, prior works with the Bank or other development agencies, etc. If entities other than the executing agency are involved evidence should also be provided on their existence and legal representation.

- 5.2 If an OS-TC, details of executing agency should be in the PP, POD or PL/GP. However, include its track record in areas pertinent to the TC activities/components and ability to undertake and effectively manage the TC.

- 5.3 Reference the request from the client included in an Annex, which can take several forms:

- It can be part of the signed Programming/Portfolio Review Mission or Meeting Aide Memoire,
- A letter from the relevant client (for SG operations, Governor's Ministry or the executing Ministry or Agency; for NSG operations, the client firm), or
- Part of the signed Aide Memoire of the operation's preparation mission.

- 5.4 With respect to procurement and financial management, this subheading should include the following information:

- The procurement policies that will apply and the conclusion of the analysis undertaken by the TL on the institutional capacity of the Executing Agency or risks associated with the implementation of the project regarding fiduciary management – low, medium, or high-, which will determine the Bank's supervision modality of the procurement procedures (ex ante or ex post). The Procurement Plan is a required annex and a template is attached to the guidelines. This template provides information on the expected contracts and applicable supervision and procurement methods for each. If a direct hiring has been identified during the preparation of the TC, this section should provide specific information on such direct hiring, which would be approved with the approval of the TC.
- Financial Management Policy and audit arrangements should also be specified (external audits apply only in the case if Recipient Executed Operations), including the foreign exchange rate that will apply in respect of expenses incurred in local currency, and the frequency and timing of the financial reports that are required, based on risk. If an audit is required, frequency and type of audits, and whether these will be carried out by an independent audit firm or governmental entity.

- 5.5 If the Bank is the proposed executing agency, this section should indicate and provide evidence that the request came from the [beneficiary] and provide justification for this arrangement.
- 5.6 Conditions to be fulfilled prior to first disbursement (including subsidiary arrangements, if any) and for execution should be specified. Requirements for any special modalities for disbursement should be clearly established.
- 5.7 If the TC contemplates reimbursement of expenses this should be specified.

VI. Major issues (estimated length: 1 page)

- 6.1 This subheading should identify key risks to executing the TC and achieving its objectives, as well as how to mitigate such risks. Any special issues for analysis, beyond those that are common to most projects, such as if there is a need for phasing components/activities, or any special execution arrangements (e.g. if there is a need of a new law, decree, multi-agency participation) should also be identified and discussed.
- 6.2 Integrity clauses and special intellectual property agreements that need to be included in TC agreement, if any, should be specified.

VII. Exceptions to Bank policy

- 7.1 This subheading should identify and address any exceptions to Bank policy.

VIII. Environmental and Social Strategy

- 8.1 All TCs must have an ESG classification. This subheading should [be prepared by ESG and] describe the identified or potential negative environmental and/or social impacts of the TC and the strategy for how these impacts will be properly addressed and defined by PR-1006.

Required Annexes:

- Request from the client (e.g. Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC).*
- Terms of Reference for activities/components to be procured*.
- Procurement Plan.

- * If TC Document is sent for BOD approval, the only Annex that needs to be translated is the Procurement Plan. The Request from Client and the ToRs should be included as links and no translation is required.

ANNEX C: Annual Review Template

Sections with Suggestions for Content

Summary Sheet

Complete the summary sheet with highlights of progress, lessons learnt and action on previous recommendations

Data should be consistent with that shown on ARIES.

Summarise overall actions taken for recommendations made in the previous review.

Summarise conclusions of the current review and implications for the future of the project.

Summarise key recommendations for management action. Identify any changes needed to the logframe or major changes in programme design.

Where results are not being achieved as planned including our assessment of the balance of costs and benefits and/or if the project is off-track against timescales and or costs, outline any remedial actions that will be undertaken to improve performance.

Where results are exceeding expectation what does this tell us? For example have we set results at a realistic level of expectation? What lessons have we learned about what is going particularly well, including lessons that will affect future project design?

A: Introduction and Context

What support is the UK providing? Draw on the Intervention Summary in the business case. Ensure that this section reflects changes where support has changed from that outlined in the original project memorandum or business case.

What are the expected Results? Draw on the Intervention Summary. Set out the expected results, including the Outcome and Impact. Ensure these match those in the logframe.

Why is the context in which UK support provided? Draw on the Intervention Summary. Where the context supporting the intervention has changed from that outlined in the original project memorandum or business case, explain what this will mean for UK support.

B: Performance and Conclusions

Annual Outcome Assessment

Based on available evidence, including comparison of planned and achieved milestones/results and assessment of the theory of change assumptions, provide a brief assessment of whether we expect to achieve the project Outcome by the end of the project. Where this looks unlikely, summarise any management actions for recommendation.

Aggregate Output Score and Description

This section should cover progress against the milestones and results achieved that were expected as at the time of this review. The score is automatically calculated in ARIES and the separate Excel project scoring calculator using the rating scale, a version of which is available on the Better Delivery Teamsite. This takes into account the individual output ratings shown in the section below and the relevant impact weights for each output.

Lessons

Any key lessons you and your partners have learned from this programme.

Have assumptions changed since design?

What would you do differently if re-designing this programme?

How will you and your partners share the lessons learned more widely in your team, across DFID and externally?

Actions

Any further information on actions (not covered in Summary Sheet)

Has the logframe been updated since the last review? If

yes, provide an explanation of the changes.

C: Detailed Output Scoring

Output

Set out the Output Title

Score

Assess whether actual results achieved to date meet those expected, drawing on the milestones, targets and indicators in the logframe and enter a rating using the rating scale A++ to C.

Impact Weighting (%)

Enter the percentage number which cannot be less than 10%. The figure here should match the Impact Weight currently shown on the logframe (and which will need to be entered on ARIES as part of loading the Annual Review for approval).

Revised since last Annual Review (Y/N).

If the answer is Yes, explain why. If the review identifies the need for revision, you may need to make a Recommendation or set up an Action Point to ensure this is done.

Impact Weighting % revised since last AR. (Y/N)

Risk Rating

Choose Low, Medium or High. The Risk Rating here should match the Risk currently shown on the logframe (and which will need to be entered on ARIES as part of loading the Annual Review for approval).

Risk revised since last AR?

Where the Risk for this Output been revised since the last review (or since inception, if this is the first review) explain why.

Key points

Provide a short narrative summarising output progress against expected results. Assess performance as measured by the specific output indicators included in the logframe against the relevant milestones. Set out exactly what was expected to be achieved and what was actually achieved

Summary of response to issues raised in previous annual reviews (where relevant)

Summarise the actions taken to address recommendations from previous annual reviews. Set out progress against recommendations where appropriate.

Recommendations

Summarise any management recommendations for future action relating to this Output including whether and how the Output, including future milestones and the overall target, requires adjustment following this review.

Repeat above for each output.

D: Value for Money and Financial Performance

Key cost drivers and performance

Consider the specific costs and cost drivers identified in the business case

Have there been changes from those identified in previous reviews or at project approval. If so, why?

If you previously identified any trigger points for re-evaluating the cost drivers you should refer to these in this section.

Is the project on track against the original timescale? Compare actual progress against the approved timescales in the business case or funding submission. If timescales are off track

provide an explanation including what this means for the cost of the project and any remedial action

VfM performance compared to the original VfM proposition in the business case.

Does the project continue to represent value for money? If not, why, and what actions need to be taken?

Performance against vfm measures and any trigger points that were identified to track through the programme

Refer to the VfM measures in the appraisal case of the business case. Set out and review performance on these measures and any trigger points that were identified to track through Annual Reviews and the Project Completion Review. Assess whether the measures need to change or additional measures are needed and explain why. If there are no measures, consider whether measures need to be developed.

Assessment of whether the project continues to represent value for money?

Overall view on whether the programme is good value for money. Taking into account the assessment of results, evidence, the theory of change, risks, costs and the other VfM performance measures in this section, provide a short narrative on whether the project still represents Value for Money

If the project does not represent Value for Money, you need to decide whether to stop the project or submit for re-approval. What are the prospects for corrective action? Should the project be stopped or significantly redesigned. Where the project is not thought to be delivering VfM and will continue following re-design, the decision to continue funding / reapproval must be given at the same level as the original approval and at least at Head of Department level.

Quality of Financial Management

Consider our best estimate of future costs against the current approved budget and forecasting profile.

Have narrative and financial reporting requirements been adhered to? Include details of last report.

Have auditing requirements been met? Include details of last report. Is the project on-track against financial forecasts?

- Compare the costs incurred to date against financial forecasts. What is the forecasting record and how do financial forecasts compare to actual expenditure?
- Also consider our best estimate of future costs against the current approved budget and forecasting profile.
- If costs are off track provide an explanation including any remedial action required. Bear in mind that cost underspends as well as cost overspends are equally important since both are likely to directly impact on the expected results and Value for Money.

E: Risk

Output Risk Rating: L/M/H

Enter Low, Medium or High, taken from the overall Output risk score calculated in ARIES. This risk score should reflect risks that threaten the successful delivery of the projects results as measured by the specific outputs.

Overview of Programme Risk

Consider changes to the overall risk environment/context.

Review the key risks that affect the successful delivery of the expected results.

Set out any different or new mitigating actions that will be required to address these risks and whether the existing mitigating actions are directly addressing the identifiable risks. Set out any additional checks and controls required to ensure that UK funds are not lost, for example to fraud or corruption.

Describe the information you have that can confirm that there has been no identifiable financial loss and that payment schedules do not provide funds in advance of need.

Outstanding actions from due diligence

Describe outstanding actions from Due Diligence/ Fiduciary Risk Assessment

Describe follow up actions from departmental anti-corruption strategies to which business case assumptions and risk tolerances stand

F: Commercial Considerations

Delivery against planned timeframe. Y/N

Compare actual progress against the approved timescales in the business case. If timescales are off track provide an explanation including what this means for the cost of the project and any remedial action.

Performance of partnership

How well are formal partnerships/contracts working?

Are we learning and applying lessons from partner experience? Could

DFID be a more effective partner?

Asset monitoring and control

Level of confidence in the management of programme assets, including information any monitoring or spot checks.

G: Conditionality

Update on Partnership Principles and specific conditions.

For programmes for which it has been decided (when the programme was approved or at the last Annual Review) to use the PPs for management and monitoring, provide details on:

1. Were there any concerns about the four Partnership Principles over the past year?
2. If yes, what were they?
3. Did you notify the government of our concerns?
4. If Yes, what was the government response? Did it take remedial actions? If yes, explain how.
5. If No, was disbursement suspended during the review period? Date suspended (dd/mm/yyyy)
6. What were the consequences?

For all programmes, you should make a judgement on what role, if any, the Partnership Principles should play in the management and monitoring of the programme going forward. This applies even if when the BC was approved for this programme the PPs were not intended to play a role. Your decision may depend on the extent to which the delivery mechanism used by the programme works with the partner government and uses their systems.

H: Monitoring and Evaluation

Evidence and evaluation

Assess any changes in evidence and implications for the project, e.g.

- How is the Theory of Change and the assumptions used in the project design working out in practice in this project? Are modifications to the project design required?
- Is there any new evidence available which challenges the project design or rationale?
- How does the evidence from the implementation of this project contribute to the wider evidence base?
- How is evidence disaggregated by sex and age, and by other variables?

Where an evaluation is planned, set out what progress has been made.

Monitoring process throughout the review period.

Set out the direct feedback you have had from stakeholders, including beneficiaries. What does this tell us about the project's performance?

Set out the monitoring activities that have taken place throughout review period (field visits, reviews, engagement etc).

Set out the Annual Review process. Summarise who conducted the review, when and how, who was consulted in undertaking this review and what sources of information were used.