



Empowered lives.  
Resilient nations.

# Performance-Based Payment Agreement

*“Towards Greater Accountability and Effectiveness for Development  
Results”*

United Nations Development Programme

October 2017

## HOW TO USE THIS PERFORMANCE-BASED PAYMENT AGREEMENT

- Performance-Based Payment agreements tie disbursements to a Responsible Party (RP) to the achievement of measurable results (“Result(s)”) and related deliverables (“Deliverable(s)”). Performance-Based Payment agreements (PBPA)s provide greater incentives to Responsible Parties in exchange for greater accountability for achieving results. This Agreement is for use for specific components within the Project Document that will use Performance-Based Payments (PBPs) to compensate Responsible Parties. A project that uses PBPs to deliver select results may also use additional types of agreements and methods to deliver other results within the project. The overall goal of this Agreement is to drive accountability for achieving sustainable and measurable development results as set forth in the Project Document.
- This Agreement may be used under a DIM project, where a Programme Government, private sector firm, non-UN IGO, NGO, or CSO is selected as a Responsible Party (RP) that takes full programmatic and financial accountability for delivering results through their activities within the project. This Agreement may also be used under a NIM project, where UNDP is providing direct country office support services to the Implementing Partner and those services include engaging an RP using a Performance-Based Payment arrangement.
- This agreement should be used only when all payments to be made to an RP are contingent upon the RP’s achievement of specific Result(s) and completion of Deliverable(s) established in the Agreement (which may include milestone or target results, depending on how each Deliverable(s) is defined in Annex A-3 of this Agreement), and which will be validated by an Independent Assessor (the “IA”) using the Validation Methodology described in Annex A. Prior to signing this Agreement, UNDP will engage and enter into a separate agreement with an IA (the Independent Assessor Agreement or “IAA”) which will set out the tasks to be performed by the IA in connection with this Agreement. The Project Document (Prodoc) and the IAA will be appended to this Agreement as Annex I and Annex B respectively.
- This Agreement represents a significant shift from financing instruments that reward delivery of inputs to results-based financing instruments that reward the achievement of Result(s). Result(s) and related results indicators are a more appropriate measure of project effectiveness, better assessing the success of a project than only financial delivery. This type of agreement aims at reducing UNDP’s risk of funding projects that are not effective by only paying for the achievement of measurable Result(s).
- In designing the project, formulating how the results are defined and measured, and establishing payments for specified Result(s), UNDP must be able to demonstrate to the satisfaction of stakeholders (including the IA and internal/external auditors) that:
  1. The value of the results to be achieved is at least equal to the value of the maximum PBPs to be paid;
  2. The results to be achieved are sustainable and of demonstrable quality. In this respect, post agreement covenants may be necessary when the results exceed the duration of the project activities, in order to ensure the continuation of the activities and results following the conclusion of the agreements. Part of the payment is then payable upon confirmation of delivery of sustained results after a pre-agreed period has elapsed from project completion. This will require continued monitoring of results by the IA for the pre-agreed duration after project completion; and
  3. Risks are adequately identified, monitored and mitigated.

- The RP under this Agreement shall self-finance all or a significant portion of its activities until the Result(s) are achieved, and validated by the IA through application of the Validation Methodology. **No ‘advances’ or ‘pre-payments’ are provided to RPs under PBPA**s, although limited working capital *reimbursements* of expenses incurred may be provided for in select PBPA
s, and in such cases, reimbursement will only be made after the achievement of pre-defined minimum progress thresholds (as such term is defined in the Agreement) that are also validated by the IA (see below).
- The Agreement may provide for additional financial incentives or rewards upon the full achievement of or the over-achievement of the Result(s) and completion of Deliverable(s). This may include financial incentives for: the early achievement of the Result(s); over-achievement of the Deliverable(s) within the specified time-frame; or the identification of innovative and scalable approaches to delivering the Deliverable(s) that reduces the expected costs of achieving the Deliverable(s), all as validated by the IA. Similarly, reduced payments could be envisaged for near-misses or partial achievement of the Deliverable(s). Such incentives or reduced payments must be stipulated in the Agreement and must have been pre-agreed with the Funding Partner(s) in the respective contribution agreement.
- The nature of PBPA
s requires that UNDP contract an IA before signing this Agreement. The IA will acknowledge its role in this PBPA as a non-party to this Agreement. This IA must be an internationally recognized institution of repute, with no commercial relationship with any of the other project parties that may impair its objectivity, impartiality or independence. Prior to the finalization of this PBPA with the RP, the IA is required to validate: a) the theory of change explaining how the results are expected to be achieved, b) the definition of the Result(s) to be achieved and the Deliverable(s) to be completed by the RP; c) the objectively verifiable indicators to measure the achievement of Result(s); d) the setting of suitably ambitious but realistic milestone results and target results for each indicator; e) that adequate risk management measures in place, including an Environmental and Social Assessment and Management Plan when needed; and f) the Deliverable(s) and Performance-Based Payment Terms (Annex A-3) linked to the IA’s validation of the Result(s) achieved by the RP.
- The RP will report on its progress in achieving all agreed objectively verifiable indicators and minimum progress thresholds in accordance with the reporting schedule and format specified in the Results Reporting Format (Annex F) and Reporting on Minimum Progress Thresholds (Annex H) respectively.
- The IA, in consultation with the UNDP and the RP, will develop a Validation Methodology which, when finalized, will be attached to this PBPA as Annex A. The Validation Methodology must include the objectively verifiable indicators that help validate that the Result(s) have been delivered to the agreed level of quantity, quality and sustainability. The result(s) validation must be based on independent data collection or validation of existing data on the specified indicators. PBPs made to the RP will be contingent upon the IA’s validation and certification of the achievement of the Deliverable(s). Indicators and the Validation Methodology must be clearly defined to avoid any disagreements over the Deliverable(s) measurement methods, data sources and the interpretation of whether the Deliverable(s) have been completed.
- Every PBPA must contain a clear early termination provision for scenarios where, at an early stage, it is determined that continuing the project will not achieve the required results. To facilitate this, the PBPA must also contain a monitoring schedule that provides for the assessment of “**minimum progress**

**thresholds**” that indicate the ability of the project to achieve the required results. Where the performance towards achieving the minimum progress thresholds indicates that the project cannot deliver the required level of results within the identified time-frame, this would trigger UNDP’s **early termination** of this Agreement. Minimum progress thresholds to be achieved must be defined for each year of the Agreement period at a minimum. In addition, early termination of the agreement may be triggered in cases where UNDP’s Social and Environmental Standards are not adhered to, potentially or actually resulting in adverse impacts on people or the environment.

- The non-achievement of results by the RP will result in the RP receiving no payment or only partial payment, depending on the terms of the contribution agreement (i.e., agreement with the Funding Partner(s)). Funding that is not released may be returned to the Funding Partner(s) that provided the funds or alternatively allocated to another RP to achieve the required results.
- Given the nature of this Agreement, including the need to engage an IA, PBPAs are costly to arrange, therefore as a guide, the minimum threshold amount for the use of this PBPA is \$10 million+, and not less than \$1 million per annum, while working capital reimbursements are not recommended for PBPAs where PBPA activities are less than \$5 million. [Note: A Low Value PBPA template is also available]. In all cases involving Funding Partner(s), the Funding Partner(s) must agree to the use of PBPAs, as they must bear the additional costs related to their use.
- For larger projects (with PBPs of \$5 million or more) that exceed one year in duration, and where the financial position of the RP limits its ability to fund the entire working capital, this Agreement may provide for a **partial reimbursement of working capital** for pre-agreed activities necessary to achieve the required results for the project, subsequent to the achievement of the minimum progress thresholds. No working capital reimbursement payments may be made until the defined **minimum progress thresholds** for the year have been achieved by the RP, validated by the IA and approved by the Project Board. The total value of working capital reimbursement payments cannot exceed 50% of any one budget line item or 50% of the total value of the Agreement.
- The existing criteria for selecting an RP, including performing the required capacity/HACT assessments, apply to the use of this Agreement. Reflecting the reduced financial risk to UNDP in agreements **where there are no working capital reimbursements**, the HACT assurance, monitoring and reporting processes are streamlined as follows:
  - UNDP is under no obligation to monitor the RP’s expenditures or to verify the RP’s use of its own funds (including financial spot checks). A monitoring regime would be necessary to track the progress in achieving the results and/or Deliverable(s) specified in the Agreement.
  - Financial reporting to UNDP is also streamlined, and will follow a summary expenses reporting approach similar to that presently applied to micro-capital grants (i.e., expenses are not categorized). The frequency of reporting need not follow the regular quarterly cycle, but will instead be six-monthly.
- Agreements that provide for working capital reimbursement must follow the existing HACT Framework, requiring the regular HACT assurance activities (including spot-checks) and reporting through the FACE form to help manage the risk of reimbursements.
- With all payments being contingent on the achievement of related Deliverable(s), no expenses can be recorded in UNDP’s books until:

- The Deliverable(s) have been validated by the IA through the established Validation Methodology and approved by the Project Board; and
- All PBPs, incentives and working capital reimbursements (where applicable) have been paid.
- For PBPAs that have met or exceeded the minimum progress thresholds at the year-end, an assessment of progress made may be required in order to incorporate the financial value of delivery within UNDP's accounts.
- PBPAs come with a variety of potential reputational and financial risks, and therefore all stakeholders must be aware of the possible risks inherent in this type of financial instrument. Since PBPAs require an RP to commit upfront a financial stake in the arrangement, the UNDP Office or Bureau (as well as the RP) entering into this agreement should fully understand the risks and develop strategies to mitigate them.
- The success of a project for which this Agreement will be used, will ultimately depend on several Key Success Factors, including:
  - An organizational culture focused on achieving results with commitment to value for money (including delivering results with efficiency, effectiveness, sustainability and equity).
  - The project's potential to be sustainable, scalable and replicable.
  - A quality Results Framework that identifies clear objectively verifiable indicators that measure progress towards achieving results, and fair milestone and target results on which payments can depend.
  - A well-developed data and analytics infrastructure to collect, track and document results. The collected data should be used to drive project activities towards achievement of desired results by refining and tailoring course correction actions in a timely manner.
  - An RP's demonstration of robust and stable financial infrastructure with technical systems in place for monitoring and risk management activities.
  - RP's ability to manage cash flow needs and demonstration of ability to continue operating in the absence of performance-based agreement payments.
  - RP's track record of success in setting and achieving challenging results targets and ability to track meaningful data on an ongoing basis.

## The Project Board

- The Project Board ensures that all the decisions taken are duly recorded and promptly communicated to all parties to this Agreement, the host country government and funding partner(s), as appropriate.
- Role and Responsibilities of the Project Board with respect to Performance-Based Payment Agreements:
  - (i) To review if the implementation of the project activities is in accordance with the framework of the project documents and within the regulatory requirements of this Agreement, to be complied with by all parties to this Agreement.
  - (ii) To determine whether a material breach of the provisions of this Agreement have occurred, and determine, approve or reject the sufficiency of any cure to the material breach.
  - (iii) To approve any amendments that may be needed to this Agreement as a consequence of the direct changes in the arrangements or changes to the project document which is appended to this Agreement.

- (iv) To review and approve any amendments to the Deliverable(s) and Performance-Based Payment Terms (as set out in Article 5), the Validation Method and/or the Independent Assessor's Agreement (Annexes A and B).
- (v) To review and approve (a) the progress reports submitted by the RP (b) results-based reporting and impact assessments submitted by IA and (c) any other monitoring reports as may be relevant for the successful achievement of Result(s) by the RP.
- (vi) To certify that the minimum progress thresholds have been achieved and approve of any corrections or rectifications related thereto have been achieved by the RP thereby ensuring that the project is making progress towards intended Result(s).
- (vii) To assess the continuing relevance of the project activities and review progress made within the annual work plans and agreed tolerances.
- (viii) To determine whether a "Termination Event" exists, as defined under Section 7.03; and approve the sufficiency of any cure related thereto, by the RP.
- (ix) To facilitate an open and transparent process for resolving disputes among parties on performance measures and performance payments.
- (x) To provide guidance on new project risks identified and recommend possible counter measures and management actions to address the risks.

## **ANNEX 1: GLOSSARY OF TERMS**

*This glossary includes terms typically used in Performance-Based Payment Agreements and is not intended to be an exhaustive list.*

<b>Term</b>	<b>Definition</b>
Baseline	Information gathered at the beginning of a project or programme against which variations that occur in the project or programme are measured.
Deliverable	Payments are triggered by the achievement of Deliverable(s). Deliverable(s) are defined Project performance results which the RP agrees to deliver to UNDP subject to pre-agreed validation methodology and within the agreed time-frame. Deliverable(s) may include one or more milestone results and/or target results evidenced by one or more objectively verifiable indicators as set forth in the Results Framework (Annex 1 of the PBPA.)
Funding Partner	An institution or person who provides money or support to a project under Performance-Based Payment agreement.
Independent Assessor	An independent third-party responsible for validating if indicator targets have been met as well as for providing the documentation to trigger release of funds for payment to the Responsible Party under a Performance-Based Payment agreement.
Inputs	The financial, human, material, technological and informational resources used for the development interventions.
Milestone Result	A measurement of success that occurs during the service delivery phase that contributes towards the achievement of the final targeted result.
Intervention	Specific activity or set of activities intended to bring about change in some aspects(s) of the status of the target population.

<b>Term</b>	<b>Definition</b>
Minimum Progress Thresholds	<p>A set of quantitative and/or qualitative measures that provide a simple and reliable basis for assessing progress (or lack thereof) towards intended results. It is a means of measuring whether progress is taking place at an acceptable pace, and what actually happens against what has been planned in terms of quantity, quality and timeliness. These measures may seek to assess progress towards arranging critical project inputs required, completing key project activities that drive results, or assessing lead result indicators.</p> <p>Minimum progress thresholds help provide early warning signs about whether a project is on track and if it should be terminated early if it appears unlikely that the agreed results will be achieved.</p>
Indicator	A unit of measurement that specifies what is to be measured along a scale or dimension but does not indicate the direction or change. Indicators are a qualitative or quantitative means of measuring a result, with the intention of gauging the performance of a programme or investment.
Responsible Party	An entity that has been selected to purchase goods or provide services using the project budget. In addition, the responsible party may manage the use of these goods and services to carry out project activities and produce outputs.
Result(s)	<p>The Result(s) is/are a specific Project performance results which the RP agrees to deliver to UNDP subject to pre-agreed validation methodology and within the agreed time-frame.</p> <p>The Result(s) may include: (1) Milestone Result(s) and/or (2) Target Result, both terms as defined in this glossary.</p>
Results Validation Methodology	Determination of whether the Result(s) delivered by the RP is achieved per the requirements of this Agreement
Target Result	Specifies a particular value for an indicator to be achieved by the end of the Deliverable Implementation Period.
Working Capital	The capital/money used by an organization to fund its day-to-day operations, which in the context of PBPA will include project specific activities.
Working Capital Reimbursements	The reimbursement (i.e. payment in arrear) of actual expenditure incurred related to pre-agreed activities/budget lines required to achieve the required result(s) for the project.

## PERFORMANCE-BASED PAYMENT AGREEMENT

[Reference No. insert reference number, if any; if none, delete bracketed text]

- |  |
|--|
| 1. Country: Ecuador  |
| 2. Responsible Party: Sustainable Environmental Investment Fund (FIAS by its Spanish acronym) incorporated under the laws of Ecuador with address at [enter the full address of the Responsible Party] |
| 3. Project Number and Title to which the Agreement relates: Award ID: 00101841-RESULTS BASED PAYMENT TO ECUADOR FOR REDUCTION OF DEFORESTATION 2014  |

DRAFT



4. Project Objectives: [In this section, provide a context and linkage to the Prodoc. Incorporate a brief overview or summary of the project objectives, the Results being sought and the role of RP in the delivery of the activities and services that would achieve the Results/complete the Deliverable(s).]

### **Context**

Ecuador's first Biennial Update Report (BUR) presented to the United Nations Framework Convention on Climate Change (UNFCCC) in September 2016, indicates that 30% of Greenhouse Gas (GHG) emissions come from the land use, land use change, and forestry (USCUSS) sector, so reducing emissions in this sector will contribute substantially to mitigating Ecuador's GHG emissions. To face this problem, Ecuador's Ministry of the Environment (MAE) began work on REDD+ in 2009 and officially issued the REDD+ Action Plan<sup>1</sup> (REDD+ AP) in November 2016. This Plan outlines the measures and actions (MyAs) prioritized by Ecuador to address the causes of deforestation, forest degradation, and overcome barriers to sustainable forest management, conservation and increase of carbon deposits. Furthermore, it details the institutional arrangements and responds to the requirements of the UNFCCC in relation to REDD+ National Strategies.

The [Green Climate Fund \(GCF\)](#) is a new global fund created to support the efforts of developing countries to respond to the challenge of climate change. GCF helps developing countries limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change. It seeks to promote a paradigm shift to low-emission and climate-resilient development. It was set up by the 194 countries who are parties to the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) in 2010, as part of the Convention's financial mechanism. It aims to deliver equal amounts of funding to mitigation and adaptation, while being guided by the Convention's principles and provisions. When the [Paris Agreement](#) was reached in 2015, the Green Climate Fund was given an important role in serving the agreement and supporting the goal of keeping climate change well below 2 degrees Celsius.

GCF invests in adaptation and mitigation activities in developing countries through its partner organisations, known as Accredited Entities. GCF invests in the following Strategic Impact Areas: Energy access and power generation; Low emission transport; Buildings, cities, industries and appliances; **Forestry and land use**; Most vulnerable people and communities; Health and well-being, and food and water security; Infrastructure and built environment; and Ecosystems and ecosystem services. Additionally, in October 2017, the GCF has launched a [Pilot Programme for REDD+ results-based payments](#) (GCF/B.18/23) to pilot [REDD+](#) results-based payments, consistent with the [Warsaw Framework](#) for REDD+ and other REDD+ decisions under the United Nations Framework Convention on Climate Change (UNFCCC). The five-year pilot marks a major milestone for the Fund's support of REDD+.

UNDP is deeply involved in the implementation of the REDD+ Action plan in Ecuador.

First, UNDP acts as accredited entity for proposal to the Forest and Land-Use mitigation impact area in line with the Green Climate Fund support for the early phases of REDD-plus (GCF/B.17/16). **UNDP is currently overseeing the implementation of the following Forest and Land-Use projects:** [Priming Financial and Land-Use Planning Instruments to Reduce Emissions from Deforestation](#), a USD 41M GCF grant in to support the implementation of the Ecuador REDD+ Action Plan. This was the very first project approved in support of REDD+ by the GCF.

Second, UNDP acts as accredited entity for REDD+ results-based payments proposals submit to the GCF pilot programme. UNDP is currently [REDD+ results-based payments for results achieved by Ecuador in 2014](#), approved by the GCF Board in June 2019 for USD 18.5M.

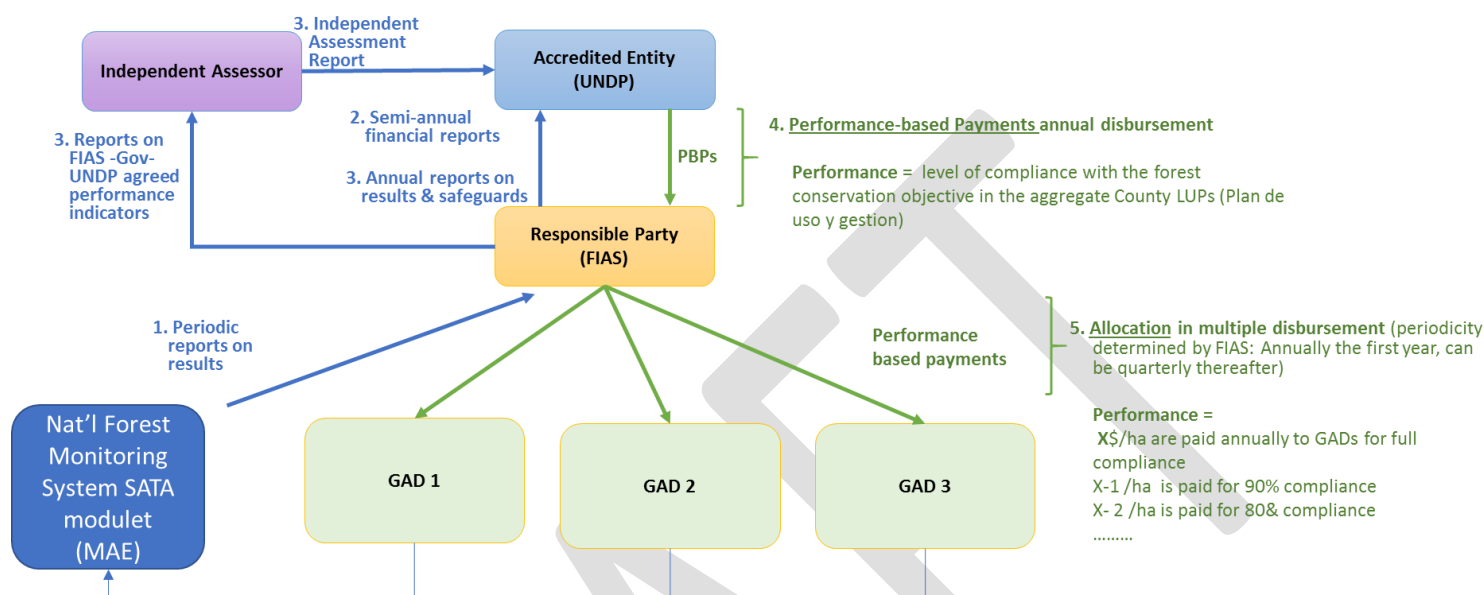
### **Objectives**

This Performance-Based Payment Agreement (PBPA) is implemented in the context of the larger [REDD+ results-based payments for results achieved by Ecuador in 2014](#) project "to support the articulation of intersectoral and governmental policies and the mainstreaming of climate change and REDD+ in public policies and in the main territorial planning instruments at the level of Decentralized Autonomous Governments (GAD) and communities, towns and nationalities". More specifically the PBPA will support the implementation of mitigation and / or adaptation to climate change actions incorporated in PDOT or PUGS by local governments at their different levels (provincial, cantonal and / or parish) or commonwealths or consortia.

The main objective of the PBPA is to create a mechanism to incentivize local governments (GADs) to implement REDD+ actions and monitor their progress. Proper implementation of these activities will increase natural resource conservation, forest restoration, sustainable forest management, protect watersheds, or increase resilience.

The PBPA will allow local governments to be incentivized to implement REDD+ actions and monitor their progress. Proper implementation of these activities will increase natural resource conservation, forest restoration, sustainable forest management, protect watersheds, or increase resilience.

The mechanism will be implemented through the Sustainable Environmental Investment Fund (FIAS) as the responsible party for the implementation of this activity. Figure 1. illustrates how this modality is implemented in a general way.



**Figure 1. Performance Payout Operation Scheme**

This activity will be carried out through the sub-activities of: (1) planning of Performance Pay, which includes the signing of an agreement between UNDP and FIAS as responsible party, and FIAS with GADs, (2) execution and reporting, (3) external verification and payment conditional on performance; (4) supervision, information management, analysis and dissemination. These sub-activities are detailed in the PRODOC.

UNDP and FIAS will sign an Agreement for the execution of the Payment for Performance Responsible Parties based on the draft presented in Annex V. In turn, FIAS will sign agreements, established under the pay-for-performance agreement, with GAD, GAD Commonwealths, or GAD consortia, creating an innovative mechanism to incentivize GADs in establishing conservation and sustainable use areas (ACUS) or other protection figures<sup>2</sup>, within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance.

5. Deliverable(s) Implementation Period: From the Effective Date (as defined in the Agreement) to the end of the project (February 26 2026)

6. Maximum Payment under this Agreement: Up to the amount of US\$ \$1,459,760.00  
One million four hundred and fifty nine thousand seven hundred and sixty United States Dollars

7. Performance-Based Payments (PBPs) only [ X ]

PBPs with Working Capital Reimbursement [ ]

<sup>1</sup> <http://suia.ambiente.gob.ec/web/suia/redd>

<sup>2</sup> Mentioned throughout the document simply as ACUS.

8. Information for Responsible Party Bank Account into Which Payment Will Be Disbursed:  
Account Name: [Click **here** and enter Owner of Bank Account]  
Account Title: [Click **here** and enter Account Title]  
Account Number: [Click **here** and enter Account Number]  
Bank Name: [Click **here** and enter Bank name]  
Bank Address: [Click **here** and enter Bank Address]  
Bank SWIFT Code: [Click **here** and enter Bank SWIFT Code]  
Bank Code: [Click **here** and enter Bank Code]  
Routing instructions for disbursements: [Click **here** and enter any additional instructions]

9.  
Number of Deliverable(s) [   ]

Deliverable(s) are fully described in Annex A-3.

10. Notices to Responsible Parties:

Name:  
Address:

Tel:  
Fax:  
Email:

11. Notices to UNDP:

Name:  
Address:

Tel:  
Fax:  
Email:

11. Signed for **[Click here and enter the name of the Responsible Party]** by its Authorized Representative

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

12. Signed for the **United Nations Development Programme** by its Authorized Representative

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

13. Name of the Independent Assessor (IA):

Name:  
Address:  
Tel:  
Fax:  
Email:

The Independent Assessor indicated above acknowledges its role as set forth in this Agreement, and as more fully detailed in the IAA it has signed with UNDP:

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**The following documents constitute the entire Agreement between the Parties and supersedes all prior agreements, understandings, communications and representations concerning the subject matter:**

**This face sheet ("Face Sheet")**

**General Terms and Conditions**

**Annex A – Validation Methodology** *(NB: this draft PBPA only includes the Theory of Change. The detailed methodology will be developed by the independent Assessor in line with PBP Guidance).*

**Annex A-1 – Results Framework**

**Annex A-2 – Results/Performance Threshold Validation Format**

**Annex A-3 – Deliverable(s) and Performance-Based Payment Terms**

**Annex B – Independent Assessor Agreement**

**Annex C – Budget** *(will be attached only if the Agreement provides for working capital reimbursements)*

**Annex D – Nature and Schedule of Assurance Activities**

**Annex E – RP's Financial Reporting Format**

**Annex F – Results Reporting Format**

**Annex G – Request for Payment Format**

**Annex H – Reporting on Minimum Progress Thresholds**

**Annex I – Project Document**

**If there is inconsistency between any of the documents forming part of this Agreement, those documents will be interpreted in the above order of priority.**

## Performance-Based Payment Agreement

This Performance-Based Payment Agreement (**PBPA**), herein referred to as the “Agreement”, is entered into on xxxxx (**Execution date**), by and between United Nations Development Programme (UNDP), and the Sustainable Environmental Investment Fund (FIAS by its Spanish acronym) as the **Responsible Party (RP)**, each a “**Party**” and jointly referred to herein as the “**Parties**.”

**WHEREAS**, the Sustainable Environmental Investment Fund (FIAS by its Spanish acronym) has been selected as the Responsible Party to carry out substantive development activities to achieve results (hereinafter referred to as “**Result(s)**”) as set out in Annex A-1, and complete the deliverables (hereinafter referred to as “**Deliverable(s)**”) as set forth in Annex A-3 of this Agreement;

**WHEREAS**, UNDP has determined that a Performance-based Payment Agreement creates incentives for the RP to provide innovative service delivery methods and quality performance with the goal of achieving the Result(s);

**WHEREAS**, UNDP has agreed to make **performance-based payments (“PBPs”)** to the RP, upon the completion of the Deliverable(s) within the related time-frame specified in Annex A-3, that will contribute to achieving the development outcomes set forth in the Project Document (“**Prodoc**”), attached as Annex I;

**WHEREAS**, PBPs by UNDP to the RP, pursuant to this Agreement, will be contingent upon the completion of the Deliverable(s) as specified in this Agreement, verified by the Independent Assessor (“**IA**”) through the Validation Methodology, described in the Annex A (entitled “**Validation Methodology**”) of this Agreement, that includes a monitoring schedule to assess the minimum progress thresholds that need to be achieved in order for this Agreement to continue;

**WHEREAS**, UNDP has engaged and entered into an agreement with the IA specified in Block 13 of the Face Sheet through an **Independent Assessor Agreement (IAA)** attached hereto as Annex B), and with whom the RP is already acquainted through the development of this Agreement, to perform the tasks assigned to the IA as described in this Agreement;

**WHEREAS**, prior to signing this Agreement the IA has performed a scope of work as set forth in the Validation Methodology including a) verification of the theory of change and the definition of the specific Result(s) to be delivered by the Responsible Party, b) [validation/development] of objectively verifiable indicators to measure the achievement of Result(s) with a clear definition of data sources and validation techniques, and setting of suitably ambitious but realistic milestone and target results for each indicator, and c) [validation/development of] a Deliverables and Performance-Based Payment Terms as set forth in **Annex A-3** (hereinafter referred to as “**Payment Terms**”) linked to the validation and certification of Deliverable(s) achieved by the RP;

**WHEREAS** the Deliverable(s) are part of a Project indicated in Block 3 of the Face Sheet for which the Project Document establishes the Project Board as a governance mechanism. As the achievement of Result(s) and completion of Deliverable(s) are closely intertwined with the overall success of the Project, the Project Board makes recommendations as specified in this Agreement and in the Project Document attached hereto as Annex I;

**WHEREAS**, the Parties agree to be bound by the Validation Methodology and the decision making process regarding the Deliverable(s) (including with respect to the PBPs and the working capital reimbursements as set forth in this Agreement;

**WHEREAS**, to the extent that the Agreement provides for working capital reimbursements, the Project Budget set forth in Annex C will contain the terms and conditions related to such reimbursements to be made by UNDP to the RP;

**NOW, THEREFORE**, the Parties are entering into this Agreement to set forth the terms and conditions upon which the RP will complete the Deliverable(s) and the conditions for the receipt of Performance-Based Payments (PBPs).

## **ARTICLE 1**

**1.01** This Agreement including its Annexes, shall form the entire Agreement between UNDP and the RP with respect to the subject matter of this Agreement, and supersedes the contents of any other negotiations and/or agreements between the Parties, whether oral or in writing, pertaining to the subject matter of this Agreement.

**1.02** The Parties shall on a regular basis keep each other informed of and consult on matters pertaining to the implementation of the Agreement and achievement of the Results under this Agreement.

**1.03** For any matters not specifically covered by this Agreement, the Parties shall ensure that those matters shall be resolved in accordance with the appropriate provisions of the Project Document and any revisions thereof.

## **ARTICLE 2**

### **EXECUTION DATE AND EFFECTIVE DATE**

**2.01** Upon signature of this Agreement ("Execution Date"), the RP shall commence preparations for undertaking its obligations under the terms of this Agreement in preparation for the Effective Date.

**2.02** Once the RP has completed its preparatory activities and has commenced performance of its obligations under this Agreement, the RP will notify UNDP and the Project Board. The date of such notification to UNDP and the Project Board shall be the Effective Date and the beginning of the Deliverable(s) Implementation Period indicated in Block 5 of the Face Sheet.

**2.03** If this Agreement does not come into effect in accordance with Article 2.02 within 6 months after the Execution Date, this Agreement along with the responsibilities of the Parties hereunder shall terminate, and no payments or reimbursement, if applicable, will be due.

## **ARTICLE 3**

### **TERM OF THIS AGREEMENT**

**3.01** The term of this Agreement shall commence on the Effective Date and, unless terminated earlier in accordance with Article 7, shall continue in full force and effect until the last PBP and reimbursement, if applicable, is paid or resolved in accordance with the terms of this Agreement.

## **ARTICLE 4**

### **RP'S RESPONSIBILITIES AND OBLIGATIONS**

**4.01** The RP agrees to achieve the milestone results and target result(s) as specified in Annex A-1 ("Results Framework"), collectively referred to as the "Result(s)", and for which the RP will be paid for the completion of the related deliverable(s) specified in Block 9 of the Face Sheet, as fully described in Annex A-3 ("Deliverable(s) and Performance-Based Payment Terms"), referred to as the "Deliverable(s)", in accordance with the terms and conditions of this Agreement.

**4.02** The RP accepts full programmatic and financial responsibility for achieving the Results and completing the Deliverable(s) with due diligence and efficiency.

**4.03** Where the RP is eligible for PBPs only (as indicated in Block 7 of the Face Sheet), the RP's operations in completing the Deliverable(s) will be undertaken in accordance with its own Financial Regulations and Rules. Where in addition to PBPs, the RP is also eligible to receive working capital reimbursements (as indicated in Block 7 of the Face Sheet), the RP will follow its own Financial Regulations and Rules only to the extent they are consistent with UNDP's Financial Regulations and Rules.

**4.04** Without prejudice to Article 4.02, the Parties will, throughout the Term of the Agreement, communicate and collaborate to enable the successful achievement of the Result(s) by the RP for which it shall be solely responsible.

## **ARTICLE 5**

### **PAYMENT AND REIMBURSEMENT TERMS**

**5.01** Annex A-3 sets forth the PBPs that will be made against the completion of the Deliverable(s) by the RP after validation by the IA through the application of the Validation Methodology.

**5.02** If all final targets are met or exceeded on time, then the RP may be eligible for a bonus

payment, as set forth in Annex A-3.

**5.03** If all milestone and/or target results that are part of a Deliverable are not achieved, the IA may recommend that a reduced payment be made in accordance with Annex A-3.

**5.04** If this Agreement provides for working capital reimbursements, the maximum amount of reimbursement shall not exceed 50 % of the amount specified in Block 6 of the Face Sheet. Moreover, the working capital reimbursements shall not exceed 50% of individual budgeted line items as specified in Annex C ("Budget"). The schedule of possible working capital reimbursements, as well as the conditions for the RP to receive such reimbursements, are set forth in Annex C.

**5.05** The total amount payable to the RP under this Agreement (including all PBPs, incentives and working capital reimbursement, if applicable) shall not exceed the amount indicated in Block 6 of the Face Sheet, subject to the terms of this Agreement

**5.06** Annex A-3 may be amended from time to time during the Deliverable(s) Implementation Period, upon the recommendation of the Project Board (as defined in Project Document), and upon agreement of the Parties. Any such revision shall be reflected in a written amendment signed by the Parties.

**5.07** Upon completion of the Deliverable(s) within the related time-frame specified with Annex A-3, the RP may request a PBP by submitting the following:

- a. a completed Request for Payment form in the format set forth in Annex G;
- b. a completed Results Reporting form as set forth in Annex F; and
- c. all relevant evidence available to the RP as may be necessary to support such request, such as survey reports, photographs, copies of reports, etc.

**5.08** When the RP is eligible for working capital reimbursements as indicated in Block 7 of the Face Sheet, the RP may request a working capital reimbursement by submitting the following in accordance with the timeline set forth in Annex C:

- a. a completed Request for Payment form in the format set forth in Annex G, and specifying the actual costs incurred for the relevant budget line;
- b. a completed Report on Minimum Progress Thresholds as set forth in Annex H;
- c. all relevant evidence available to the RP as may be necessary to support such request, such as financial statements, survey reports, photographs, copies of reports, etc.

**5.09** The IA will consider and evaluate all of the foregoing in applying the Validation Methodology with respect to the payment request for the relevant Deliverable(s), and if relevant, the working capital reimbursement.

**5.10** Once the application of the Validation Methodology by the IA is complete, the IA will notify the Parties whether the relevant Deliverable(s) (and, in the case of working capital reimbursement,



the relevant minimum progress thresholds) have been completed (either fully or partially, and indicating the percentage of completion). The IA shall make a recommendation to UNDP accordingly regarding the amount of the PBP and the working capital reimbursement, if applicable.

**5.11** UNDP will take into consideration the recommendation of the IA, and within 15 days of receiving the IA's recommendation will inform the RP and the Project Board of its decision with respect to the PBP and, if applicable, the working capital reimbursement.

- 5.11 (a) If the RP agrees with UNDP's decision, UNDP will issue payment within 10 days.
- 5.11 (b) If the RP contests the recommendation of the IA which has been confirmed by UNDP's decision, the RP must notify the IA within 15 days that it is disputing the recommendation of the IA to UNDP. The IA will then have 15 days to review the dispute, make corrections to its calculations (if any), and submit its decision to the RP. The RP must respond within an additional 15 days whether it agrees with the revised calculations/recommendations of the IA. If the RP still rejects the revised calculations/recommendation of the IA, the mediation process in Article 5.12 will be followed.
- 5.11 (c) If the RP contests the decision of UNDP which did not adopt the recommendation of the IA, the RP may pursue the resolution of dispute mechanism set forth in Article 8.12.

**5.12** In the event that after the process set out in Article 5.11(b), the calculations/recommendation of the IA are still disputed by the RP, within fifteen (15) working days of the second notification of dispute, UNDP will appoint an Independent Mediator with expertise in such matters, acceptable to all Parties, with the costs to be borne by the disputing Party. The Mediator shall re-perform the calculations, using the same data and the original Validation Methodology. The Mediator shall negotiate in good faith to resolve the dispute in an expeditious manner. The determination of the Mediator shall be final and binding. The Parties waive the right to further recourse on the issue of the payment resolved by the Mediator. UNDP undertakes to abide by decisions of the Mediator and pay promptly to the RP, any differences arising out of such mediation process.

**5.13** All PBPs will be made by UNDP to the RP via an Electronic Fund Transfer (EFT) into the RP's bank account as specified in Block 8 of the Face Sheet.

## ARTICLE: 6

### AUDITS AND INVESTIGATIONS

**6.01** All payments made by UNDP under this Agreement shall be subject to a post-payment audit by auditors, whether internal or external, of UNDP or by other authorized and qualified agents of UNDP

at any time during the term of this Agreement and for a period of three (3) years following the expiration or early termination of this Agreement.

**6.02** The RP acknowledges and agrees that, from time to time, UNDP may conduct investigations relating to any aspect of this Agreement or its selection as RP, the obligations performed under this Agreement, compliance with social and environmental commitments, and the operations of the RP generally relating to the performance of this Agreement. The right of UNDP to conduct an investigation and the RP's obligation to cooperate with such an investigation shall not lapse upon the expiration or the early termination of this Agreement, whichever is earlier.

**6.03** The RP shall provide its full and timely cooperation with any post-payment audits or investigations. Such cooperation shall include, but shall not be limited to, the RP's obligation to make available the RP personnel (including officers, officials, employees, consultants, contractors, advisors and agents, hereinafter "RP Personnel") and any relevant documentation for such purposes at reasonable times and on reasonable conditions, and to grant to UNDP access to the RP's premises at reasonable times and on reasonable conditions. The RP shall ensure that its personnel cooperate with any post-payment audits or investigations carried out by UNDP hereunder.

**6.04** UNDP shall be entitled to a refund from the RP for any amounts shown by audits or investigations to have been paid by UNDP other than in accordance with the terms and conditions of this Agreement.

**6.05** UNDP shall be entitled to a refund from the RP for any funds provided that have been used inappropriately, including fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Agreement. Such amounts may be offset by UNDP from any payment due to the RP under this or any other agreement. Recovery of such amounts by UNDP shall not diminish or curtail the RP's obligations under this Agreement.

**6.06** Without prejudice or limitation to the foregoing, the RP agrees that, where applicable, UNDP's Funding Partner(s) whose funding is the source, in whole or in part, of the funds for the activities which are the subject of this Agreement, shall have direct recourse to the RP for the recovery of any funds determined by UNDP to have been used inappropriately, including fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Agreement. However, there shall be no double recovery of funds under this and the preceding provision.

**6.07** Each contract issued by the RP in connection with its activities toward the achievement of the Result(s) under this Agreement, shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other ex gratia payments have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the RP shall cooperate with any and all investigations and post-payment audits.

**6.08** If the findings or circumstances of a post-payment audit or investigation so warrant, UNDP may, in its sole discretion, take any measures that may be appropriate or necessary, including, but not limited to, suspension of this Agreement with no liability whatsoever to UNDP.

## ARTICLE 7

## EARLY TERMINATION

**7.01** UNDP may terminate this Agreement, following consultation with the Project Board as indicated in the Project Document, prior to the end of the Deliverable(s) Implementation Period upon the occurrence of any of the following “**Termination Events**”:

- (a) Any of the RP’s actions are not in compliance with UNDP’s Social and Environmental Standards.
- (b) The RP is in material breach of any of the provisions, obligations and responsibilities under this Agreement, that would either (i) reasonably be expected to materially adversely affect the RP’s ability to achieve the Result(s) and complete the Deliverable(s); or (ii) be a material violation of any local laws applicable to the RP, or the financial regulations and rules applicable to the RP under this Agreement.
- (c) The IA finds, through its application of the Validation Methodology, that the RP has failed to achieve any of the ‘minimum progress thresholds’ as described in Annex H that may jeopardize the overall success and achievement of the Result(s).
- (d) Upon the occurrence of any force majeure event which is outside the reasonable control of either Party and is not attributable to any act or failure to take preventive action by that Party, including force majeure or any other disaster natural or man-made, acts of terrorism or similar cause beyond the reasonable control of the Party affected thereby, and political developments which prevent the Parties' access to data or any event which prevents a Party from performing its obligations under this Agreement for a period in excess of three (3) months from the due date of meeting their respective obligation(s).
- (e) Termination of the IAA by UNDP or the IA, and the Parties are unable to agree on the options for the continuation of this Agreement, including the contracting of another IA.

**7.02** Notwithstanding Article 7.01, this Agreement will terminate automatically in the event that this Agreement fails to become Effective in accordance with Article 2 above.

**7.03** The Parties may terminate this Agreement upon their mutual written consent.

**7.04** In the event of early termination of this Agreement, any payments remaining that may have been due in the future, shall cease irrespective of the stage of completion of the Deliverable(s) at such time.

## ARTICLE 8

## **OTHER RESPONSIBILITIES, OBLIGATIONS AND LIABILITIES**

**8.01** The RP shall be solely liable for claims by third parties arising from the RP's acts or omissions in the course of performing this Agreement and under no circumstances shall UNDP or the Funding Partner(s) be held liable for such claims by third parties.

**8.02** The RP shall ensure that the RP Personnel engaged by it in connection with its implementation of this Agreement (i) meet the highest standards of professional qualifications and competence necessary for the implementation of its activities in achieving the Result(s) and completion of the Deliverable(s) under this Agreement; (ii) are free from any conflicts of interest related to the RP's activities in achieving the Result(s); (iii) respect the local laws and customs, and conform to the highest standards of moral and ethical conduct; (iv) shall refrain from any conduct that would adversely reflect on UNDP or the United Nations, and shall not engage in any activity that is incompatible with the aims, objectives or mandate of UNDP or the United Nations; and (v) shall not use information that is considered confidential without the prior written authorization of UNDP.

**8.03** The RP shall be fully responsible and liable for all RP Personnel engaged by it in connection with its activities in achieving the Result(s); the RP Personnel shall not be considered in any respect as being officials, personnel, employees, staff or agents of UNDP or the United Nations.

**8.04** RP shall not assign, transfer, pledge or make other disposition of this Agreement or any part thereof, or any of the RP's rights, claims or obligations under this Agreement except with the prior written consent of UNDP.

**8.05** The RP shall keep accurate and up-to-date records and documents, including original invoices, bills, and receipts pertinent to its activities in achieving the Result(s) under this Agreement. Upon achievement of the Results, or upon expiration or the early termination of this Agreement, the RP shall maintain its records for a period of at least five (5) years, unless otherwise agreed by the Parties.

**8.06** Information and data that is considered proprietary by either Party and that is delivered or disclosed by one Party to the other Party during the term of this Agreement, shall be considered confidential and shall be handled pursuant to the UNDP Information Disclosure Policy, not attached hereto but known to and in the possession of the Parties; the RP may disclose information to the extent required by law, provided that and without any waiver of the privileges and immunities of the United Nations, the RP will give UNDP sufficient prior notice of a request for the disclosure of information in order to allow UNDP to have a reasonable opportunity to take protective measures or such other action as may be appropriate before any such disclosure is made; UNDP may disclose information to the extent required pursuant to the Charter of the United Nations, resolutions or regulations of the General Assembly, or rules promulgated by the Secretary-General of the United Nations. These obligations shall not lapse upon achievement of the Results or expiration or early termination of this Agreement, whichever is earlier.

**8.07** RP shall maintain insurance (or self-insure) against all risks in respect of its property and any equipment used in connection with the achievement of Result(s) under this Agreement. The RP shall maintain all appropriate workmen's compensation insurance, or the equivalent, with respect to the RP's Personnel to cover claims for personal injury or death in connection with this Agreement.

**8.08** The RP agrees to indemnify, hold and save harmless, and defend, at its own expense, UNDP, its officials and persons performing services for UNDP from and against all suits, claims, demands, and liability of any nature or kind, including their costs and expenses, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) or relating to acts or omissions of the RP, including the RP Personnel, under this Agreement. This provision shall extend, inter alia, to claims and liability in the nature of workmen's compensation, damage to property or other hazards that may be suffered by the RP's personnel as a result of their services pertaining to its activities in achieving the Results, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the RP or the RP Personnel.

#### **8.09**

(a) Article II, Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter alia, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations' exemption from such taxes, duties or charges, the RP shall immediately consult with UNDP to determine a mutually acceptable solution.

(b) Accordingly, the RP authorizes UNDP to deduct from the PBPs (and if relevant, any working capital reimbursement) payable to the RP, any amounts representing such taxes, duties or charges, unless the RP has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically provided written authorization to the RP to pay such taxes, duties or charges under protest. In that event, the RP shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.

#### **8.10**

(a) The responsibility for the safety and security of the RP and the RP Personnel and property, as well as of the equipment and other UNDP property in the RP's custody, shall rest with the RP.

(b) UNDP reserves the right to verify whether the necessary security arrangements are in place, and to suggest modifications thereto when necessary.

(c) The RP agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received under this Agreement are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/sc/committees/1267/1267.htm>. This provision must be included in all contracts or sub-contracts entered into under this Agreement.

**8.11** The Parties hereby agree that the execution of and any performance pursuant to this Agreement does not constitute a waiver, each to the other, of any claims, rights, or obligations which shall or have arisen by virtue of any previous agreement among or between the Parties. Any such claims, rights, or obligations are hereby preserved, protected, and reserved.

**8.12** Except with respect to the mediation process specified in Article 5.12, the Parties shall try to settle amicably through direct negotiations, any dispute, controversy or claim arising out of or relating to the present Agreement, including breach and termination of the Agreement. If these negotiations are unsuccessful, the matter shall be referred to arbitration in accordance with United Nations Commission on International Trade Law Arbitration Rules. The Parties shall be bound by the arbitration award rendered in accordance with such arbitration, as the final decision on any such dispute, controversy or claim.

**8.13:** Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards and related Accountability Mechanism as set forth in the Project Document (Annex I). The RP shall: (a) conduct project activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through UNDP's Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

## **ARTICLE 9**

### **MONITORING FRAMEWORK AND REPORTING**

**9.01** The RP shall provide regular reporting of its performance and its progress in achieving the Result(s) and completing the Deliverable(s), high level risks, and financial matters in accordance with the reporting schedule and plans included in the Project Document and this Agreement.

**9.02** UNDP will monitor the progress made in achieving the Result(s) by the RP, to assess the consistency or discrepancy between planned and actual results and implementation performance as part of its quality assurance role. This may include, but is not limited to: 1) tracking performance through the collection of appropriate and credible data and other evidence; 2) analyzing evidence to inform management decision-making, improve effectiveness and efficiency, and adjust programming as necessary; and 3) reporting on performance and lessons to facilitate learning and support accountability. Such monitoring may require site visits to the RP. The frequency of monitoring shall be appropriate to decision-making, and shall also be aligned with the schedule of Project Board meetings.

**9.03** Where this Agreement provides for working capital reimbursements, UNDP shall also undertake various independent assurance activities (such as spot checks, audits or other related exercises) during the Deliverable(s) Implementation Period. In addition, UNDP may conduct "internal control audits" on the RP's processes, during the Deliverable(s) Implementation Period. The RP consents to the spot checks, audits and related exercises, and shall comply and ensure the compliance of RP Personnel.

**9.04** The RP shall facilitate such monitoring and assurance activities in an open and transparent manner, and in the implementation of which maintain and provide documentation and evidence that describes the proper and prudent use of project resources in conformity with this Agreement and in accordance with the applicable regulations and rules as indicated in Article 4.03. This documentation will be made available to UNDP upon its request, its designated monitoring agents, auditors, investigators and the IA.

**9.05** The RP shall submit a cumulative financial report every six months (as at 30 June, and 31 December), results reporting in the frequency set forth in the Results Framework (**Annex A-1**), and reporting towards the achievement of minimum progress thresholds in the frequency set forth in **Annex H**. The report will be submitted to UNDP within 30 days following those dates. The reporting will follow the formats provided as **Annex E** (“RP’s Financial Reporting Format”), **Annex F** (“Results Reporting Format”) or **Annex H** (“Reporting on Minimum Progress Thresholds”) respectively. The RP shall also furnish a ‘final financial report’ within 3 months after the end of the Deliverable(s) Implementation Period or expiration or early termination of this Agreement, including all relevant audited or certified financial statements and records related to such achievement of the Result(s), as appropriate, pursuant to the financial regulations and rules as specified in 4.03.

**9.06** An Annual Review Report of the RP’s activities towards achieving the Result(s) shall be prepared by the RP and shared with UNDP and the Project Board. The annual review report shall consist of updated information and summary of performance against pre-defined minimum progress thresholds and milestone/target results.

## ANNEX A: VALIDATION METHODOLOGY

### [To be prepared by Independent Assessor in reference to the Performance-Based Payment Agreement and the Project Document]

Validation is a key component of a Performance-Based Payments agreement, as it enables UNDP to assess the effectiveness of the intervention and measure the extent to which performance benchmarks are achieved in order to determine the level of payment(s) to RPs. The theory of change, result definitions, and related performance benchmarks for results must be carefully defined, with performance and validation metrics specified, in advance of the start of the project. In addition, UNDP must be assured that relevant risk management measures are in place prior to signing the agreement, including through an Environmental and Social Management Plan when needed.

To ensure that assessments are conducted rigorously and the determinants of “success” are legitimate, projects must contract an internationally recognized institution of repute to formulate the validation method, to undertake assurance activities (e.g., random assignment, data collection), and to verify the achievement of the results required to make performance payments. These experts are involved with every stage of the project and ultimately examine the validity of the findings as a precondition for approval of performance payments to RPs.

UNDP, the Funding Partner(s) and the RP have to be confident that the measurement tools can demonstrate a direct causal link between the project interventions and contribution to the higher-level outcomes.

A well drafted, detailed Validation Method is fundamental to the success of implementation of Performance-Based Payment Agreements. Clarity on the theory of change underpinning the project results; and the basis, methodology and the timing of the measurement of indicators will ensure that the Responsible Parties direct its activities to achieving what will be measured. Lack of clarity poses risks of overpayments, underpayments and/or disagreements, and will impact the effectiveness of this results-based financing model.

This Validation Method is considered an attachment to the project document and must include:

- a) The IA's assessment and validation of the project's **theory of change** underlying the achievement of the expected results and **Definition of the specific results** to be delivered by the Responsible Party as per the project document;
- b) **Results framework** from the project document, including objectively verifiable indicators with fully populated baselines and targets, and data sources that will be used to measure the achievement of results by the Responsible Party;
- c) The method for **Results Validation**, to certify that the result has been delivered to the agreed level of quality and sustainability, including any primary data collection, validation of existing data, and/or analysis methods on the performance of the RP in meeting the milestones and targets set against the agreed indicators in the Results Framework. Quality will be determined by clear measures of efficient delivery of outputs, effective achievement of intended results, sustainability of results and equity through application of UNDP's social and environmental



standards. The Results Validation format is part of the agreement, and is completed by the IA during implementation to certify the achievement of results eligible for payment;

- d) A Deliverable(s) and **Performance-Based Payment Terms** that is linked to the IA's certification of results, which may include payments upon the achievement of agreed milestone results that contribute to the achievement of the final targeted result. The Deliverable(s) and Performance-Based Payment Terms will detail the minimum progress performance that is needed to issue payment (as well as for any bonuses or partial payments), the trigger(s) for validation and the methodology for performance payment calculations, including risk adjustment factors;
- e) **Risk management measures** in place, including through an Environmental and Social Assessment and Management Plan when needed to ensure compliance with UNDP's Social and Environmental Standards;
- f) Agreement on monitoring and reporting arrangements, including responsibilities of the RP, IA and UNDP, requirements, format, data sources and frequency;
- g) Details on the Early Termination Process, including criteria on RP performance (i.e., minimum progress thresholds, performance against agreed milestone and target indicators after a specified time, etc.).
- h) Standard language on data security, data ownership and the destruction of data.

**Monitoring and Data collection:** The Independent Assessor (IA) must have access to all of the primary and secondary data used by the Responsible Party to report on performance. The Validation Method of the IA must triangulate the reporting from the Responsible Party with additional evidence of achievement of the results, which may include (but is not limited to) random sample surveys, beneficiary feedback, photographs, interviews, and 3<sup>rd</sup> party stakeholders, as appropriate. The method of data collection should provide assurance to UNDP and the Funding Partner(s) that the results have been achieved as per the agreed indicators.

**Reporting:** The RP will report on the progress in achieving all objectively verifiable indicators on the milestone and target dates as agreed in the Results Framework. The RP will also report on its progress in meeting all minimum progress thresholds on the dates as agreed in Annex H. The IA will validate the performance reported by the RP using the Validation Method.

**Early Termination:** If, at any time during the contract period, either party feels that the results will not be achieved as agreed, this contract may be terminated early.

# Theory of Change

**(to be included in the final validation methodology, or as an additional annex, once reviewed by the independent assessor)**

The participation of municipal governments is essential to enable the advancement of the REDD+ Action Plan, especially those components of land use planning and development of sustainable activities, but also that of monitoring and control. This is due to the following:

- The Central Government of Ecuador does not have the structure and presence to conduct all control activities foreseen by the law across the whole national territory.
- The management of much of the land has been transferred Decentralized Autonomous Governments (including Municipalities – also called Cantons in Ecuador). All Municipalities are required by law to develop and enforce Municipal Land-Use plans (PUGS by their Spanish acronym) that define conservation areas or “suelos rurales de protección”.
- Municipalities have an important comparative advantage when it comes to controlling deforestation: the mayor is the public authority closest to the local reality and, as such, is able to know more quickly the local problems and characteristics. Such comparative advantage constitutes the fundamental mark of a decentralized governance system which is fully supported by the Ecuadorian Land Management Law (Ley de tierras).

Despite this, there are important barriers that currently impede the municipalities from fully taking-on their role in the fight against illegal deforestation:

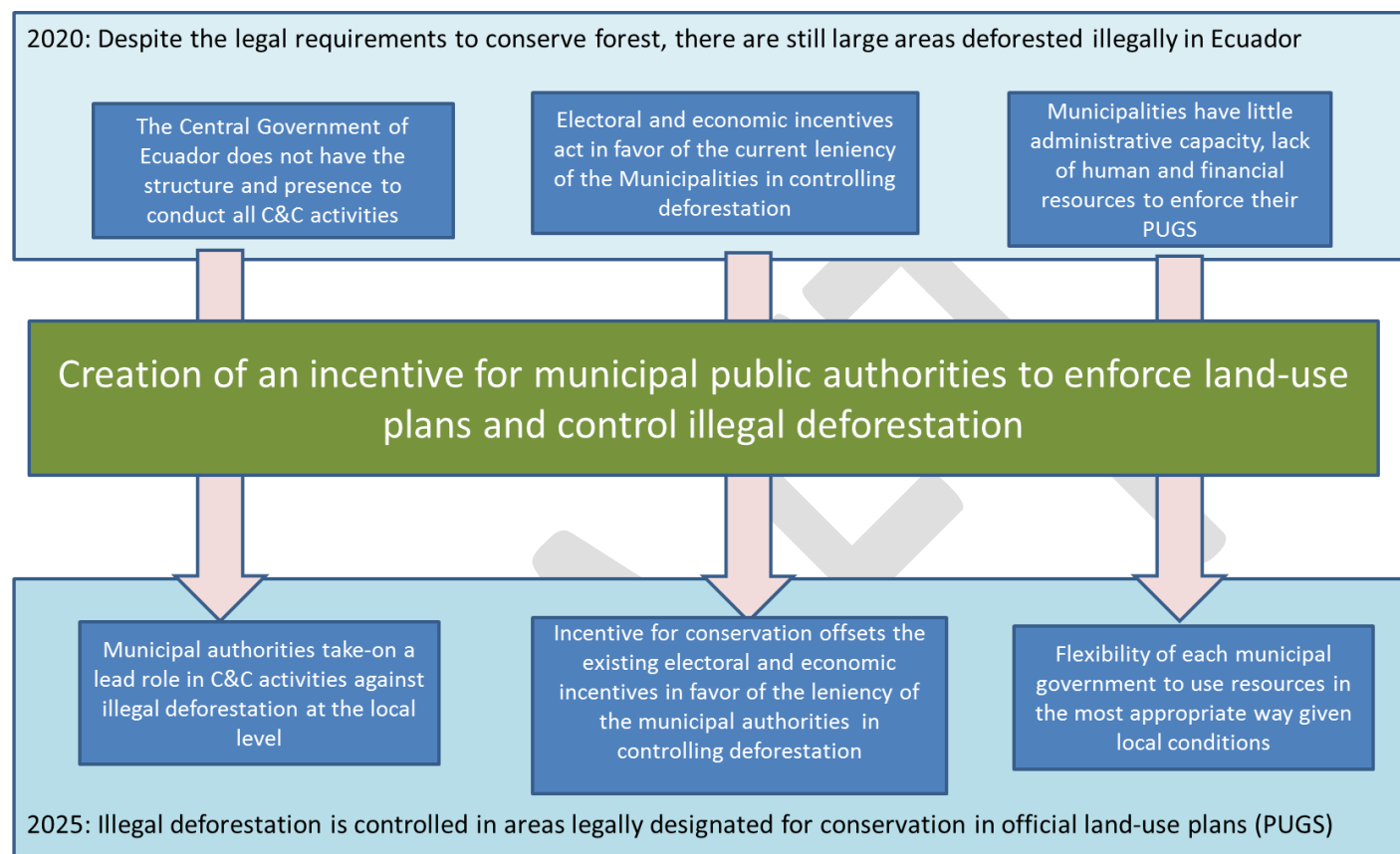
- Firstly, when it comes to enforcement of these PUGS it is necessary to consider that while most activities leading to deforestation are illegal, they often generate income and jobs in local economies, which creates a disincentive for local government to actively enforce land-use planning decisions. When a mayor takes measures to enforce the law that hinder predatory economic activities, he/she directly harms the economic interest of his voters and potential campaign financiers. Or even harms his personal economic interests, if he/she is engaged in economic activity that involves deforestation.
- Secondly, even if the mayor is willing to bear the political burden generated by an action to contain deforestation, he will face the lack of structure and financial resources of municipal supervisory bodies. The municipalities have defined environmental policy objectives in the PUGS and a basic administrative structure in place to implement these policy objectives. However, most of them have little developed administrative capacity, lack of human and financial resources and managerial capacity.

Therefore, it is necessary to create incentives for local public authorities for enforcing land-use plans and controlling deforestation. Indeed by choosing to provide financial incentive to the municipal governments, they will have incentives and resources to assume their strategic roles in the policy of controlling deforestation, offsetting the (electoral and economic) incentives that act in favor of the current leniency of the public power in controlling deforestation.

Regarding the choice of the performance-based agreement as an ideal instrument to achieve policy objectives. It must be considered, as already stated above, that an essential advantage of administrative decentralization is, precisely, the fact that the local manager has greater knowledge of the singularities of that municipality. Requiring the use of resources in a given package of inputs presupposes that the same mode of action and the same inputs are necessary everywhere. Therefore, the flexibility of each municipal government to act in the most appropriate way given local conditions is lost. Second, such a traditional input-based model does not guarantee that the real objective of the policy, which is to improve the final public policy outcome (effective protection of forest conservation area), is achieved.

In short, the most feasible and potent way to establish a financial incentive mechanism to internalize the externalities generated by the reduction of deforestation seems to be the creation of an incentive system in favor of municipal governments.

**Figure 2. Theory of Change**



There are important examples of this importance in the literature from other countries. Noteworthy is the example of the local public power is the action of the Paragominas municipality in Brazil reversing the high rate of local deforestation. This Municipality, until recently a focus of intense deforestation, managed to reverse this situation after mobilization led by the municipal government (see Box I).

#### **BOX I – INTERNATIONAL BEST PRACTICE**

##### **Brazil's Paragominas Municipality: an example of the importance of action by municipal governments in curbing deforestation**

Brito, Souza Jr. and Amaral (2011) describe the reduction of deforestation in the Municipality of Paragominas as a case of success in the action of the municipal government in reversing environmental destruction. This box summarizes the main information contained in that article.

Founded in 1965, the Municipality has gone through several economic cycles based on logging, livestock and agriculture, having lost 45% of its forest area. After being included in the “black list” of municipalities with a high rate of deforestation, the Municipality, under the leadership of its mayor, was able to reverse deforestation rates.

Local civil society groups, producer associations were mobilized by the city and signed a zero-deforestation pact. The pact was supported by the State Government and non-governmental entities (Imazon and The Nature

Conservancy). Two lines of action were adopted: monitoring and control of deforestation and implementation of the Rural Environmental Registry (CAR).

For the first line of action, the city relied on information from the DETER System for detecting deforestation, sending environmental agents to the occurrence sites to suppress the action and identify the causes of deforestation. Then, the repression actions applied by the state and federal environmental agencies were requested. It is important to note, here, the relevance of joint work between the three levels of government, as each has comparative advantages that the others lack. While the municipal government has the agility to quickly send agents to the places where deforestation occurs, it does not have legal instruments that allow the immediate repression of the activity. State governments and the Federal Government do not have the agility to reach deforestation sites promptly, but they have strong instruments of punishment and repression.

The second line of action, aimed at registering rural properties, began with the promotion of educational seminars to encourage landowners to register their land. Public prosecutors and state environmental officials participated in the meetings together with experts from non-governmental organizations. As a result, more than 80% of the municipality's territory was included in the CAR.

The fall in deforestation was substantial, going from 107 km<sup>2</sup> in 2007 to 21 km<sup>2</sup> in 2009, less than the 40 km<sup>2</sup> stipulated by the MMA as a target for the exclusion of the Municipality from the "black list".

The three main causes of the initiative's success were: (a) the pact created among members of local society, under the leadership of the city government; (b) monthly monitoring of deforestation; (c) training and action by local agents to monitor and stop the specific causes of deforestation.

This example demonstrates the importance of municipal governments in controlling deforestation, as they are the institution that has knowledge of local conditions, which has the capacity to act promptly and, above all, because it is the only institution capable of bringing together the relevant actors of local society to propose a pact in favor of forest preservation.

Furthermore, as different states and municipalities present innovative and successful solutions, such as the one developed in Paragominas, the example can be replicated in other cities and states, creating a dynamic system of experimentation and improvement of experiences.

DRAFT

**Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:** Outcome 2: By 2022, Ecuador has strengthened its regulatory, political, and institutional frameworks to improve sustainable, participatory, and gender-focused management of natural resources, promoting more responsible production and consumption patterns, in a context of climate change.

**Project title and Atlas Project Number:** RESULTS BASED PAYMENT TO ECUADOR FOR REDUCTION OF DEFORESTATION 2014 - Award ID: 00101841

**Responsible Party:** Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)

AGREED OUTPUTS AND INDICATORS	DATA SOURCE AND FREQUENCY (RP)	BASELINE		RESULTS (by frequency of data collection)				Method of Validation (IA)
		Value	Year	Milestone Result 1 [End of year 2]	Milestone Result 2 [End of year 4]	TARGET (Project Completion) RESULT [End of year 6]	Post Agreement Sustainability TARGET [Date]	
<b>Output 1:</b> Creation of conservation and sustainable use areas (ACUS) or other protection figures created by GAD Commonwealths, or GAD consortia within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance.								
<i>Indicator 1.1 Include quantifiable indicators (one per row) that will be used to determine if the output has been delivered:</i>  <b>Hectares of additional conservation and sustainable use areas (ACUS) or other protection figures<sup>3</sup> created by GAD Commonwealths, or GAD consortia within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance.</b>	<i>Baseline data source: County Land Use and management plans (PUGS)</i>  <i>Data source for the creation of new areas: Official Ordinance or resolution</i>  <i>Frequency: Annual</i>	0 ha	Oct 2020	0 ha	40,000ha or At least 1 ACUS, or other protection figures, created	80,000ha or At least 3 ACUS, or other prtction figures, created		

<sup>3</sup> Mentioned throughout the document simply as “conservation areas”.

<p><i>Indicator 1.2 Include indicators (one per row) that objectively measure the quality and sustainability of the results:</i></p> <p><b>Existence of the documentation required for the creation of each additional conservation areas as required by regulations<sup>4</sup> including:</b></p> <p>a) <b>Study of management alternatives.</b></p> <p>b) <b>Management plan.</b></p> <p>c) <b>Systematization of the participatory declaration process</b></p> <p>d) <b>Financial sustainability plan.</b></p> <p>e) <b>Report on the land tenure regime, and</b></p> <p>f) <b>Creation of conservation area by Ordinance or Resolution, according to the level of government in question.</b></p>		0	Oct 2020	Processes to gather and/or produce the necessary documentation have been launched	None	All documents developed / processes carried out for all new ACUS, or other protection figures, supported by the project		
<p><b>Indicator 1.3 Environmental and social management measures implemented and monitored.</b></p> <p><b>NB: Exact indicators to be determined based on project ESMP, tentatively:</b></p> <ul style="list-style-type: none"> <li>- <b>Evidence of Free Prior and Informed Consent (FPIC)</b></li> <li>- <b>Existence of ESIA</b></li> </ul>		0	Oct 2020	All FPIC processes finalized	All ESIA carried out	All documents developed / processes carried out for all new ACUS, or other protection figures, supported by the project		
<b>Output 2: Effective control of deforestation in the municipal GAD conservation areas (county level)</b>								

<sup>4</sup> The guidelines to be followed for the establishment of the ACUS will be that set forth in the Ministerial Agreement (AM) No. 83 published in the Official Register Supplement No. 829 of August 30, 2016, by which the Ministry of Environment issued the "Procedures for the Declaration and Management of Protected Areas of the Autonomous Decentralized, Private and Community Subsystems of the National System of Protected Areas (SNAP)" and the technical document of the MAE entitled: "Guidelines for the creation and management of Conservation Areas and Autonomous Decentralized, Community and Private Sustainable Use" of 2017 that contains the methodological aspects for the creation of the areas.

<b>Indicator 2.1 Hectares of forest area under effective conservation(no deforestation) in municipal conservation areas (county level)</b>	Baseline: County Land Use and management plans (PUGS)  Monitoring: National Forest Monitoring System and other freely available global data sets <sup>5</sup>  Frequency: Annual or biennial <sup>6</sup>							
<b>Indicator 2.2</b> Include indicators (one per row) that objectively measure the quality and sustainability of the results :  <b>Existence of planning instrumentsfor effective forest conservation :</b> <ul style="list-style-type: none"> <li>- <b>Updated Management plan.</b></li> <li>- <b>Financial sustainability plan.</b></li> <li>- <b>Stakeholder Engagement Plan</b></li> </ul>		TBD	Oct 2020	40% of ACUS, or other protection figures, have effective conservation instruments in place	60% of ACUS, or other protection figures, have effective conservation instruments in place	100% of ACUS, or other protection figures, have effective conservation instruments in place	100% of ACUS, or other protection figures, have effective conservation instruments in place	
<b>Indicator 2.3 Environmental and social management measures implemented and monitored</b>  <b>NB: Indicators to be determined based on ESIA</b>		TBD	Oct 2020	40%	60%	100%	100%	

*This annex is finalized prior to the Performance-Based Payment Agreement being signed.*

<sup>5</sup> For example, University of Maryland's Global Land Analysis and Discovery data available through Global Forest Watch <https://www.globalforestwatch.org/>

<sup>6</sup> Current capacity of the National Forest Monitoring System is for Biennial monitoring of deforestation, this could improve over the lifetime of the project or could improve



## Annex A-2: Results/Performance Threshold Validation Format

*This form will be completed by the Independent Assessor (IA) each time a milestone or target result or a performance threshold needs to be validated, at least [once] per year or more frequently depending on the agreement. Relevant evidence must be attached to the validation form, including survey reports, photographs, copies of reports, etc. These measures must be defined in advance of the work starting. They must include a validation of performance against the objectively verifiable indicators and/or performance thresholds reported by the Responsible Party, in addition to any other measures agreed by the parties, as necessary to validate the results.*

<b>Output 1:</b> Creation of conservation and sustainable use areas (ACUS) or other protection figures created by GAD Commonwealths, or GAD consortia within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance.				
	Milestone Result / Target Result / Performance Threshold Agreed by [Date]	IA Validated Progress by [Date]	Data/method of validation used	% of Milestone/Target/Performance Threshold Achieved
Quantifiable measures used to verify the delivery of the output by the Responsible Party  <i>Hectares of conservation and sustainable use areas (ACUS) or other protection figures<sup>7</sup> created by GAD Commonwealths, or GAD consortia within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance.</i>  <i>Disaggregated by GAD (i.e. for each of the 3 GADs)</i>	Target result in ha of ACUS, or other protection figure, created expressed separately for GAD-1, GAD-2, and GAD 3	Frequency: Annual	Baseline data source: County Land Use and management plans (PUGS) Data source for the creation of new areas: Official Ordinance or resolution	Target result expressed in ha of ACUS, or other protection figure, created / total target of ha of ACUS will determined the % achieved
Measures used to verify the required <b>quality*</b> of the results (e.g.,)	<b>Milestone</b> : All required documentation must be presented for quality		Review of Official Ordinance including supporting documentation	Milestone is the existence of the Official ordinance and all supporting documentation.

<sup>7</sup> Mentioned throughout the document simply as ACUS.

Existence of the documentation required for the creation of the ACUS as established in regulations including: <ul style="list-style-type: none"> <li>- Study of management alternatives.</li> <li>- Management plan.</li> <li>- Systematization of the participatory declaration process.</li> <li>- Financial sustainability plan.</li> <li>- Report on the land tenure regime, and</li> <li>- Creation of ACUS by Ordinance or Resolution, according to the level of government in question.</li> </ul>	milestone result to be achieved			
Environmental and social management measures implemented and monitored <ul style="list-style-type: none"> <li>- Evidence of FPIC</li> <li>- Existence of ESIA</li> </ul>	<b>Milestone:</b> All Environmental and social management measures must be implemented for quality milestone result to be achieved		Desk review of Project reports	Milestone is compliance with safeguards as demonstrated with all required supporting documentation . We could have % in cases some of the supporting documentation is missing or of poor quality or compliance is partial
<b>Output 2:</b> Effective control of deforestation in the GAD conservation areas				
	Milestone Result / Target Result / Performance Threshold Agreed by [Date]	IA Validated Progress by [Date]	Data/method of validation used	% of Milestone/Target/Performance Threshold Achieved
Quantifiable measures used to verify the delivery of the output by the Responsible Party : <i>Hectares of forest areas under effective conservation (with no deforestation)</i>	<b>Performance Threshold</b> = 100% performance is achieved if there is no deforestation; Performance progressively declines as		PUGS GIS information overlaid with <i>Deforestation data from the National Forest Monitoring System or other freely available global data sets</i> <sup>8</sup>	100% performance is achieved if there is no deforestation; Performance progressively declines as deforestation increases such that: 50% performance is achieved if cumulative deforestation is exceeds 1%;

<sup>8</sup> For example, University of Maryland's Global Land Analysis and Discovery data available through Global Forest Watch <https://www.globalforestwatch.org/>

	<p>deforestation increases such that:</p> <p>50% performance is achieved if cumulative deforestation is exceeds 1%;</p> <p>20% is achieved if cumulative deforestation exceeds 2% ;</p> <p>No performance is achieved if cumulative deforestation exceeds 5%</p>			<p>20% is achieved if cumulative deforestation exceeds 2% ;</p> <p>No performance if cumulative deforestation exceeds 5%</p>
<p>Measures used to verify the required <b>quality*</b> of the results (e.g.,)</p> <p><b>Existence of mesures for effective forest conservation :</b></p> <ul style="list-style-type: none"> <li>- <b>Updated Management plan.</b></li> <li>- <b>Financial sustainability plan.</b></li> </ul>	<p><b>Milestone:</b> All required documentation must be presented for quality milestone result to be achieved</p>		Desk review of Project reports	
<p>Environmental and social management measures implemented and monitored</p> <ul style="list-style-type: none"> <li>- <b>Indicators to be determined through the ongoing ESIA study of the ProAmazonia and the RBP project.</b></li> </ul>	<p>All Environmental and social management measures must be implemented for quality milestone result to be achieved</p>		Desk review of Project reports	

\*Measures for assessing quality should include clear targets on efficient delivery of the outputs, effective delivery of intended results, sustainability of results and equity of the approach using UNDP's Social and Environmental Standards

Certified by:

\_\_\_\_\_  
 [Name]  
 [Firm Name of Independent Assessor]

\_\_\_\_\_  
 [Date]

### Annex A-3: Deliverable(s) and Performance-Based Payment Terms

Deliverable(s)	Expected Date of Achievement	Eligible Cumulative Payment (USD)	Value of Payment	Bonus Penalties*
<b>Deliverable 1 : Creation of ACUS, or other protection figure, in GADs</b> Indicator 1.1 - <i>Hectares of conservation and sustainable use areas (ACUS) or other protection figures<sup>9</sup> created by GAD</i> Indicator 1.2 - <i>Existence of the documentation required for the creation of the ACUS as established in regulations GAD</i> Indicator 1.3 <i>Environmental and social management measures implemented and monitored in GAD</i>	DD Month YYYY	Up to 15% of contract value	\$X/ha of ACUS, or other protection figure, created	<b>Penalties</b> No payment is made if the documentation required for the creation of the ACUS as established in regulations is not presented  No payment is made if minimum requirements for Environmental and social management measures are not implemented and monitored
<b>Deliverable 2- Effective control of deforestation in the conservation areas of GAD</b> <i>Indicator 2.1 Hectares of forest in conservation areas defined in the PUGS of GAD.<sup>13</sup></i> <i>Indicator 2.2 Include indicators (one per row) that objectively measure the quality and sustainability of the results:</i> <b>Existence of measures for effective forest conservation in GAD:</b> <ul style="list-style-type: none"> <li>- <b>Updated Management plan.</b></li> <li>- <b>Financial sustainability plan.</b></li> </ul>	Achievement of the performance is measured annually or biennaly	At least 85% and up to 100% of contract value*	X\$/ha/yr are paid annually or biennially <sup>10</sup> to GADs for full conservation of forest (i.e. no significant <sup>11</sup> deforestation observed in the forest areas designated for	<b>Penalties:</b> Payment progressively decline as deforestation increases such that: -50% penalty if cumulative deforestation exceed 1%; - 80% penalty if cumulative deforestation exceed 2%; No payment is made if if cumulative deforestation exceed 5%)

<sup>9</sup> Mentioned throughout the document simply as ACUS.

<sup>10</sup> The National Forest Monitoring System is currently producing deforestation map every two years.

<sup>11</sup> Significant deforestation is defined as the deforestation that can be measured beyond any reasonable doubt through the means of verification (National forest Monitoring system or other freely available global monitoring platform)

<sup>13</sup> The forest areas included in the SNAP are included in the PUGS but excluded from this indicator because there are not under direct management of the Municipal GAD (County in the Ecuadorian administrative nomenclature)

<b>Indicator 2.3 Environmental and social management measures implemented and monitored in GAD</b> <i>(Indicators to be determined)</i>			conservation in the PUGS <sup>12</sup> )	No payment is made if the measures for effective forest conservation are not met: - Updated Management plan. - Financial sustainability plan.  No payment is made if Environmental and social management measures are not implemented and monitored
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*This annex is finalized prior to the Performance-Based Payment Agreement being signed. All milestones and/or target results that are part of a Deliverable must be achieved for a payment to be made.*

*[\*If all final targets are met or exceeded on time, then the Responsible Party may be eligible for a bonus payment no greater than 10% of the value of the contract. Any eligible bonus payments must be clearly stated in the Performance-Based Payment Agreement.]*

*If all milestone/target results are not achieved, a reduced payment will be given. The payment will be reduced by an average percentage by which indicators have underperformed relative to their milestone/targets, as determined by the IA.*

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<sup>12</sup> The forest areas included in the SNAP are included in the PUGS but excluded from the payment-linked indicator because there are not under direct management of the Municipal GAD (County in the Ecuadorian administrative nomenclature)

## Annex B: Independent Assessor Agreement

The xxxxx (Name of the Independent Assessor) agrees to the following responsibilities, obligations, scope of work and other specifics.

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## Annex D: Nature and Schedule of Assurance Activities

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Annex E: RP's Financial Reporting Format

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## Annex F: Results Reporting Format

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**Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:** Outcome 2: By 2022, Ecuador has strengthened its regulatory, political, and institutional frameworks to improve sustainable, participatory, and gender-focused management of natural resources, promoting more responsible production and consumption patterns, in a context of climate change.

**Project title and Atlas Project Number:** RESULTS BASED PAYMENT TO ECUADOR FOR REDUCTION OF DEFORESTATION 2014 - Award ID: 00101841

**Responsible Party:** Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)

AGREED OUTPUTS AND INDICATORS	DATA SOURCE AND FREQUENCY (RP)	BASELINE		RESULTS (by frequency of data collection)					Method of Validation
		Value	Year	Result Type (Planned/ Actual)	Milestone Result 1 [Date]	Milestone Result 2 [Date]	Milestone Result ... [Date]	TARGET RESULT [Date]	
Output 1: Creation of conservation and sustainable use areas (ACUS) or other protection figures created by GAD Commonwealths, or GAD consortia within priority areas for REDD+, in remnants of forest cover of importance for conservation, ecological connectivity, areas of water importance, among other ecosystem services of local, regional or national importance									
Indicator 1.1 - <i>Hectares of additional conservation and sustainable use areas (ACUS) or other protection figures<sup>14</sup> created by GAD</i>	Official cadastral info included in Ordinance + GIS files			Planned					
				Actual*					
Indicator 1.2 - <i>Existence of the documentation required for the creation of the additional ACUS as established in regulations<sup>15</sup> including:</i> <i>a) Study of management alternatives.</i> <i>b) Management plan.</i> <i>c) Systematization of the participatory declaration process.</i> <i>d) Financial sustainability plan.</i> <i>e) Report on the land tenure regime, and</i> <i>f) Creation of ACUS by Ordinance or Resolution, according to the level of government in question.</i>	Official records of Ordinance or Resolution, according to the level of government + supporting documents			Planned					
				Actual*					
				Planned					

<b>Indicator 1.3 Environmental and social management measures implemented and monitored</b>  - <i>Evidence of FPIC</i>  - <i>Existence of ESIA</i>	supporting documents			Actual*					
<b>Output 2: Effective control of deforestation in GAD conservation areas</b>									
<b>Indicator 2.1 Hectares of forest area in ACUS under effective conservation (no significant deforestation)</b>	National Forest Monitoring System and other freely available global data sets <sup>16</sup>			Planned					
				Actual*					
<b>Indicator 2.2 Include indicators (one per row) that objectively measure the quality and sustainability of the results: <i>Existence of measures for effective forest conservation:</i></b>  - <i>Updated Management plan.</i>  - <i>Financial sustainability plan.</i>	Official County GAD documents			Planned					
				Actual*					
<b>Indicator 2.3 Environmental and social management measures implemented and monitored (Indicators to be determined)</b>	Supporting documents from County GAD			Planned					
				Actual*					

*\*To be completed by the Responsible Party when a result (milestone or target) needs to be reported. Relevant evidence must be attached to the results reporting form, including survey reports, photographs, copies of reports, etc.*

<sup>14</sup> Mentioned throughout the document simply as ACUS.

<sup>15</sup> The guidelines to be followed for the establishment of the ACUS will be that set forth in the Ministerial Agreement (AM) No. 83 published in the Official Register Supplement No. 829 of August 30, 2016, by which the Ministry of Environment issued the "Procedures for the Declaration and Management of Protected Areas of the Autonomous Decentralized, Private and Community Subsystems of the National System of Protected Areas (SNAP)" and the technical document of the MAE entitled: "Guidelines for the creation and management of Conservation Areas and Autonomous Decentralized, Community and Private Sustainable Use" of 2017 that contains the methodological aspects for the creation of the areas.

<sup>16</sup> For example, University of Maryland's Global Land Analysis and Discovery data available through Global Forest Watch <https://www.globalforestwatch.org/>

## Annex G: Request for Payment Format

To: UNDP,  
<enter country office  
address and Fax No:>

Date: xx/xx/20xx

Pursuant to the Performance-Based Payment Agreement dated **DD MONTH YR** (the "Agreement") between **Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)** and United Nations Development Programme, **Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)** hereby requests payment for the achievement of results under **Deliverable [x]**, in the amount of **\$XX**. We certify that:

- 1) The pre-agreed indicators for **Deliverable [x]** have been satisfactorily met and were achieved within the specified timeframe listed in Annex A-3.
- 2) The Actual Results reported herein, are complete and correct as of the date of this letter.
- 3) The amount requested for this payment does not exceed the maximum allowable amount payable under this Deliverable.
- 4) The information for **Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)** bank account into which payment will be disbursed (set forth in Block 8 of the Face Sheet) is still valid.
- 5) **Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)** is in full compliance with all terms, conditions and commitments of the Agreement as of this date.

Deliverable(s)	Planned Result	Actual Result*	Expected Date of Completion	Actual Date of Completion*	Eligible Cumulative Payment (USD)	Value of Payment Requested*
<b>Deliverable 1: Creation of ACUS, or other protection figure, in GADs</b>			<b>DD Month YYYY</b>	<b>DD Month YYYY</b>	<b>Up to 15% of contract value</b>	<b>\$XX,XXX</b>
Indicator 1.1 - <i>Hectares of conservation and sustainable use areas (ACUS) or other protection figures<sup>17</sup> created by GAD</i>	<b>80,000</b>					
Indicator 1.2 - <i>Existence of the documentation required for the creation of the ACUS as established in regulations GAD</i>	All documentation is produced and of sufficient for quality milestone result to be achieved					
Indicator 1.3 <i>Environmental and social management measures implemented and monitored in GAD</i>	All management measures implemented and monitored for quality milestone result to be achieved					

<sup>17</sup> Mentioned throughout the document simply as ACUS.

Deliverable(s)	Planned Result	Actual Result*	Expected Date of Completion	Actual Date of Completion*	Eligible Cumulative Payment (USD)	Value of Payment Requested*
<b>Deliverable 2: Effective control of deforestation in the conservation areas of GADs</b>			<b>DD Month YYYY</b>	<b>DD Month YYYY</b>	<b>from 85% up to 100% of contract value</b>	
<b>Indicator 2.1 Hectares of forest area with no deforestation in conservation areas for GAD</b>	TBD based on Updated PUGS to be officially published in May 2020					
<b>Indicator 2.2 Include indicators (one per row) that objectively measure the quality and sustainability of the results:</b> <b>Existence of measures for effective forest conservation in GADs:</b> <ul style="list-style-type: none"> <li>- <b>Updated Management plan.</b></li> <li>- <b>Financial sustainability plan.</b></li> <li>- <b>Stakeholder engagement plan</b></li> </ul>	All required documentation must be presented and of sufficient for quality milestone result to be achieved					
<b>Indicator 2.3 Environmental and social management measures implemented and monitored in GADs</b> (Indicators to be determined)	All required documentation must be presented and of sufficient for quality milestone result to be achieved					

*\*To be completed by the Responsible Party when requesting a payment after completion of a Deliverable. Updated Annex F and relevant evidence must be attached to the form, including survey reports, photographs, copies of reports, etc.*

Yours faithfully,

By: [Name]

Date: [Date]

[Designation], [Recipient Party Name]

For the [period] ended [ Date]

## Annex H: Reporting on Minimum Progress Thresholds

**Project title and Atlas Project Number:** RESULTS BASED PAYMENT TO ECUADOR FOR REDUCTION OF DEFORESTATION 2014 - Award ID: 00101841

**Responsible Party:** Sustainable Environmental Investment Fund (FIAS by its Spanish acronym)

KEY PROGRESS MEASURES		DATA SOURCE  (RP)	PROGRESS MEASURE TYPE (MINIMUM REQUIRED / ACTUAL)	PROGRESS MEASURE LEVEL						EXPLANATIO N <sup>18</sup>
				As of [30 Dec 2020]	As of [30 Dec 2021]	As of [30 Dec 2022]	As of [30 Dec 2023].	As of [30 Dec 2024].	As of [30 Dec 2025].	
Progress Measure 1: Key safeguard elements in place										
1.1	Clearly specify each measure that the Responsible Party has to meet	ESIA report	Minimum Required	0	1 ESIA	0	0	0	0	
	ESIA conducted for the creation of new ACUS and the effective conservation of existing ACUS		Actual*							
Progress Measure 2: Signed Agreements with County GADs										
2.1	Clearly specify each measure that the Responsible Party has to meet	Signed agreements with County GAD Authorities	Minimum Required	1 contract	2 contracts	3 contracts	3 contracts	3 contracts	3 contracts	COVID-19 epidemic could slow negotiations
	Number of Signed and/or active agreements with County GADs  NB: In the cases that an agreement with a is terminated, and if there is still sufficient time and remaining budget for the execution of the Project, FIAS will convene the GAD or commonwealth that has positioned itself as the fourth finalist in the selection process to sign a sub- agreement (see PRODOC for details)		Actual*							

<sup>18</sup> Provide explanation if Actual Level of Progress Measure falls below the Minimum Required

*Minimum progress thresholds should be established and monitored at least on an annual basis. As such, progress measures and minimum required levels for each measure should be established prior to signing the Agreement. Actual progress levels should be completed by the RP when minimum progress thresholds are due to be reported based on agreed dates specified in the schedule above. Failure to attain specified threshold levels can result in early termination of the project.*

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## Annex I: Project Document

(Attach ProDoc.)

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