**UNDP Contingent Payment Terms[[1]](#footnote-1)**

1. Contingent Payments are payable to UNDP when a Recipient Institution under this Agreement, using UNDP funds, in whole or in part, benefits from:
	* 1. an **increase in the revenue it generates** (including, but not limited to, resulting from the creation of products and/or services); and/or
		2. a **reduction in cash expenditures** due to costs avoided/amounts saved; and/or
		3. the **commercialization of any product/service or related intellectual property rights** that arise or are developed using said UNDP funds, and which results in the generation of revenue for the Recipient Institution.

Contingent Payments paid to UNDP will be calculated as a percentage of revenue gained and/or costs saved by the Recipient Institution (the “Benefit”) in acknowledgment of UNDP’s financing of the Activities that led to the above-mentioned Benefit to the Recipient Institution.

1. By 1 February of each year, the Recipient Institution will provide UNDP with an annual report summarizing the Recipient Institution’s increase in revenue or costs saved (Benefit) in the previous year calendar year (1 January – 31 December).
2. Where the Recipient Institution received a Benefit of one thousand dollars ($1,000.00) or more in any calendar year beginning on the effective date of the Agreement, the Recipient Institution will pay to UNDP a Contingent Payment, along with the submission of its annual report to UNDP as set forth in 2 above, as follows:
	* 1. The Recipient Institution will pay UNDP a Contingent Payment of one and one-half percent (1.5%) for every dollar of revenue gained and/or costs saved (Benefit) by the Recipient Institution;
		2. The Contingent Payment will be paid by the Recipient Institution to UNDP on an annual basis, and for a period of ten (10) years from the Agreement’s end date;
		3. The Recipient Institution is not required to make a Contingent Payment for any calendar year in which the Benefit to the Recipient Institution is less than one thousand dollars ($1,000.00).
3. The total amount of Contingent Payments by the Recipient Institution to UNDP will be limited to no more than five (5) times the amount of funds paid by UNDP to the Recipient Institution under the Agreement.
4. If the Benefit to the Recipient Institution was derived or developed in part with match funds during the Agreement term (i.e., the Recipient Institution also received funds from other sources), the Contingent Payment owed to UNDP will be calculated based on the percentage of funds provided by UNDP leading to the Benefit. For example:
	* 1. If 10% of the activities leading to the Benefit were funded with match funds from a source external to UNDP during the Agreement, and the Benefit to the Recipient Institution totaled $100,000 in one year, the Recipient Institution would owe UNDP $1,350 for the year (1.5% of $100,000 = $1,500; 10% of $1,500 = $150; $1,500 - $150 = $1,350).
5. Benefit to the Recipient Institution, if through the sale of a product/service or commercialization of the related intellectual property, shall be calculated exclusive of any sales tax.
6. In case of sale by the Recipient Institution to its affiliated entity, followed by resale by the affiliated entity to a third-party customer, the "Benefit" is deemed to be the consideration received upon such resale to a customer. An "affiliated entity" in this respect means a directly or indirectly controlled or controlling entity, or an entity under common control.
7. Regarding sales to an affiliated entity which are not for resale, or in special cases of sale for non-monetary consideration, a price affected by a proximate relationship or for consideration other than fair market value, the Benefit must be determined on the basis of the fair market value.
8. The Recipient Institution may make an early buyout payment to UNDP, as an alternative to making annual Contingent Payments for ten (10) years following the Agreement’s end date. The early buyout payment must be in a lump sum amount equal to one and a half (1.5) times the amount of funds paid by UNDP under the Agreement and made within five (5) years of the Agreement’s end date. The payment amount due under the early buyout option will not be reduced by the percentage of match funds as described above, nor by any Contingent Payments already made.
9. Contingent Payments not made within fifteen (15) days of the due date will constitute a breach of the Agreement. The Contingent Payments will become debt obligations of the Recipient Institution to UNDP due upon demand and subject to the prevailing LIBOR interest rate.
10. The Recipient Institution will include these Contingent Payment provisions in its agreements with all subcontractors who develop or assist with the activities leading to a Benefit to the Recipient Institution.
11. In the case of outright sale of the Recipient Institution or its business assets that benefited from the funding provided by UNDP, such activity will obligate the Recipient Institution to repay to UNDP the early buyout amount due within sixty (60) days. The Recipient Institution will, within a reasonable period of time, submit to UNDP advance notification regarding any proposed sale, which will include the name of the potential buyer, the price and other terms of the proposed sale, as well as other relevant information relating to the proposed sale.
12. Additionally, the Recipient Institution will promptly notify UNDP of any transfer of economic control resulting from share sales, or status changes to mergers or acquisitions in relation to the Recipient Institution.
13. Where the Benefit to the Recipient Institution involves or is a result of the ***commercialization*** of any products/services or related intellectual property rights as set out in paragraph 1 (c) above, the Recipient Institution will maintain separate accounts within its financial and other records for the purpose of tracking components of sales and Contingent Payments due to UNDP under the Agreement.
1. These clauses are to be added to the low value grant agreement as an annex when contingent repayments are expected or are a possibility. They are to be used in conjunction with the low value grants agreement template that is accommodated for the use of contingent repayments. [↑](#footnote-ref-1)