

Sample Letter to the Borrower/Recipient

His/Her Excellency
Authorized Representative
of the Borrower/Recipient
Address

Date -----

Mr/Madam Minister,

Letter to the Borrower/Recipient

Country: -----

Full Name: -----

IFAD Financing: -----

Loan and/or Grant Number(s):-----

Project:¹ -----

Full Name of Project: -----

1. Reference is made to the Financing Agreement between the Government of the Republic/Kingdom of ----- (hereinafter the Borrower/Recipient) and the International Fund for Agricultural Development (IFAD), which entered into effect on [---- date ----].

2. The revised General Conditions for Agricultural Development Financing dated 29 April 2009 (hereinafter the General Conditions) are an integral part of the Agreement. IFAD's Loan Disbursement Handbook (LDH),² as may be amended from time to time, is enclosed. It is intended to facilitate the withdrawal of financing proceeds and the maintenance of appropriate project records. In the event of any conflict between the provisions of the LDH and the Financing Agreement, the provisions of the latter will prevail.

3. The Loan and/or Grant Account(s) has/have been credited with special drawing rights [SDR/currency ---- figure ----] as of the date of entry into force of the Financing Agreement.

Disbursement Procedures

4. Four standard disbursement procedures may be used for withdrawal of financing:

- (i) Advance withdrawal
- (ii) Direct payment
- (iii) Special commitment
- (iv) Reimbursement

The forms, instructions, information and explanatory notes on their preparation and operation are provided in section 3 and in annexes 2 and 3 of the LDH.

¹ If Programme, amend accordingly throughout the letter.

² Copy available on IFAD's website, www.ifad.org.....

Taxes

5. **Option 1:** The proceeds of the financing may not be used to pay taxes.

OR

Option 2: The proceeds of the financing may be used to pay taxes. If the Fund at any time determines that the amount of any tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures specified in the Financing Agreement that are to be financed by the Financing.

Designated Account [or Accounts if/as necessary]

6. (In accordance with the project design/appraisal document), the Borrower/Recipient is required to open a bank account(s) denominated in [----- US\$ or applicable currency -----], to be opened and maintained in [----- Central or Commercial Bank -----], designated to receive loan/grant resources in advance, in a bank acceptable to the Fund, as soon as possible after entry into force of the Financing Agreement.

7. Documentation evidencing the opening of the bank account(s) designated to receive loan/grant resources in advance, with advice of the persons/titles authorized to operate this/these account(s), must reach IFAD before withdrawal can begin.

Instructions for Withdrawal

8. Explanatory notes and forms to be used for the preparation of the withdrawal application under IFAD disbursement procedures are provided in section 2 and in annex 2 of the LDH.

9. Before withdrawal can begin, IFAD needs to receive – from [----- the Minister of Finance, or title of the Borrower/Recipient's designated official representative -----] – a letter designating the name(s) of official(s) authorized to sign withdrawal applications, which includes their authenticated specimen signature(s). A sample form is provided as an annex to this letter, and as annex 1 of the LDH.

Statement of Expenditure

10. Section 4 of the LDH provides details regarding the use of the Statement of Expenditure (SOE) facility for withdrawals for certain expenditure types from the Loan and/or Grant Account.

11. The following are the SOE thresholds:

(insert details as applicable)

- (i) for all expenditures pertaining to [----- describe -----] up to a threshold of [----- quantify by currency and figure -----];
- (ii) for all contracts pertaining to category [----- describe -----] up to a threshold of [----- quantify by currency and figure -----];
- (iii) for specific expenditures, or for specific contracts pertaining to specific categories and/or with specific thresholds, etc. [----- to be described and quantified by currency and figure -----].

12. The SOE thresholds above may be amended by the Fund during the course of project implementation.

Allocation of Financing Proceeds

13. Paragraph 1 of schedule 2 of the Financing Agreement provides details of the IFAD financing. Additionally, counterpart funding, as provided in section B [---cite subparagraph---] of the Financing Agreement, will be deposited in accordance with [---- briefly identify the methodology as well as details pertaining to the Project Account(s)-----]. [If other cofinancing needs to be mentioned briefly, add detail here].

Procurement Plan and Applicability

14. As provided in appendix I, paragraph 1 of IFAD's Procurement Guidelines, each procurement plan shall include the proposed contracts, methods of procurement and related IFAD review procedures. During project design/appraisal, IFAD has undertaken an assessment of national procurement regulations to ensure their compatibility with IFAD's Procurement Guidelines and, as a result

Option 1: national procurement regulations may be adopted for this Project. Items of specific applicability will be clearly identified in procurement plans submitted to the Fund.

OR

Option 2: it is agreed that IFAD's Procurement Guidelines will be adopted for this Project..

[Add as may be necessary for this Project. If country systems are adopted with ad hoc arrangements/modifications, please provide details here].

Review of Procurement Decisions by IFAD

15. For the purposes of Section H of IFAD's Procurement Guidelines, the following shall be subject to prior review by the Fund:

- (i) Award of any contract for goods and equipment to cost (e.g. US\$ -----) or equivalent or more;
- (ii) Award of any contract for works estimated to cost (e.g. US\$ -----) or equivalent or more;
- (iii) Award of any contract for consulting services estimated to cost (e.g. US\$ -----) or equivalent or more.

[Add additional as may be necessary for this Project].

16. The aforementioned thresholds may be modified by the Fund during the course of project implementation.

17. All contracts, with or without prior IFAD approval, should be listed in the Register of Contracts with the dates of approval as provided by IFAD. As this report facilitates the review and approval of payment requests on contracts, please ensure that the Register is updated and submitted to the IFAD country programme manager on a monthly basis. The sample form to be used and instructions are detailed in annex 6 of the LDH.

Financial Reporting and Auditing

18. Article IX of the General Conditions applies to Financial Reporting and Information, inclusive of time frames for delivery of financial statements to the Fund.

19. As soon as practicable, but no later than 120 days after entry into force of the Financing Agreement, the Borrower/Recipient shall appoint independent auditors, selected in accordance with the procedures and criteria set forth in the IFAD Guidelines on Project Audits (for Borrowers' Use) as may be amended from time to time, and acceptable to the Fund, to audit the financial statements relating to the Project for the first fiscal period. Thereafter, as soon as practicable, but not later than 120 days after the beginning of each succeeding fiscal year, the Borrower/Recipient shall either confirm the appointment of the same independent auditor, subject to satisfactory performance, or shall follow the same procedure to appoint new independent auditors for the successive fiscal year.

20. Annex 8 of the LDH includes a template for the Log of Audit Observations, which should be maintained and updated regularly. A copy of this Log is to be included as part of supervision and mid-term review reports.

21. Detailed requirements are provided in the IFAD Guidelines on Project Audits (for Borrower's Use)³ and the IFAD Operational Procedures for Project Audits,⁴ as both may be amended from time to time.

Project Completion/Financing Closure

22. Details pertaining to information and actions to satisfy project completion requirements and closure of the Loan and/or Grant Account(s) are detailed in section 1.3 of the LDH.

Authorized Representatives

23. In accordance with Section 15.03 of the General Conditions, the following persons are designated as the authorized representatives of the Fund for the purpose of supervising the Project and administering the Financing:

Division Director (Western and Central Africa Division (WCA), Eastern and Southern Africa Division (ESA), Asia and the Pacific Division (APR), Latin America and the Caribbean Division (LAC), Near East and North Africa Division (NEN) as applicable)
Country Programme Manager (WCA, ESA, APR, LAC, NEN as applicable)

Director, Financial Services Division (CFM)
Loan Officer, CFM

24. The persons named above have the authority to take action with respect to the matters set out herein and other matters related to the implementation of the Project.

³ Copy available on IFAD's website at www.ifad.org/pub/basic/audit/borrower_e.pdf.

⁴ Copy available on IFAD's website at www.ifad.org/pub/basic/audit/operational_e.pdf.

Other

25. A copy of this letter is being sent for information to the Implementing Agencies, Project Director/Coordinator and concerned government offices. If you have any queries regarding matters detailed in the foregoing, please do not hesitate to contact us.

Accept, Mr/Madam Minister, the assurances of our highest consideration.

Kanayo F. Nwanze
President

[cc: examples]

H.E. The Minister, -----
Ministry of ----- (Lead Programme Agency)
(Complete name and address without acronyms/abbreviations)

Implementing Agency/Project Director or Coordinator and Address

(If Eastern and Southern Africa Division)
Mr/Ms -----, Regional Loan Administration Officer,
IFAD, Kenya Country Office
Nairobi, Kenya

Mr/Ms -----, Country Programme Manager
Eastern and Southern Africa Division
IFAD

(If other Programme Management Department (PMD) division,
include specific detail below)
Financial Management Officer in the PMD division concerned

Mr/Ms -----, Loans and Grants Officer
Loans and Grants Section
Financial Services Division
IFAD

ANNEX

**EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS
AND STATEMENTS OF EXPENDITURE**

(Sample letter – to be submitted on letterhead)
[to include full street address, city, country]

International Fund for Agricultural Development (IFAD)
Via Paolo di Dono, 44
00142 Rome, Italy

Date: _____

Attention: Loans and Grants Section
Financial Services Division (CFM)

Subject: **IFAD Loan/Grant/Financing No.:**
Project Name:

Dear Sirs/Madams:

I refer to the Financing Agreement between IFAD and [Name of Borrower/Recipient], dated [-----], providing the above Financing. In accordance with the provision of article IV, section 4.04(b) of IFAD's General Conditions for Agricultural Development Financing dated 29 April 2009, I hereby designate the following person (or persons) whose authenticated specimen signature(s) appear(s) below as authorized, on behalf of the Borrower/Recipient, to sign Applications for Withdrawal, Statements of Expenditure and Applications for Special Commitment, under the above-referenced IFAD Loan/Grant/Financing. This notification enters into effect as of [----- date -----]:

(Name(s) and Title(s))

Specimen signature

(Name(s) and Title(s))

Specimen signature

(Name(s) and Title(s))

Specimen signature

(Indicate if the authorization to sign is jointly with another person(s)).

Signed by:

Title of the Borrower/Recipient's
Designated Representative
(as provided in the Financing Agreement)

[cc: examples]

Country Programme Manager, PMD, IFAD
Regional Financial Management Officer, PMD, IFAD

IFAD INTERNAL NOTES TO ASSIST IN COMPLETION OF THE LTB

Para 1

The date "... which entered into effect..." . This is the date of the loan signing/signature of the Financing OR date of ratification OR other future date.

Para 4

There may be special disbursement conditions applicable. If so, these are inserted here and should be clearly detailed, e.g. retroactive financing, exceptions to the General Conditions, specific tax details, procurement from IFAD non-Member States, or similar.

Para 5

Project-specific tax text (whether or not applicable) is placed here. If it is intended that financing may also pay taxes, this needs to have been discussed/approved/agreed on during project design and placed before IFAD's consultative/approval framework (including the Country Programme Management Team (CPMT), Quality Enhancement/Quality Assurance, Executive Board, etc.), hence not for introduction as a 'new' item during loan negotiations.

Para 11

Statement of Expenditure (SOE) thresholds are inserted here by extraction of specific detail, as has been agreed within the final design/appraisal report, e.g. by type of expenditure, and/or type of contract, and/or other scenario.

Para 12

Review of SOE thresholds will be undertaken by the PMD division concerned, in conjunction with the Loans and Grants Section (CFM/L) prior to formalizing advice to amend.

Para 13

This is intended to assist the Project regarding: (a) awareness that counterpart funds will be deposited/provided efficiently and promptly to the Project; (b) how financial resources will reach Project Account(s) and how it is intended that their management be handled; and (c) information regarding the deposit of financial resources by cofinancier(s).

Para 14

This is intended to report specifically on whether or not national procurement regulations – as assessed and reported upon in the final project design/appraisal report – are compatible with IFAD's Procurement Guidelines. Option 1 or Option 2 will need to be applied. Option 1 text is left sufficiently flexible to allow for national procurement regulations to apply for the whole or only specific components of the Project.

Para 16

Review of procurement thresholds will be undertaken by the PMD division concerned, in conjunction with prior formalizing advice from CFM/L to amend.