



Enabling poor rural people to overcome poverty

THE PRESIDENT

10 September 2013

Letter to the Borrower

Country: Republic of India
IFAD Financing: Loan No. L-I-856-IN
Project: Integrated Livelihood Supporting Project

Mr Secretary,

1. Reference is made to the Financing Agreement between the Government of the Republic of India (hereinafter the Borrower) and the International Fund for Agricultural Development (IFAD), which entered into effect on 1 February 2012.
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),¹ 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 Account has been credited with fifty six million seven hundred thousand Special Drawing Rights [SDR 56 700 000] as of the date of entry into force of the Financing Agreement.

Dr Arvind Mayaram
Secretary
Department of Economic Affairs
Ministry of Finance of
the Republic of India
New Delhi

¹ Copy available on IFAD's website, www.ifad.org

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.

5. In accordance with IFAD's revised guidelines:

- a. Any advance Withdrawal or reimbursement must be submitted when 90 days have lapsed from the submission of a previous Withdrawal Application. If, however, the requested amount is at least approximately 30% of the Authorised Allocation, a Withdrawal Application may always be submitted irrespective of the submission date of the previous Withdrawal Application.
- b. The Direct Payment procedure should preferably be used only for payments of above USD 100 000 equivalent. Project expenditures below the USD 100 000 threshold should be paid from the Project's Designated or operational accounts.

Taxes

6. The proceeds of the financing may not be used to pay taxes.

Designated Account

7. In accordance with the project design report, the Borrower is required to open a bank account denominated in US Dollars and maintained in the Reserve Bank of India designated to receive loan resources in advance, as soon as possible after entry into force of the Financing Agreement. In accordance with Section 3.1 of the Loan Disbursement Handbook, the Designated Account will be administered following **Imprest Account arrangements**. ~~The maximum authorized allocation to the Designated Account will be USD 2 000 000.~~

8. Documentation evidencing the opening of the bank account designated to receive loan resources in advance, with advice of the persons authorized to operate this account, must reach IFAD before withdrawal can begin.

Instructions for Withdrawal

9. 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.

10. Before withdrawal can begin, IFAD needs to receive from the Secretary, Department of Economic Affairs, Ministry of Finance, 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

11. 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 Account.

12. The following are the SOE thresholds:

- (i) for all expenditures up to a threshold of USD 50 000.

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

Allocation of Financing Proceeds

14. Paragraph 1 of schedule 2 of the Financing Agreement provides details of the IFAD financing. Additionally, the Borrower shall provide counterpart financing for the Project in the approximate amount of USD 48.028 million, as provided in section B.9 of the Financing Agreement.

Procurement, Procurement Plan and Applicability

15. As provided in IFAD's Procurement Guidelines, each procurement plan shall include the proposed contracts, methods of procurement and related IFAD review procedures.

16. Procurement of goods, works and services financed by IFAD shall be carried out in accordance with the provisions of Uttarakhand Procurement Rules, 2008, to the extent such are consistent with the IFAD Procurement Guidelines. Each procurement plan shall identify procedures which must be implemented by the Lead Programme Agency to ensure consistency with the IFAD Procurement Guidelines. As provided in appendix I, paragraph 1 of IFAD's Procurement Guidelines, IFAD review of and no objection to the Borrower/Recipient's procurement plans is compulsory and the first 18 month procurement plan and the subsequent 12 month procurement plan submitted by the Borrower/Recipient must include as a minimum:

- A brief description of each procurement activity to be undertaken during the period and name of the implementing agency responsible for the procurement;
- The estimate value of each procurement activity;
- The method of procurement to be adopted for each procurement activity and;
- The method of review IFAD will undertake for each procurement activity indicating either post review or prior review.

17. Any amendments to the Procurement Plan shall be subject to the Fund's no objection.

Procurement Methods Thresholds

18. In accordance with Paragraph 3, Module F5 of the IFAD Procurement Handbook, International Competitive Bidding (ICB) will be the mandatory method of procurement for contracts above the following value:

Goods: above USD 200 000 equivalent;

Civil works: above USD 1 000 000 equivalent; and

Services: above USD 100 000 equivalent.

Goods

19. The following thresholds outline the method of procurement established for goods under the Project irrespective of threshold as established under Uttarakhand Procurement Rules, 2008:

- National Competitive Bidding (NCB), for contracts valued above USD 20 000 equivalent and up to USD 200 000 equivalent
- National Shopping for contracts valued USD 20 000 equivalent or below
- Direct contracting for contracts valued less than USD 5 000 equivalent

Works

20. The following thresholds outline the method of procurement established for goods under the Project irrespective of threshold as established under Uttarakhand Procurement Rules, 2008:

- National Competitive Bidding (NCB), for contracts valued USD 50 000 equivalent and up to USD 1 000 000 equivalent
- National Shopping for contracts valued above USD 5 000 equivalent but less than USD 50 000 equivalent
- Direct Contracting for contracts valued less than USD 5 000 equivalent
- Under Component 1, procurement by community participation will follow the processes incorporated in the Programme Implementation Manual (PIM) (Vol.1). Under Component 2, the thresholds indicated for works above will apply and the Gram Panchayats will follow the Community Procurement Manual included in the Programme Implementation Manual (Vol.2).

Consultancy and Services

21. Selection of Consultancy Firms and Service Providers

The following thresholds outline the method of procurement established for goods under the Project irrespective of threshold as established under Uttarakhand Procurement Rules, 2008:

Each contract for the selection of consultancy firms or service providers estimated to cost USD 25 000 equivalent or above, shall be selected following any one of the selection methods listed below:

- Quality and Cost Based Selection
- Quality Based Selection
- Fixed Budget Selection
- Least Cost Selection

Each contract for the selection of individual consultants, consultancy firms or services providers estimated to cost below USD 25 000 equivalent shall be selected following any one of the selection methods listed below:

- Selection Based on Consultants Qualification and/or
- Single Source Selection

Review of Procurement Decisions by IFAD

22. For the purposes of IFAD's Procurement Guidelines, the following procurement decisions shall be subject to prior review by the Fund for the award of any contract for goods, works estimated to cost USD 100 000 and consultancy services estimated to cost USD 50 000 and above:

A. Procurement of goods and civil works:

- Prequalification documents and shortlist when prequalification is undertaken;
- Bid Documents for goods and works;
- Evaluation Reports and Recommendations for Award; and
- Draft contracts and contract amendments.

B. Procurement of consultancy services and other services:

- Prequalification documents and shortlist when prequalification is undertaken;
- Request for Proposal (RFP);
- Technical Evaluation Report;
- Combined (technical and financial) evaluation report and the recommendation for award; and
- Contracts and contract amendments.

23. All direct contracts for goods and civil works and single source selection for service providers above the prescribed procurement and selection method thresholds shall be undertaken in accordance with the provisions of IFAD Procurement Guidelines for direct contracting and single source selection and subject to IFAD prior review.

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

25. The Project Implementation Manual shall outline and detail the requirement as outlined in the LTB and shall be subject to IFAD prior review.

26. All contracts, with or without prior IFAD approval, should be listed in the Register of Contracts with the dates of approval. 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

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

28. 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 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.

29. 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.

30. The audit of the Designated Account will be carried out by the Office of the Comptroller & Auditor General of India and submitted to the Fund by the Borrower.

31. Detailed requirements are provided in the IFAD Guidelines on Project Audits² and the IFAD Operational Procedures for Project Audits,³ as both may be amended from time to time.

² Copy available on IFAD's website at www.ifad.org/pub/basic_audit_borrower_e.pdf.

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

Project Completion/Financing Closure

32. 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

33. 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:

Director, Asia and the Pacific Division (APR)

Country Programme Manager (APR)

Director, Controller's and Financial Services Division (CFS)

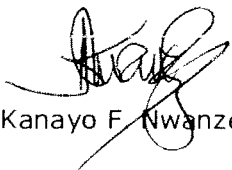
Finance Officer (CFS)

34. 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.

Other

35. A copy of this letter is being sent for information to the Implementing Agencies, Project Director/Coordinator and concerned government offices.

Accept, Mr Secretary, the assurances of my highest consideration.



Kanayo F. Nwanze

Copies for information:

His Excellency
Palaniappan Chidambaram
Minister for Finance of
the Republic of India
New Delhi

Mr Shaktikanta Das
Additional Secretary
Department of Economic Affairs
Ministry of Finance of the
Republic of India
New Delhi

Controller of Aid, Accounts and Audit
Department of Economic Affairs
Ministry of Finance of
the Republic of India
New Delhi

Chief Secretary
Government of Uttarakhand
Dehradun

Secretary
Rural Development Department
Government of Uttarakhand
Dehradun

Mr Vijay Kumar
Project Coordinator
Integrated Livelihood Support Programme
Dehradun

Mr Vimlendra Sharan
Minister (Agriculture)
Alternate Permanent Representative of the
Republic of India to the United Nations
Food and Agriculture Agencies
Rome

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) Date: _____
Via Paolo di Dono, 44
00142 Rome, Italy

Attention: Loans and Grants Section
Controller’s and Financial Services Division (CFS)

Subject: **IFAD Loan/Grant/Financing No.: . L-I-856-IN**
Project: Integrated Livelihood Supporting Project

Dear Sirs/Madams:

I refer to the Financing Agreement between IFAD and the Republic of India, dated 1 February 2012, 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)

