

MODEL PARTNERSHIP AGREEMENTS

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Partnership Agreements. The GoM, the LPA and the PMU, as appropriate, may enter into Partnership Agreements acceptable to IFAD, to set forth the terms and conditions under which the Programme will be implemented by the Programme Parties. The PIM will include Model Partnership Agreements relating to Facilitating NGOs, Resources NGOs, technical and research institutions, participating banks or micro-finance institutions.

The Partnership Agreements will provide, among other things: (a) the procedure for the channelling of funds from the State to the Programme Parties; (b) the procedure and terms and conditions for designation of the staff, which will ensure adequate compensation and continuity; and (c) the support that will be provided by the GoM to the implementing parties, ensuring that a positive operating environment is created with them and that the implementing parties are enabled to function at their efficient best for securing high levels of participation from local communities.

These agreements are used for NGO execution. (It may also be adapted for use when CAIM needs to sign an agreement with institutions with which there is no legal basic agreement, such as inter-governmental organizations.)

CAIM and the **NGO** prepare the agreement by filling in the information required in the square brackets.

A copy of the Programme Design Report will be attached to the agreement as Annexes.

The PMU Programme Director and a representative of the non-governmental organization signs TWO copies each. PMU keeps one (signed) original of the agreement and the non-governmental organization keeps the other signed original.

The DRAFT agreements should be modified and revised according to specific conditions.

The PMU will obtain legal opinion in respect of each such draft agreement before these are executed and also get required authority for signing such documents.

Following model agreements are included in this Section:

- Annex-7.1: NGO and Project Partnership Agreement
- Annex-7.2: Model Agreement for Contract Farming
- Annex-7.3: Model Agreement between Institution and the C-AIM Project
- Annex-7.4: Model MOU between the C-AIM Project and Bank or MFI

ANNEX-7.1: MODEL NGO & PROJECT PARTNERSHIP AGREEMENT

This is a model DRAFT and should be modified and revised according to specific conditions. The PMU will obtain legal opinion in respect of each such draft agreement.

DRAFT PROJECT PARTNERSHIP AGREEMENT BETWEEN THE PMU/ DPMT AND NGO

Whereas the Project Management Unit, CAIM ("PMU") and [*name of the non-governmental organization*] ("the NGO") have, on the basis of their respective mandates, a common aim in the furtherance of sustainable human development and "Convergence of Agricultural Interventions in Maharashtra", Government of Maharashtra;

Whereas PMU has been entrusted by the Government of Maharashtra ("the GOM") and its donors International Fund for Agricultural Development ("IFAD") and Sir Ratan Tata Trust ("SRTT") with resources that can be allocated for programmes and projects, and is accountable to its donors and to its Project Steering Committee for the proper management of these funds and can, in accordance with the Financial Regulations and Rules of the GOM and that of the Donors, make available such resources for cooperation in the form of the Project interventions under the CAIM;

Whereas the NGO, its status being in accordance with national regulations and more specifically of that of the GOM, is committed to the principles of participatory sustainable human development and development cooperation, has demonstrated the capacity needed for the activities involved, in accordance with the PMU requirements for management; is apolitical and not profit-making;

Whereas the NGO and PMU agree that activities shall be undertaken without discrimination, direct or indirect, because of race, ethnicity, religion or creed, status of political belief, gender, handicapped status, or any other circumstances;

Now, therefore, on the basis of mutual trust and in the spirit of friendly cooperation, the NGO and PMU have entered into the present Partnership Agreement.

Article I. Definitions

For the purpose of the present Partnership Agreement, the following definitions shall apply:

- (a) "Parties" shall mean the NGO and PMU;
- (b) "PMU" shall mean the Project or Programme Management Unit established for the express purpose of managing the IFAD-supported "Convergence of Agricultural Interventions in Maharashtra Programme" by the GOM;
- (c) "The NGO" shall mean [*name of the NGO*], a non-governmental organization that was established in and incorporated under the laws of [*place, where the NGO is established*], with the purpose of [*the purpose or mandate of the NGO*];
- (d) "The Agreement" or "the Partnership Agreement" shall mean the present Project Cooperation Agreement, the Project Document (Annex), which incorporates the Project Objectives and Activities, Project Work Plan, Project Inputs being provided by PMU resources, and Project Budget, and all other documents agreed upon between the Parties to be integral parts of the Partnership Agreement;
- (e) "Project" or "Programme" shall mean the activities as described in the Project Appraisal Report of the Convergence of Agricultural Interventions in Maharashtra dated ----- 2009;
- (f) "Government" shall mean the Government of Maharashtra;
- (g) "PMU representative" shall mean the PMU Programme Director duly appointed by the GOM, or the person acting on his/her behalf and holding legal status and power of Attorney;
- (h) "Project Director" shall mean the person appointed by the GOM, who acts as the overall coordinator of the Project and assumes the primary responsibility for all aspects of it;
 - (i) The "District" shall mean the project area, where project interventions are proposed to be taken up, namely Akola, Amravati, Washim, Wardha and Yavatmal districts in Vidarbha region, Maharashtra;
 - (ii) "Target groups" shall all intended beneficiaries under the CAIM, more particularly the women members, BPL and the distressed families residing in the project area;
 - (iii) SHG shall mean a Self-Help Group of women beneficiaries being organised by MAVIM or facilities extended to any such existing organisations;
 - (iv) "Village" shall mean any village as defined under Revenue classification;
 - (v) "DAs" shall mean Development Assistants, who are expressly hired by the NGO for the project purposes;
 - (vi) "SW" shall mean Social Workers, who are either women or men expressly hired by the NGO for the project purposes;
 - (vii) "Engineer or Team Leaders" shall be the personnel hired by the NGO for the project purposes;
 - (viii) "Cluster Accountants" are the personnel hired by the NGO for the project purposes

- (ix) "NGO Manager" shall mean a person hired by the NGO for looking after the field operations in its designated area of operations or cluster of villages;
 - (x) "The Personnel" shall mean all staff, employees, agents, contractors who are deployed by the NGO in connection with the Project for any specified period either hired or recruited under the present Agreement;
 - (xi) "Partnership Committee" means a committee set up for the express purpose for the project for resolving the dispute between NGOs and the PMU and DPMT
- (i) "Expenditure" shall mean the sum of payments made and valid outstanding obligations incurred in respect of goods and services rendered;
 - (j) "To advance" shall mean a transfer of assets, including a payment of cash or a transfer of supplies, the accounting of which must be rendered by the NGO at a later date, as herein agreed upon between the Parties;
 - (k) "Income" shall mean the interest on the Project funds and all revenue derived from the use or sale of capital equipment, and from items purchased with funds provided by PMU or from revenues generated from Project outputs;
 - (l) "*Force majeure*" shall mean acts of nature, or other acts of a similar nature or force;
 - (m) "Project Work Plan" shall mean a schedule of activities, with corresponding time frames and responsibilities, that is based upon the Programme Document, deemed necessary to achieve Project results, prepared at the time of approval of the Project, and revised annually.

Article II. Objective and Scope of the Partnership Agreement

1. The Partnership Agreement sets forth the general terms and conditions of the cooperation between the Parties in all aspects of achieving the Project Objectives, as set out in the Project Document.
2. The Parties agree to join efforts and maintain close working relationships, in order to achieve the Objectives of the Project.

Article III. Duration of Project Agreement

1. The term of the Partnership Agreement shall commence on [*date of start of Agreement*] and terminate on [*date of end of Agreement*]. The Project shall commence and be completed in accordance with the time frame or schedule set out in the Project Document and IFAD Financing Agreement.
2. Should it become evident to either Party during the implementation of the Project that an extension beyond the expiration date set out in paragraph 1, of the present Article, will be necessary to achieve the Objectives of the Project, that Party shall, without delay, inform the other Party, with a view to entering into consultations to agree on a new termination date. Upon agreement on a termination date, the Parties shall conclude an amendment to this effect, in accordance with Article XVII, below.
3. This Agreement shall be governed by the Laws of Union of India. The language of the Agreement shall be English but Marathi versions will be made available to the NGO.
4. The NGO shall not assign this Agreement or sub-contract any part of agreed responsibilities, which are more clearly specified in Annex to any other agency or institution without obtaining prior approval from the PMU in writing.

Article IV. General Responsibilities of the Parties

1. The Parties agree to carry out their respective responsibilities in accordance with the provisions of the Partnership Agreement, and to undertake the Project in accordance with PMU and GOM policies and procedures as set out in the CAIM Programme Implementation Manual, which forms an integral part of the Partnership Agreement.
2. Each Party shall determine and communicate to the other Party the person (or unit) having the ultimate authority and responsibility for the Project on its behalf. The Cluster Manager shall be appointed by the NGO and with the approval of the PMU.
3. The Parties shall keep each other informed of all activities pertaining to the Project and shall consult once every three months or as circumstances arise that may have a bearing on the status of either Party in the Project Area or that may affect the achievement of the Objectives of the Project, with a view to reviewing the Work Plan and Budget of the Project.
4. The Parties shall cooperate with each other in obtaining any licenses and permits required by the law, where appropriate and necessary for the achievement of the Objectives of the Project. The parties shall also cooperate in the preparation of any reports, statements or disclosures, which are required by national law.
5. The NGO may use the name and emblem of the CAIM only in direct connection with the Project, and subject to prior written consent of the PMU.
6. The activities under the Partnership Agreement are in support of the efforts of the Government and the Donors, and therefore the NGO will communicate with the PMU as often as necessary. The NGO Manager will be

responsible for day-to-day contacts with the relevant project authorities in the field, namely the PMT on operational matters during the implementation of the Project. The PMU Director/ Coordinator will act as the principal channel for communicating with the Government coordinating authority regarding the activities under the Project Cooperation Agreement or otherwise agreed with the Parties and the Government.

7. The PMU will facilitate access to information, advisory services and logistic support and will assist the NGO in all its efforts in achieving the Project Objectives and targets.

8. The Parties shall cooperate in any public relations or publicity exercises, when the PMU deems these appropriate or useful.

Article V. Personnel Requirements

1. The NGO shall be fully responsible for all services performed by its personnel, agents, employees, or contractors. The NGO shall ensure the continuity of its staff deployed in all the field positions throughout the currency of this agreement.

2. The NGO personnel shall not be considered in any respect as being the employees of PMU. The NGO shall ensure that all relevant national and State labour laws are observed.

3. PMU does not accept any liability for claims arising out of the activities performed under the Partnership Agreement, or any claims for death, bodily injury, disability, damage to property or other hazards that may be suffered by NGO personnel as a result of their work pertaining to the project. It is understood that adequate medical and life insurance for NGO personnel, as well as insurance coverage for services incurred illness, injury, disability or death, is the responsibility of the NGO.

4. The NGO shall ensure that its personnel meet the highest standards of qualification and technical and professional competence necessary for the achievement of the Objectives of the Project, and that decisions on employment related to the Project shall be free of discrimination on the basis of race, religion or creed, ethnicity, gender, handicapped status, or other similar factors. The NGO shall ensure that all personnel are free from any conflicts of interest relative to the Project Activities.

Article VI. Terms and Obligations of Personnel

1. The NGO undertakes to be bound by the terms and obligations specified below, and shall accordingly ensure that the personnel performing project-related activities under the Partnership Agreement comply with these obligations: (a) The personnel shall be under the direct charge of the NGO, which functions under the general guidance of PMU or the Government; (b) Further to subparagraph (a) above, the personnel shall not seek nor accept instructions regarding the activities under the Partnership Agreement from any Agencies other than the Agencies proposed by the PMU or GOM; (c) They shall refrain from any conduct that would adversely reflect on the PMU / GOM or the Donors and shall not engage in any activity which is incompatible with the aims and objectives of the PMU or the mandate of GOM; and (d) Subject to the requirements outlined in the Acts governing access to information, all information that is considered confidential shall not be used without the authorization of PMU. In any event, such information shall not be used for individual profit.

2. The NGO Manager or the authorised NGO Representative may communicate with the media regarding the methods and scientific procedures used by the NGO; however, PMU clearance is required for the use of the name CAIM in conjunction with Project Activities in accordance with Article IV, paragraph 5, above. This obligation shall not lapse upon termination of the Partnership Agreement unless otherwise agreed between the Parties.

Article VII. Supplies, Vehicles and Procurement

1. PMU shall contribute to the Project the resources indicated in the Budget section of the Project Document.

2. Equipment, non-expendable materials, or other property furnished or financed by CAIM shall remain the property of GOM and shall be returned to PMU/PMT upon completion of the Project or upon termination of the Partnership Agreement, unless otherwise agreed upon between the Parties, and in consultation with the government coordinating authority. During Project implementation and prior to such return, the NGO shall be responsible for the proper custody, maintenance and care of all equipment. The NGO shall, for the protection of such equipment and materials during implementation of the Project, obtain appropriate insurance in such amounts as may be agreed upon between the Parties and incorporated in the Project Budget.

3. The NGO will place on the supplies; equipment and other materials it furnishes or finances such markings as will be necessary to identify them as being provided by CAIM.

4. In cases of damage, theft or other losses of vehicles and other property made available to the NGO, the NGO shall provide PMU with a comprehensive report, including police report, where appropriate, and any other evidence giving full details of the events leading to the loss of the property.

5. In its procedures for procurement of goods, services or other requirements with funds made available by PMU as provided for in the Project Budget, the NGO shall ensure that, when placing orders or awarding sub-contracts, it will safeguard the principles of highest quality, economy and efficiency, and that the placing of such orders will be based on an assessment of competitive quotations, bids, or proposals unless otherwise agreed to by PMU and GOM.

6. The NGO shall maintain complete and accurate records of equipment, supplies and other property purchased with CAIM funds and shall take periodic physical inventories. The NGO shall provide PMU annually with the inventory of such equipment, property and non-expendable materials and supplies, and at such time and in such form as PMU and the GOM may request.

Article VIII. Financial and Operational Arrangements

1. In accordance with the Project Budget, PMU has allocated/ will make available to the NGO funds up to the maximum amount of *[total amount of Agreement]*. The first instalment of *[amount of first instalment]* will be advanced to the NGO within *[number of working days]* working days following signature of the Partnership Agreement. The second and subsequent instalments will be advanced to the NGO quarterly, when a financial report and other agreed-upon documentation, as referenced in Article X, below, for the activities completed have been submitted to and accepted by PMU as showing satisfactory management and use of CAIM resources.

2. The NGO agrees to utilize the funds and any supplies and equipment provided by CAIM in strict accordance with the Project Document. The NGO shall be authorized to make variations not exceeding 10 per cent on any one line item of the Project Budget provided that the total Budget allocated by PMU is not exceeded. The NGO shall notify PMU about any expected variations on the occasion of the quarterly consultations set forth in Article IV, paragraph 3, above. Any variations exceeding 10 per cent on any one-line item that may be necessary for the proper and successful implementation of the Project shall be subject to prior consultations with and approval by PMU.

3. The NGO further agrees to return within two weeks any unused supplies made available at the termination of the Partnership Agreement or the completion of the Project.

4. PMU/GOM shall not be liable for the payment of any expenses, fees, tolls or any other financial cost not outlined in the Project Work Plan or Project Budget unless PMU has explicitly agreed in writing to do so prior to the expenditure by the NGO.

Article IX. Maintenance of Records

1. The NGO shall keep accurate and up-to-date records and documents in respect of all expenditures incurred with the funds made available by PMU/CAIM to ensure that all expenditures are in conformity with the provisions of the Annual Work Plan and Budgets. For each disbursement, proper supporting documentation shall be maintained, including original invoices, bills, and receipts pertinent to the transaction. Any Income, as defined in Article I, paragraph 1 (k), above, arising from the management of the Project shall be promptly disclosed to PMU. The Income shall be reflected in a revised AWP&B and recorded as accrued income to CAIM unless otherwise agreed between the Parties.

2. Upon completion of the Project/or Termination of the Agreement, the NGO shall maintain the records for a period of at least TEN / FIVE ?? years unless otherwise agreed upon between the Parties.

Article X. Reporting Requirements

1. The NGO shall provide PMU, PMT and the government coordinating authority with periodic reports on the progress, activities, achievements and results of the Project, as agreed between the Parties. As a minimum, the NGO shall prepare an ANNUAL PROGRESS REPORT for every fiscal year.

2. Financial reporting will be quarterly:

(a) The NGO prepares a financial report and submits it to the PMU no later than 30 days after the end of each quarter, in English.

(b) The purpose of the financial report is to request a quarterly advance of funds, to list the disbursements incurred on the Project activities by budgetary component on a quarterly basis, and to reconcile outstanding advances.

(c) The financial report has been designed to reflect the transactions on a cash basis. For this reason, unliquidated obligations or commitments should not be reported to PMU, i.e., the reports should be prepared on a "cash basis", not on an accrual basis, and thus will include only disbursements made by the NGO and not commitments. However, the NGO shall provide an indication when submitting reports as to the level of unliquidated obligations or commitments, for budgetary purposes;

(d) The financial report contains information that forms the basis of a periodic financial review and its timely submission is a prerequisite to the continuing funding of the Project. Unless the Financial Report is received, the PMU will not act upon requests for advances of funds from the PMU; and

(e) Any refund received by an NGO from a supplier should be reflected on the financial report as a reduction of disbursements on the component to which it relates.

3. Within two months of the completion of the Project or of the termination of the Partnership Agreement, the NGO shall submit a final report on the Project activities and include a final financial report on the use of CAIM funds, as well as an inventory of supplies and equipment.

Article XI. Audit Requirements

1. The NGO shall submit to the PMU a certified annual financial statement on the status of funds advanced by PMU. The audit shall be carried out by the auditors of the NGO or by a qualified audit firm, which will produce an audit report and certify the financial statement.

2. Notwithstanding the above, PMU shall have the right, at its own expense, to audit or review such Project-related books and records as it may require and to have access to the books and record of the FNGO, as necessary.

Article XII. Responsibility for Claims

1. The NGO shall indemnify, hold and save harmless, and defend at its own expense, its officials and persons performing services for CAIM, from and against all suits, claims, demands and liability of any nature and kind, including their cost and expenses, arising out of the acts or omissions of the NGO or its employees or persons hired for the management of the Partnership Agreement and the Project.

2. The NGO shall be responsible for, and deal with all claims brought against it by its Personnel, employees, agents or subcontractors.

Article XIII. Suspension and Early Termination

1. The Parties hereto recognize that the successful completion and accomplishment of the purposes of a Partnership cooperation activity are of paramount importance, and that PMU may find it necessary to terminate the Project, or to modify the arrangements for the management of a Project, should circumstances arise that jeopardize successful completion or the accomplishment of the purposes of the Project. The provisions of the present Article shall apply to any such situation.

2. PMU shall consult with the NGO if any circumstances arise that, in the judgment of PMU, interfere or threaten to interfere with the successful completion of the Project or the accomplishment of its purposes. The NGO shall promptly inform PMU of any such circumstances that might come to its attention. The Parties shall cooperate towards the rectification or elimination of the circumstances in question and shall exert all reasonable efforts to that end, including prompt corrective steps by the NGO, where such circumstances are attributable to it or within its responsibility or control. The Parties shall also cooperate in assessing the consequences of possible termination of the Project on the beneficiaries of the Project.

3. PMU may at any time after occurrence of the circumstances in question, and after appropriate consultations, suspend the Project by written notice to the NGO, without prejudice to the initiation or continuation of any of the measures envisaged in paragraph 2, above, of the present Article. PMU may indicate to the NGO the conditions under which it is prepared to authorize management of the Project to resume.

4. If the Cause of suspension is not rectified or eliminated within 14 days after PMU has given notice of suspension to the NGO, PMU may, by written notice at any time thereafter during the continuation of such cause: (a) terminate the Agreement; or (b) terminate the management of the Project by the NGO, and entrust its management to another institution. The effective date of termination under the provisions of the present paragraph shall be specified by written notice from PMU.

5. Subject to paragraph 4 (b), above, of the present Article, the NGO may terminate the present Agreement in cases where a condition has arisen that impedes the NGO from successfully fulfilling its responsibilities under the present Agreement, by providing PMU with written notice of its intention to terminate the Partnership Agreement at least ONE calendar month prior to the effective date of termination if the Project has a duration of up to six months and at least TWO calendar months prior to the effective date of termination if the Project has a duration of six months or more.

6. The NGO may terminate the present Agreement only under paragraph 5, above, of the present Article, after consultations have been held between the NGO and PMU, with a view to eliminating the impediment, and shall give due consideration to proposals made by PMU in this respect.

7. Upon receipt of a notice of termination by either Party under the present Article, the Parties shall take immediate steps to terminate activities under the present Agreement, in a prompt and orderly manner, so as to minimize losses

and further expenditures. The NGO shall undertake no forward commitments and shall return to PMU, within 30 days, all unspent funds, supplies and other property provided by PMU or DPMT /CAIM unless PMU has agreed otherwise in writing.

8. In the event of any termination by either Party under the present Article, PMU shall reimburse the NGO only for the costs incurred to manage the project in conformity with the express terms of the present Agreement. Reimbursements to the NGO under this provision, when added to amounts previously remitted to it by PMU in respect of the Project, shall not exceed the total PMU allocation for the Project.

9. In the event of transfer of the responsibilities of the NGO for the management of a Project to another institution, the NGO shall cooperate with PMU and the other institution in the orderly transfer of such responsibilities.

Article XIV. Force majeure

1. In the event of and as soon as possible after the occurrence of any cause constituting Force *majeure*, as defined in Article I, paragraph 1, above, the Party affected by the Force *majeure* shall give the other Party notice and full particulars in writing of such occurrence if the affected Party is thereby rendered unable, in whole or in part, to perform its obligations or meet its responsibilities under the present Agreement. The Parties shall consult on the appropriate action to be taken, which may include suspension of the Partnership Agreement by PMU, in accordance with Article XIII, paragraph 3, above, or termination of the Agreement, with either Party giving to the other at least 14 days written notice of such termination.

2. In the event that the Partnership Agreement is terminated owing to causes constituting Force *Majeure*, the provisions of Article XIII, paragraphs 8 and 9, above, shall apply.

Article XV. Arbitration

1. 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. In such cases, the situation will be resolved as follows: (i) While respecting the privacy of individuals and the confidentiality of specific cases – and in compliance with all applicable privacy – the Parties will share information among themselves concerning systemic institutional non-compliance; (ii) If the Parties consider the alleged compliance issue to be minor, they will work informally to investigate and, if necessary, to correct the problem. Relevant PMU official and the NGO management will discuss the matter and find remedies; (iii) If the Parties consider a compliance issue to be serious, either Party, as the case may be, will document the alleged infractions, the relevant evidence and options for rectification of the situation if a breach is confirmed. The matter will be discussed and resolved at the respective District Coordination Committees being set up under the respective District Collectors or by the Chairman, Project Steering Committee based at Amravati; and (iv) Should the matter not be resolved either at Collector or Divisional Commissioner level or be particularly serious or sensitive, it will be referred to Partnership Committee, which has been set up for the express purpose of the project.

2. If these negotiations are unsuccessful, the matter shall be referred to Adjudication /arbitration in accordance with Arbitration and Conciliation Act 1996.

Article XVI. Privileges and Immunities and Insurance

1. Nothing in or relating to the Partnership Agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the GOM.

2. The NGO shall pay the taxes and duties and all other impositions levied under the applicable laws and the PMU shall perform such duties in this regard to the deduction of taxes as may be lawfully imposed and required.

3. The NGO will be responsible for appropriate insurance coverage pertaining to their personnel who are deployed in the field and other goods and properties, which are used for the project activities. Accordingly, the NGO shall maintain comprehensive general liability insurance to cover the indemnity of obligation against all damages, costs and other charges and expenses for injury to any person or damage to any property arising out of or in connection with the project activities. The NGO shall provide the PMU with such certificates thereof upon request.

Article XVII. Amendments

The present Agreement or its Annexe may be modified or amended only by written agreement between the Parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have on behalf of the Parties hereto signed the Partnership Agreement at the place and on the day below written.

For the NGO:

For PMU:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Place: _____
Date: _____

Place: _____
Date: _____

List of Possible Attachments to the Agreement [not attached in this Section]

- Annex A: Description of Facilitating NGO Services or TOR
- Annex B: List of Villages assigned to NGO
- Annex C: Data, Services and facilities to be provided to NGO
- Annex D: Summary Cost Estimates and Schedule of Payment
- Annex E: Tasks assigned to NGO by Block with quantity indicators
- Annex F: NGO personnel to be deployed in field
- Annex G: NGO Monthly Expenditure Statement
- Annex H: NGO Progress Report
- Annex I: Summary Report by Village

(i) **ANNEX-7.2: MODEL AGREEMENT: CONTRACT FARMING**

- (ii)
- (iii) This agreement is made on this the _____ day of ____April 200____ at Akola BY AND BETWEEN
- (iv) Arvind Mills Limited., A COMPANY REGISTERED UNDER THE INDIAN COMPANIES ACT, 1913 AND HAVING ITS REGISTERED OFFICE AT NARODA ROAD, AHMEDABAD – 380 025 (HEREINAFTER REFERRED TO AS “AML” WHICH EXPRESSION, UNLESS REPUGNANT TO THE CONTEXT OR MEANING THEREOF, SHALL MEAN AND INCLUDE ITS SUCCESSORS, AFFILIATES AND PERMITTED ASSIGNS) OF FIRST PARTY;
- (v) AND
- (VI)
- (vii) MR. _____ SON OF MR. _____ MEMBER OF _____ (SHG) FROM _____ (VILLAGE) OF _____ (TALUKA) FROM _____ (DISTRICT) OF THE STATE OF MAHARASHTRA (HEREINAFTER REFERRED TO AS “FARMER” WHICH EXPRESSION, UNLESS REPUGNANT TO THE CONTEXT OR MEANING THEREOF, SHALL MEAN AND INCLUDE ITS SUCCESSORS, AFFILIATES AND PERMITTED ASSIGNS) OF THE SECOND PARTY.
- (viii)
- (ix) AND
- (X)
- (xi) ON THE BEHALF OF AKOLA DISTRICT ADMINISTRATION, TALUKA AGRICULTURE OFFICER DULY AUTHORIZED BY THE PMT/ATMA OF THIRD PARTY.

WHEREAS AL is engaged *inter alia* in the business of manufacturing and marketing of denim, high value shirting, fabrics and other textile piece goods at various locations;

AND WHEREAS, AML is desirous to purchase cotton for the Organic Cotton Project to utilize the same for the Textile Products to ensure better quality of the textile goods.

AND WHEREAS Farmer is engaged in the process of growing and selling of Organic Cotton and desirous to sell his Organic Cotton production to the AML.

AND WHEREAS, AML has expressed its willingness to enter into an agreement with farmer for supplying the Organic Cotton for the project of Organic Cotton setup by AML, upon the terms and conditions expressly agreed hereunto;

NOW THIS AGREEMENT WITNESSETH AND IT IS AGREED BY AND BETWEEN THE PARTIES AS UNDER:

1) INTERPRETATION:

Organic Cotton: Organic Cotton means cotton grown in a holistic farming system that avoids the use of synthetic fertilizers, pesticides and herbicides. It emphasizes the set-up of a balanced agro-ecosystem and is based on methods like crop rotation, intercropping, application of green manures, organic manures, biological pest control etc.

Chemical Fertilizer: Chemical Fertilizer means any synthetic materials added to soil to increase amount of plant nutrients available for plant growth such as inorganic chemicals and non-bulky organic substances but excluding manures, and also including fertilizers that provide major plant nutrients such as nitrogen, phosphorus and potash, either individually or as a combination of two or three (compound fertilizer), sometimes together with trace elements.

Herbicides: Herbicides means pesticide, which kills weeds. The action of a herbicide may be either selective, killing the weeds only and leaving the crop unharmed or non-selective (or total) in which all vegetation is killed.

Genetically Modified Seeds: Genetically Modified Seeds means a genetically modified seed is a seed whose genetic characteristics has been altered using techniques in genetics generally known as recombinant DNA technology.

Farmyard Manure: Farmyard Manure means faeces and urine of farm animals mixed with litter, mainly straw to absorb the urine. Its composition is variable depending on animals contributing the dung, their diet and kind of litter used. It is usually stored in manure heaps where bacterial activity releases ammonia, fermentation occurs and the material generally degrades in to simpler compounds.

Chemically Treated Seeds means seeds that are treated chemically using synthetic chemicals.

Prohibited items means that synthetic chemical fertilizer, pesticides and herbicides etc.

Bio-fertilisers means fertilizers produced onfarm using

Compost means organic compost produced onfarm using the bio-dynamic technology and without the use of any chemical additives

Cotton selector means an expert duly appointed for the purposes of selecting and categorizing cotton according to established technical standards and specifications.

SHG: SHG means Self Help Group, take their origin from the concept of solving common should be successful in empowering the farmers and improving their standard of living.

Party: Party means either AML or the Farmer;

Parties: Parties mean both AML and the Farmer.

2) COVENANTS OF THE FARMER TO THE AML IN PRESENCE OF DISTRICT ADMINISTRATION, AKOLA:

- a) That Farmer herewith agrees to join the AML Organic Cotton Project and further agrees to practice organic and fair trade agriculture on his/her whole farm and to sell all his/her organic cotton produce to AML.
- b) That Farmer agrees, forever and absolutely, that he shall never, use chemical fertilizer of any sort on his land and/or, use pesticide / insecticide of any sort on his crops and/or, use any herbicide of any sort on the land and/or, use genetically modified seeds of cotton or any other crop. It is mutually agreed that in case of use of any of these prohibited items, mentioned herein, the AML shall have sole discretion to terminate this Agreement by issuing 7 days prior notice to the Farmer and under intimation to PMT and TAO...
- c) That Farmer agrees that he shall sow two lines of pigeon pea or castor or three lines of maize or sorghum, as boarder crops, so as to avoid pesticide drifts from the adjoining farms that are using chemical fertilizers and adopting conventional farming practices. He further agrees to keep these rows of crops as they are until he finishes the harvesting of the cotton. Notwithstanding anything contained foregoing, this shall not apply if the field adjacent to the Farmer is organically cultivated or if his field is separated from the adjacent field by, a three (3) meters gap and /or a permanent vegetative hedge.
- d) That Farmer agrees that he shall rotate crops on his field or practice intercropping with legumes to improve the fertility of his soil.
- e) That Farmer agrees that he shall retain and preserve all empty packets and packaging of all the inputs that were bought from the market by the Farmer. It is mutually agreed that the Farmer, in any case, shall not raise demands of payments, if any, without producing such empty packets.
- f) That Farmer agrees that he shall keep harvest and sales records up to date. The Farmer agrees that failure of which, the AML shall have sole liberty and discretion to reject his cotton. It is mutually agreed that in absence of such records, AML shall not purchase the organic cotton from the Farmer.
- g) That Farmer agrees that he shall not, in any case, use the chemically treated seeds and failure of which, the AML shall have discretion to terminate this agreement under intimation to PMT/TAO...
- h) That Farmer agrees that he will attend the training sessions and meetings conducted by the AML from time to time, without any undue and unjust failure.
- i) That Farmer agrees that he shall take precautions to save the cotton crop by planting trap crops so that predators are attracted and incidences of pests are reduced.
- j) That Farmer agrees that he shall use Farm Yard Manure and/or Compost and /or Matka Khad and /or Jaivamruth as organic manure in his fields.
- k) That Farmer agrees that he shall use Bio pesticides and all other necessary organic inputs, required for yielding healthy crop of Cotton, as recommended by the AML from time to time. It is agreed that default on the part of the Farmer, the AML shall reject the cotton purchased from the Farmer and further it shall have discretion to terminate this agreement under intimation to PMT/TAO....
- l) That Farmer agrees that, as required by the AML, he shall maintain records of the seed varieties, its fertility and the pest management inputs used therein. It is agreed that the Farmer shall file the record of the farm and shall provide accurate details to the AML.
- m) That the farmer agrees that he shall neither lend nor borrow sprayers to and/or from the other farmers, who are using farming practices using chemical fertilizers and PP chemicals.
- n) That the Farmer agrees that he shall not burn the residues of the crop on farm.

- o) That the Farmer agrees that he shall, at all times, whether he is present or absent, allow the representatives of the AML to inspect his fields, house/s, godowns, sprayers and journal used by the Farmer.
- p) That the Farmer agrees that he shall be involved in SHG and shall have registered group bank account.

3) COVENANTS OF THE AML TO THE FARMER IN PRESENCE OF DISTRICT ADMINISTRATION, AKOLA:

- a) That AML herewith agrees that it shall purchase the entire quantity of the cotton produced by the farmer.
- b) That AML shall provide adequate demonstrations in the respective village regarding the methods of preparation of vermin-compost, farm yard manure, compost, application methods of compost, preparation of bio-fertilisers in the form of training, demonstrations, extension services in the village area of the Farmer.
- c) That AML shall be responsible for any loss of crop or damage to crop that is caused due to wrongful advise or extension advice demonstrated to the Farmer and in such situation, any loss or damage shall be made good by the AML.
- d) That AML shall intimate the Farmer in writing with copies to PMT/TAO any rejection of cotton produce and assigning reasons for rejection thereof.
- e) That AML shall pay the premium by quality of cotton to the Farmer on the basis of the staple length of seed cotton as described in Schedule-I annexed hereto.
- f) That AML shall make the payment for the delivered / received organic cotton by way of cheque issued in favour of the Farmer within seven days.
- g) That AML shall ensure that the Farmer is provided with a receipt immediately after the delivery of cotton to the designated place or factory.
- h) That AML shall provide the extension services that includes the services relating to the monitoring of the crop development and any other advice as may be required by the Farmer for this behalf and as described in Schedule-II hereunder..
- i) That AML shall provide the relevant training to the Farmer regarding the Principles on Organic Farming.

4) ALL THE THREE PARTIES MUTUALLY AGREE HERE IN TO:

- a) That the Farmer shall deliver his cotton produce to the ginnery at the direction of the AML provided the distance shall not exceed.... KM from the Farmer's farm and where the distance exceeded the agreed distance, the AML shall pay for the differential cost of transport.
- b) That AML shall purchase the cotton at the APMC Market rate or the prevailing market rate for the organic cotton.
- c) That the Cotton Selectors, appointed by AML for this behalf, shall decide the quality and staple length of the seed cotton procured from the farmer.
- d) That the AML shall intimate the selection of Cotton selector to the PMT/TAO together with the personal profile of the cotton selector.
- e) That this agreement shall be renewable subject to the submission of the new application form with up-dated information regarding the farmer's farming situation.
- f) That the farmer shall have right to have the option of terminating this Agreement under intimation to TAO and PMT but assigning reasons for such termination.
- g) That the farmer shall be allotted unique identification code for facilitating records maintenance and progress reporting

5) TERMINATION:

- a) That this Agreement shall stand terminated at the option of the AML if, at any point of time, any of the Clauses of the Agreement that binds the Farmer, is breached or violated or not adhered to.

- b) That AML shall give prior notice of seven days to terminate this Agreement assigning reasons for termination under intimation to DPMT/TAO.
- c) That either party shall give prior notice of seven days to terminate this Agreement under intimation to DPMT/TAO.

6. DISPUTE HANDLING:

In case of any disputes, at all the times, three parties Arvind Limited., District Administration, Akola and Chairman of respective SHG will handle the dispute as Dispute Handling Committee and their decision shall be binding to all.

IN WITNESSTH WHEREOF, THE PARTIES HERE TO HAVE CAUSED THIS AGREEMENT TO BE DULY EXECUTED, IN DUPLICATE, by the undersigned, duly authorized thereto, have on behalf of the parties hereto signed the Partnership Agreement at the place and on the day below written.

FIRST PARTY	SECOND PARTY	THIRD PARTY
On behalf of Arvind Mills Limited	Mr	Mr
Name	(Farmer)	(Taluk Agricultural Officer)
Signature	Signature/Thump Impression	Name
Designation	Name	Signature
Address	Address	Designation
		Address

Witnesses:

_____ (Signature)	_____ (Signature/Thumb)	_____ (Signature)
Name:	Name:	Name:
Designation:	Address:	Designation:
Address:		Address:

ANNEX-7.3: MEMORANDUM OF UNDERSTANDING
BETWEEN
C-AIM PROJECT DIRECTOR
AND
TECHNICAL INSTITUTE OR RESOURCE NGO

(xii) WHEREAS the GOM through the PMU, Amravati desires to implement the enterprises development, training services, marketing support sub-component under the IFAD-supported Convergence of Agricultural Interventions in Maharashtra (CAIM) in the programme area districts.

(xiii)

(xiv) WHEREAS, the Institute an agency owned by the Government of Maharashtra/ Government of India Research Institute/ private sector agency/ a NGO specialized in the field micro-enterprises and training with special reference to SHGs wishes to extend its services and support to the CAIM in the programme area districts

(xv)

(xvi) WHEREAS the Institute having agreed to the general terms of Partnership Agreement, the Institute Shall perform the services as specified in Annex- A, "Description of Services of the Institute, in all six districts or district of the project area that are covered by CAIM.

(xvii)

(xviii) WHERE AS the Institute Shall provide the required Reports listed in Annex B, "the Institute's Reporting Obligations" within the time period indicated in the said Annex B with the support of Personnel to be engaged and employed by the Institute as listed in Annex C and within the estimated costs as detailed in Annex D, titled Cost Estimates for the Services and an indicative and tentative Target are shown in Annex E. [These are not attached in the PIM].

(xix)

(xx) WHERE AS, the PMU may find it necessary to postpone or cancel the assignment and /or shorten or extend the duration or area of operation and in such cases, every effort will be made to give the Institute as early as possible, intimation of such changes in writing. In the event of the termination of the Agreement, the Institute shall be paid for the services rendered for carrying out the assignment to the date of termination, and the Institute will provide to PMU all the reports or part thereof, or any other information and documentation gathered under this MOU prior to the date of termination of this Agreement

(xxi) AND WHEREAS BOTH PARTIES MUTUALLY AGREED THAT

(xxii)

(xxiii) The institute shall perform the services during the period commencing from [date] to [date] or any other period as may be subsequently and mutually agreed by the parties in writing.

(xxiv)

(xxv) For the services to be rendered pursuant to Annex A, the CAIM shall pay on actual cash basis and as indicated more clearly in Annex C but the total amount shall not exceed INR [XXX] and this sum has been estimated on the basis of cost estimates of administrative expenses and tasks to be performed.

(xxvi)

(xxvii) The CAIM shall pay the Institute for the services rendered over the time duration and in accordance with the rates agreed and specified in Annex C subject to however the total sum not exceeding the sum quoted in paragraph above.

(xxviii)

(xxix) Under the MOU, the Institute shall be required to conduct skill-based training of SHGs, marketing groups, VDCs and the cost of skill-based training shall be on module basis, which shall be agreed to between the Institute and CAIM.

(xxx)

(xxxi) The expenses against administrative cost of the Institute for THREE months shall be advanced to the Institute on signing the Agreement and before commencement of fieldwork. Further payments will be made or reimbursed on the basis of invoices submitted by month and are duly certified by the respective Block PMU managers.

(xxxii)

(xxxiii) For all types and categories of skill training, which are to be carried out with the help of any external institute, agency or NGO, the CAIM will make a 50% cost of such training as advance before commencement of such skill-based training and the balance amount shall be paid after successful completion of such training, which are duly verified and certified by the respective DPMT and NGO.

(xxxiv) The institute shall be given a period of three months from the date of signing this Agreement and after receipt of the stipulated advance payment from CAIM for commencing its activities.

(xxxv)

(xxxvi) The Institute will conduct training for [number of SHGs] each month as per the data provided and the

Institute will raise monthly invoices with vouchers for the expenses for the training but subject to overall cost norm.

(xxxvii)

(xxxviii) Targets and achievements and overall performance by the Institute shall be reviewed every quarter and any shortfalls in achieving the stipulated targets will accordingly be discussed and measures for rectifying the shortfall will be initiated without any further financial liability.

(xxxix)

(xl) The Institute undertakes the responsibility to perform the services with the highest standard of professional and ethical competence and integrity. In the event that the PMU finds that the performance of the Institute has been unsatisfactory, the PMU will notify the Institute, giving reasons, and ask the Institute to improve its performance within 30 days. If after 60 days, the performance of the Institute does not improve, the PMU shall suspend payments to the Institute and will also suspend the Agreement. All aspects relating to performance evaluation, indicators for monitoring and scope for improvement and notice of time and decision to suspend the Institutes operation and eventually the Agreement shall be discussed in the PARTNERSHIP COMMITTEE and both the Parties will abide by the decision of the committee.

(xli)

(xlii) The CAIM and the Institute may terminate the Agreement or MOU by giving two calendar month notice in writing without assigning any reason for doing so but such decision on the part of CAIM shall only be taken with the consent of the Partnership Committee and SPSC.

(xliii) If the Institute does not remedy a failure in its performance and in discharging its obligations under this MOU within two calendar months or any other period as notified by the PMU in writing; if as the result of *force majeure*, the Institute is unable to perform a material portion of the services for a period of not less than two calendar months; or if the PMU in its sole discretion, decides to terminate the MOU.

(xliv)

(xliv) AND WHEREAS THE PMU AGREED THAT

(xlvi)

(xlvi) The PMU will be responsible for all expenses incurred on training and purchases relating to machine, toolkits, raw materials or any other relevant items for training and development of training manuals and materials.

(xlviii)

(xlix) The PMU designate the respective PMT Managers who shall be responsible for the coordination of activities under this MOU and in addition, the NGO will also provide adequate support and facilitate the training. All invoices and vouchers for payment shall be signed and forwarded by the respective PMT and NGOs.

(l)

(li) The PMU agree and provide at least a three calendar month's of lead time for the Institute for its planning, module preparation, organising the training of trainers (TOTs) and also to ensure that the qualified staff are made available for the training.

(lii)

(liii) All sub-projects proposals such as handicrafts, leather-based, dairy and agricultural enterprises that are identified will be subject to technical and financial appraisal by the Institute before these are forwarded to banks for financial support. Where needed, the Institute will arrange for additional technical support from any specialised agency, the cost of which will be discussed and agreed reimbursed to the Institute.

(liv)

(lv) The Institute shall also be responsible for compliance of any query from the banks before sanction and to ensure that the enterprises proposals are technically feasible, financially viable and socially acceptable.

(lvi)

(lvii) The Institute shall also be responsible for helping the SHGs in setting up of their enterprises, provide them with technical support and assist them in linkage to markets.

(lviii)

(lix) Any dispute arising out of the Agreement or MOU, which cannot be amicably settled between the Parties concerned, shall be referred to the Partnership Committee for resolution.

(lx) AND WHEREAS THE INSTITUTE AGREED THAT

(lxi)

(lxii) All SHGs and marketing groups selected for enterprises activities in varying sector will be provided market linkages by different means and no buy-back arrangement by the Institute will be offered.

(lxiii)

(lxiv) The Institute will set up a team of sector-specific professionals, who are experts in micro-enterprises development and the team will work under the close collaboration with the DPMTs and the NGO. The Institute will furnish the detailed CVs of these professionals to PMU.

(lxv)

(lxvi) The Institute will keep proper and updated records of all expenses incurred on the account of the services that are being offered to the CAIM and the Institute further agree that all these expenses can be subject to auditing and as required under law, the Institute shall furnish the audited statement at end of the financial year

(lxvii)

(lxviii) The Institute shall not, during the term of this MOU and the Project and 2 years after expiration of this MOU disclose any proprietary or confidential information relating to the services and the MOU without prior written permission from the CAIM, PMU.

(lxix)

(lxx) The Institute further agree that all reports, study materials, details of interviews carried out in the project are, graphics, software or otherwise prepared by the Institute that are relating to the CAIM shall belong to and remain the property of CAIM and the Institute will not make use of these materials in any of its future activities without prior written permission.

(lxxi)

(lxxii) The Institute shall not normally assign any part of this MOU or sub-contract any portion of it without the CAIM prior written consent and approval.

(lxxiii)

(lxxiv) The Institute is liable for payment of all taxes, duties and other impositions levied under the applicable laws and the CAIM shall perform such duties in this regard to the deduction of taxes at source as may be lawfully required.

(lxxv) **The present MOU Agreement** or its Annexe may be modified or amended only by written agreement between the Parties.

(lxxvi)

(lxxvii) **IN WITNESS WHEREOF**, the undersigned, being duly authorized thereto, have on behalf of the Parties hereto signed the Partnership Agreement/ MOU at the place and on the day below written.

(lxxviii) For the Institute or NGO:

For PMU:

(lxxix)

(lxxx) Signature: _____

Signature: _____

(lxxxii) Name: _____

Name: _____

(lxxxii) Title: _____

Title: _____

(lxxxiii) Place: _____

Place: _____

(lxxxiv) Date: _____

Date: _____

(lxxxv)

(lxxxvi)

(lxxxvii) **[Following Annexes are not attached in this PIM]**

(lxxxviii)

(lxxxix) Annex A: Description of Services of the Institute

(xc) Annex B: Institutes Reporting Obligations

(xci) Annex C: List of Professionals employed

(xcii) Annex D; Summary Cost Estimates

(xciii) Annex E: Tentative Targets

**ANNEX-7.4: MODEL MEMORANDUM OF UNDERSTANDING
BETWEEN
CAIM PROJECT DIRECTOR
AND
PARTICIPATING BANK OR MICROFINANCE INSTITUTION**

WHEREAS the GOM through the PMU, Amravati desires to implement the CAIM project components under the IFAD-supported Convergence of Agricultural Interventions in Maharashtra in the six distressed districts of Vidharbha, Maharashtra.

WHEREAS, the XXXX Bank being a participating Bank in the project area willing to provide credit support to the SHGs, Producer Company, joint liability groups that are promoted by the CAIM in the project area

WHEREAS the XXX Bank having expressed its willingness to collaborate with the CAIM and provide all financial services that are required by the SHGs and marketing groups promoted by the CAIM.

WHERE AS the XXX Bank shall provide the required Reports listed in Annex A, "the Bank's Reporting Obligations" within the time period indicated in the said Annex and provide financial and other support services to the CAIM target groups an indicative Target shown in Annex B.

AND WHEREAS BOTH PARTIES AGREED THAT

The Bank shall perform the services during the period commencing from [date] to [date] or any other period as may be subsequently and mutually agreed by the parties in writing.

Whenever, the Bank shall be required to conduct skill-based training of SHGs and marketing groups, the cost of skill-based training shall be on module basis, which shall be agreed to between the Bank and CAIM.

(b) Targets and achievements shall be reviewed every quarter and any shortfalls in achieving the stipulated targets will accordingly be discussed and measures for rectifying the shortfall will be initiated on the basis of mutual discussions.

The Bank undertakes the responsibility to perform the services with the highest standard of professional and ethical competence and integrity.

The PMU will be responsible for all expenses incurred on training and purchases relating to machine, toolkits, raw materials or any other relevant items for training and development of training manuals and materials.

The PMU designate the respective PMT Managers who shall be responsible for the coordination of activities under this MOU and in addition, the participating NGO will also provide adequate support and facilitate the training.

All projects proposals for enterprises development that are identified at SHGs will be subject to technical and financial appraisal by any competent Institute / professional that are acceptable to Bank and PMU and the cost of such technical appraisals being borne by the CAIM.

Any dispute arising out of the Agreement or MOU, which cannot be amicably settled between the Parties concerned, shall be referred to the Partnership Committee for resolution.

THE PMU MAKES THE FOLLOWING ASSURANCES TO BANK:

The PMU, CAIM assure that it shall follow best practices in mobilising SHGs of poor women and build their capacities to save, borrow and utilise the funds in the best possible manner as to improve their economic condition.

The PMU further assure that it shall continue to support the SHGs operations in livelihood activities and finance over five years through the CMRC, who shall engage village women as Sahayoginis with appropriate monitoring and supervision functions.

The CAIM will propose to banks the cases of those SHGs that have shown a good record of functioning on aspects considered critical by the banks in taking credit decisions and further assure that the CAIM shall cause the SHGs and JLGs approaching the bank for linkage, to produce the records and documents as may be needed by the Bank

The CAIM assure the Bank that it shall encourage the SHGs with defaulters as members to provide an assurance to the bank that the group would exert peer pressure on such members, collect the defaulted amounts in such

instalments as may be agreed upon and remit the same to banks so that eventually the entire membership of SHG and JLG would be default-free.

WHEREAS, FURTHER TO ABOVE-MENTIONED ASSURANCES, PMU OFFERS THE FOLLOWING FACILITIES AND SUPPORT TO BANK:

The CAIM shall train the staff of the bank posted in the project area in SHG bank linkage, monitoring, gender, livelihood finance and marketing finance with expert training resources

The Project shall engage a banking expert at the PMU level to ensure smooth coordination and problem solving across the project area

The Project shall further hold dialogue with banks the best means of expanding outreach of services in the remote regions where distance from villages to bank branches is too long.

The Project will ensure the Banks in developing ICT-based pilots where needed, that would not only serve the target clients of the project but also facilitate financial inclusion.

(c) The Project assures the Bank that the CMRC and NGO field-level staff such as sahayoginis and Development Assistants, Master Trainers will help the bank in recoveries in case of unforeseen developments.

The Project assures the Bank that it shall provide the SHGs with seed capital support so that their financial strength is sufficiently built up for absorbing higher quantum of bank loans.

The Project shall undertake a comprehensive product development study in the project area to design new credit products and refine existing ones for supporting enterprise and marketing activities to be undertaken by the different groups in the project.

WHEREAS the Bank having taken note of the assurances given by the PMU makes the following assurances:

The Bank shall provide the NGO and CMRC personnel with a list of documentary and other requirements that would have to be fulfilled in while making a proposal for linkage to the Bank

The Bank shall, with a view to ensuring better performance of SHGs, provide the rating parameters for SHG credit decisions to the CMRC and NGO so that they could prepare the rating/grading formats

The Bank agrees to the NGO staff carrying out the rating/grading and presenting the same along with other documents to the bank for acceptance.

The Bank will link the SHGs introduced by the CMRC and NGO of the project through its functionaries for savings, credit and other facilities, on satisfactory completion of formalities earlier listed and without requiring documentation / rating/grading at its end.

The Bank shall link SHGs for saving and credit even if some of the members have continuing defaults to the bank in their individual capacity, provided the SHG as a whole provides credible assurance to the Bank to exert peer pressure on such members, collect the defaulted amounts in such instalments as may be agreed upon and remit the same to banks

The Bank agrees to provide collateral free loans to SHGs as per its internal business norms, of different types of short term and long term maturities.

The Bank further agrees not to insist upon savings of the group being placed on deposit, but to persuade the SHGs to utilise the savings for internal lending among members and deposit only the short-term surplus of funds representing unutilised savings

The Bank agrees to provide knowledge support in the form of trainers for training of SHG members, leaders, CMRC and NGO personnel and government officials in courses organised by the project.

The Bank agrees to depute its personnel to training courses organised by the project as participants to ensure uniformity of understanding about the project goals and processes as also overarching issues such as gender sensitisation, livelihood development, etc.

The present MOU Agreement or its Annexe may be modified or amended only by written agreement between the Parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have on behalf of the Parties hereto signed the Partnership Agreement/ MOU at the place and on the day below written.

For the BANK or MFI:

For PMU:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Place: _____

Place: _____

Date: _____

Date: _____

GOVERNMENT OF MAHARASHTRA
IFAD-assisted CONVERGENCE OF AGRICULTURAL INTERVENTIONS IN MAHARASHTRA

WOMEN SELF HELP GROUP

ANNEX-7.5: CERTIFICATE OF RECOGNITION

This is to certify that _____ (Name of the SHG) located in Gram Panchayat, in...,District having its unique Code Numberwas organised under the C-AIM Project on The SHG is under the CMRC....Its members have undergone training. This SHG has facilities and human resources to undertake viable economic activities on group basis. The SHG is eligible to open its account with the bank. The SHG will be under the continued support of the Project and CMRC.

Manager, CMRC

Manager, DPMT

Place:

Date:

Copies forwarded to
Project Coordinator, PMU, Amravati
District Collector
Block Development Officer

GOVERNMENT OF MAHARASHTRA
IFAD-assisted CONVERGENCE OF AGRICULTURAL INTERVENTIONS IN MAHARASHTRA

ANNEX-7.6: SHG DATA CARD

Name of SHG:
Village:
District:
CMRC

Gram Panchayat:

No of Members
Block:

Name of Member	HH Size	Agri. Land (Ha)	Livestock No	Training Participated	Days	Date & Place
1				Exposure Visit		
2				Exposure visit		
3				Exposure visit		
4				Livestock		
5				Micro-enterprises		
6				Any other		
7						
8				Facilities Received		
9				Training Kits received		Yes /No
10				Cash Box received		Yes /No
11				Registers received		Yes /No
				Recognition certificate		Yes /No
				Linked to bank		Yes /No
Savings mobilised	Yes /No			Seed Capital received		Yes /No
Monthly contribution/member	INR:			Enterprises identified		Yes /No
Internal lending started	Yes /No			Type enterprise		
Member of marketing group	Yes /No					
				Feasibility report made		Yes /No
Secretary:				Report sent to bank		Yes /No
Chairperson:				Current status of Enterprise:		
Sahayogini:						
CMRC Manager:						

ANNEX-7.7: PROCESS OF ADMITTING A NON-LISTED BPL HOUSEHOLD

1	Name of Applicant				
2	Father's /Husband's Name				
3	Age				
4	Caste				
5	Family Particulars				
6	Name	Age	Relationship	Employment Status	
a)					
b)					
c)					
d)					
e)					
f)					
7	Permanent Address				
8	Landholding Status	ha:		irrigation facilities	
9	Reasons for non-inclusion in BPL list				
10	Total Income of the family				
11	Since when residing in the village				
12	Type of house: Pucca or kachha				
13	Whether the family owning:				
	TV	Refrigerator	Ceiling fan	Motor cycle, scooter	Auto Rickshaw
	Other consumer goods valued over Rs 5000				
14	Whether the family owning any agricultural tools and equipment:				
	Tractor	Power Tiller	Thresher, mechanical	Harvester	
15	I certify that the information are true and correct to the best of my knowledge				
	Place		Signature/ Thumb Impression		
	Date				
16	We have verified and satisfied that the information provided by the Applicant are true and correct and accordingly Smt/Kum is eligible to receive the benefits under the project, and we, the nucleus members of the SHG are interested in admitting her into our SHG.				
	Name	Signature	Name	Signature	
17	The case of the above-mentioned applicant, Smt/Kum daughter of Has been considered at the meeting of the Ward Assembly held on and members concurred with the facts mentioned above and accorded the applicant the BPL status and she may be considered for being admitted into the SHG.				
					Signature
	Sarpanch/ Ward Panch with seal and date				
18	We have physically verified the details and information provided by the Applicant and, we certify that the information are true and correct. The Applicant may be considered for inclusion in the SHG.				
	Village Facilitator		Community/Business Facilitator		
	Name		Name		

ANNEX-7.8: DRAFT DECLARATION FROM SHG

We, the undersigned women residing in the village....., GP..... Block have unanimously decided that we shall constitute a SELF HELP GROUP:

	Name of Member	Age	Father/Husband's Name	Resident	BPL List Ref Number
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					

Further, we, the above-mentioned women, have unanimously decided that.

1. The name of our SHG shall be
2. With a view to overcoming our poverty, the SHG shall work collectively and shall abide by all rules and regulations that are prescribed by the project from time to time
3. We further inform that we have nominated Smt/Kum..... Daughter of Shri as the Chairperson of our Group until further election.
4. We have similarly nominated Smt daughter of Shri .. as the Treasurer of our SHG. We have agreed and accordingly selected Smt/Kum..... Daughter of Shri... resident of the village..... and the FNGO Village facilitator / FNGO Community Business facilitators as our Secretary.

In affirmation of above, we the members of the SHG... affix our signature or thumb impression

	Name of Member	Signature or Thumb Impression	Designation
1.			Chairperson
2.			Treasurer
3.			Member
4.			Member
5.			Member
6.			Member
7.			Member
8.			Member
9.			Member
10.			Member
11.			Member
12.			Member

ANNEX-7.9: DRAFT APPLICATION LETTER FOR OPENING BANK ACCOUNT BY SHG

To,

Branch Manager _____ (Name of Bank)
From: _____ (Name of Common Interest Group)
Village- _____ Panchayat Samiti - _____ Dist-

Sir/ Madam,

We, the women residing in the village... PS.... Block have organized ourselves into a SHG with the support the C-AIM project and accordingly at our meeting held on Have elected/nominated the following office bearers of our SHG:

	Name of Member	Age	Father/Husband's Name	Resident	Signature
1	President				
2	Treasurer				
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					

As the SHG has taken a decision to open a joint bank account as part of savings and mobilization efforts of our SHG, under the CAIM, the SHG will save regularly and use its savings for its internal lending.

We are also attaching a letter issued by the Manager DPMT and the CMRC Manager according recognition to our SHG for opening a bank account for favour of your information and reference

President.
Treasurer.
Secretary.

ANNEX-7.10: DARFT DECLARATION: SETTING UP OF VDC

Today, on this day of _____ in the ward assembly meeting held at village under the GP..... the following members have been nominated and elected to Village Development Committee (VDC):

	Name	Position
1	Shri/Smt/Kum	President/ Sarpanch Gram Panchayat / Ward Panch Gram.
2		Member
3		Member
4		Member
5		Member
6		Member
7		Member
8		
9		
10		
11	Shri/Smt/Ms	Member Secretary, Development Assistant/ Watershed Volunteer/ Sahayogini

Signature
President
Village Development Committee

Copy forwarded to PMT (in Triplicate) with a request to accord approval of VDC

Signature
Name
Development Assistant

8

FINANCIAL ADMINISTRATION & MANAGEMENT

A. PROJECT COSTS AND FINANCING

The proposed Programme Completion Date will be EIGHT years from the date of Loan Effectiveness and the proposed Loan Closing Date will be six months after the Project Completion Date. The project will be financed by a proposed IFAD loan of about USD 40.27 million to finance about 34.7% of the total project costs; SRTT Grant finance of about USD 15.19 million or 13.1%, banks about USD14.4 million equivalent or 12.1%, beneficiary contribution of USD3.5 million equivalent, or 3%; and government contribution equivalent to USD36.18 million, or 31.2% and IFAD Grant amount of about One million USD as summarised in Table below.

INDIA									
Convergence of Agricultural Intervent									
Financing of Investment/Recurrent Costs and Financial Charges by Year									
(US\$ '000)									
	Financing								
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	Total
I. Investment Costs									
GoM	41	3,980	9,605	11,821	8,495	3,020	1	2	36,964
IFAD	2,008	5,731	9,347	9,567	6,070	2,602	185	85	35,595
Tata Trust	99	1,095	1,675	2,427	2,446	2,047	766	367	10,922
Beneficiaries	-	541	1,019	1,206	654	189	-	-	3,609
Banks	-	2,390	3,486	3,823	2,843	1,998	-	-	14,539
IFAD Grant	77	213	254	254	91	63	38	17	1,008
Private Sector	75	810	1,602	1,680	1,088	502	22	-	5,779
Total Investment Costs	2,300	14,759	26,989	30,778	21,688	10,421	1,011	472	108,417
II. Recurrent Costs									
GoM	77	78	80	80	80	82	82	79	638
IFAD	543	554	566	566	566	578	578	555	4,506
Tata Trust	26	235	477	752	806	865	928	996	5,085
Total Recurrent Costs	646	868	1,122	1,398	1,452	1,525	1,588	1,630	10,229
III. Financial Charges									
Total Financing of Costs	2,946	15,627	28,111	32,175	23,140	11,945	2,599	2,101	118,646

The IFAD loan will finance all incremental project costs except: (i) duties and taxes on vehicles, equipment and other items and the costs of ongoing office utilities and the maintenance of government buildings; (ii) the contribution provided by the beneficiaries to the cost of the rural infrastructure investment and margin money contribution for availing credit from banks; and (iii) the O&M costs of the infrastructure investments.

The government contribution will consist of a waiver of duties and taxes on equipment and vehicles, the incremental cost of utilities and the maintenance of government buildings and payment of rentals for the PMU and DPMTs. In addition, the government will finance from its regular budget the salaries of the project staff that are government employees. The beneficiaries will provide their contributions (at present 5% in kind and in the form of labour) and the costs of their O&M.

B. FLOW OF FUNDS

Funds from IFAD loan will flow to the Special Account maintained in USD in a bank acceptable to IFAD and operated by the MOF, GoI. MOF will pass both the IFAD Loan and Grant to the GoM on a back to back basis to its State Treasury. GoM in turn will release these funds, including its counterpart funds, to the Programme Account as per the approved AWPB. On request from the PMU, and in accordance with approved Programme AWPBs, GoM will advance the IFAD loan funds quarterly from the Special Account to the INR Programme account held in commercial bank acceptable to IFAD. Funds from the

Programme accounts will finance the activities included in approved AWPB, executed under contracts between PMU or on its behalf, DPMTs and all other eligible parties and other agencies.

The funds from the PMU will flow to the accounts directly as follows: i) to the DPMT to meet their operating costs and AWPB; and ii) to NGOs and other partners/contractors to meet their operating expenditure either directly or through a common account. All financial assistance to the SHGs will flow directly to the accounts held by them. Similarly the JLGs, producers companies and partnerships will receive the funds directly. The DPMT Accounts will be operated by the District Programme Managers.

The PMU will provide regular account statements and account reconciliation reports to the Programme Steering Committee. The GoM counterpart funds for the salaries of existing government staff (such as the clerical and other support staff, which are not listed or included in costab) will flow from the state treasury under ongoing government procedures. The government counterpart funds for the financing of other Programme expenditures will flow from the GoM funds to the PMU directly into a separate account.

The service standards for PMU will be no more than fifteen working days each for processing payment requests and replenishment requests. The PMU will provide regular account statements and account reconciliation reports to the Nodal Officer. The GoM counterpart funds for the salaries of existing government staff will flow from the state treasury under ongoing government procedures. The government counterpart funds for the financing of other project expenditures will flow from the GoM funds to the PMU directly into a separate account.

C. TYPES OF ACCOUNTS

Loan Administration, which is the part of the responsibility of the PMU, deals with the issues of disbursement and flow of funds, procurement of goods and services and financial control and management aspects of implementation such as budgeting and accounting, financial planning and reporting and audit. Prior to disbursement, the Special Account, the Project Accounts and other accounts will be opened.

The Project will have following categories of accounts:

- Special Account to be maintained in USD operated by MoF, GoI
- Project Loan Account maintained by PMU at Amravati
- Project IFAD Grant Account maintained by PMU at Amravati
- Project SRTT Grant Account maintained by PMU
- District Project Accounts maintained by the respective DPMT

IFAD will open a Loan Account and a Grant Account in the name of the Borrower and credit the amount of the Loan and the Grant respectively, thereto. The GOI will request withdrawals from the Loan Account from time to time between the Effective Date and the Loan Closing Date in various currencies in respect of Eligible Expenditures and otherwise in accordance with Schedule 2 of the Programme Financing Agreement.

Special Account. The GOI in the MoF will open and thereafter maintain in the Reserve Bank of India, or another bank proposed by the Borrower and accepted by IFAD, an account denominated in USD, for the purpose of financing the Project (the "Special Account"). After the Special Account is opened, upon the GOI's request, IFAD will make one or more withdrawals of up to USD 2 000 000 (USD two million) in the aggregate (the "Authorised Allocation") from the Loan Account on behalf of the Borrower and deposit such amount into the Special Account. IFAD will replenish the Special Account from time to time upon request, in accordance with Section 4.08 of the General Conditions (Special Account), in such minimum amounts as IFAD may specify by notice to the Borrower. The authorised allocation of Special Account may be reviewed during Programme implementation upon request of the GOI and GOM.

The GoI in the Ministry of Finance will also open and thereafter maintain in the Reserve Bank of India, or another bank proposed by the GOI and accepted by IFAD, a Grant Bank Account denominated in USD for the purpose of receiving Grant proceeds. The GOI/GOM may request withdrawals from the Grant Account yearly in advance during the Programme Implementation Period. The amounts so requested

should not exceed the amount of expenditures which are included in the AWPB for the relevant Programme Year to be financed from the Grant. Replenishment and use of Grant proceeds from the Grant Bank Account will be on the basis of the AWPB. The proceeds of the Loan and Grant will be channelled through the State Treasury of GoM and will be accessible to the Programme in accordance with customary national procedures. The Special Account and the Grant Bank Account will be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by IFAD.

Programme Accounts. The Lead Programme Agency, the MSAMB, will open and thereafter maintain in the State Bank of India branch in Amravati, or another bank proposed by the GOI/GOM and accepted by IFAD, a current account denominated in INR for Programme operations (the "Programme Account"). The Programme Account will have two ledgers, referred to as "PA A" and "PA B", to receive Loan and Grant proceeds, respectively. The Programme Director and the Divisional Manager of MSAMB, Amravati will be fully authorised to operate the Programme Account and both their signatures will be required to make any withdrawal from the Programme Account.

The LPA will open and thereafter maintain in one of its State Bank of India branches within the each Programme District, a District Programme Account in INR (each, a "District Programme Account" and, collectively, "District Programme Accounts") for Programme operations at district level. Each District Programme Account will receive Loan proceeds. Each District Programme Manager and District Superintending Agricultural Officer of the ATMA will be fully authorised to operate the relevant District Programme Account and both the signatures of the relevant District Programme Manager and District Superintending Agricultural Officer of the ATMA will be required to make withdrawal from any such District Programme Account. The District Programme Accounts and the Programme Account will collectively be referred to as Programme Accounts.

The GOM will make available the Financing to the Lead Programme Agency and each other Programme Party and will cause the State to coordinate available Co-Financing in accordance with the AWPBs, and its customary national procedures for development assistance to carry out the Programme. The GOI will cause the GOM to make available to the LPA and each other Programme Party during the Programme Implementation Period Counterpart Funds and Parallel Financing from its own resources in an aggregate amount of approximately USD 37 600 000 in accordance with the AWPBs, the Programme Agreement and its customary national procedures for development assistance.

The GOI will cause the GoM to make budgetary allocations for each Fiscal Year equal to the funds called for in the AWPB for the relevant Programme Year and make such allocations available to the LPA and each Programme Party promptly as required to carry out the Programme. In addition to the proceeds of the Financing, the Borrower will cause the State to make available to the LPA and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme. The Programme will use the proceeds of the Loan and the Grant exclusively to finance Eligible Expenditures in accordance with Financing Agreement.

Before withdrawal can commence (after the Finance Agreement is declared effective), the Government will send a letter designating the persons authorised to sign withdrawal applications, together with their authorised specimen signatures. The initial deposit of the Authorised Allocation to the special Account should be applied under the disbursement Procedure 1. No documentation is required in support of the withdrawal application for the Authorised Allocation; however, the Application must be accompanied by:

A copy of the agreement between the Government and the bank holding the Special Account confirming the establishment of the special Account, providing the account number and the agreed procedures for the operations of the account; and a list of persons (names and functions) authorised to operate the special Account

The project accounts will reflect all financial transactions during the project period, both of the IFAD loan and Grants and government financing by project component and separately by standard expenditure categories. The project accounts will be maintained separately from any routine budget account or other externally funded project account.

The PMU will consolidate the project accounts and will submit annual financial statements of project expenditures for each fiscal year to IFAD no later than three months after the close of the fiscal year, i.e. 31st March of each year.

Similarly, a separate Account will be opened for the IFAD Grant Account and eligible items of expenditures will be reimbursed out of this account and will also be audited separately.

The funds received from SRTT will be maintained under a separate Account, which is subject to audit verification. Subject to mutual approval, SRTT funds will be withdrawn on the basis of duly certified SOE. All direct payment out of SRTT grant proceeds will be paid directly but under intimation from and approval of the PMU. All expenditure will be in accordance with the approved AWPB.

D. DISBURSEMENT PROCEDURES & WITHDRAWALS

There are FOUR standard procedures that are used for disbursing Loan and Grant funds from IFAD.

Procedure I: Special Account: This procedure provides a mechanism like a revolving fund to assist the government in financing eligible expenditures defined in the Financing Agreement as payment falls due. While the project implementation is underway the account is replenished when satisfactory evidence of expenditure incurred is received.

Deposits to replenish the Special Account are claimed under this procedure using APPLICATION for Withdrawal – FORM 100.

Summary sheet (SS) Form 101 is used when additional space is required, that is, more than one contractor, or if expenditures relate to multiple suppliers on a reimbursement basis. Summary sheet FORM 101 is used to summarise several invoices or receipts claimed for replenishment. Separate summary sheets are used for each disbursement category

SS Form 102 is used when expenditures are claimed under Statement of Expenditures (SOEs).

If expenditures are claimed under an SOE, supporting documents are not submitted with the withdrawal applications; a SS Form 102 is attached to the withdrawal application, supported by Summary Sheet(s) in Form 101 in which the corresponding itemised expenditures and related information is provided.

If the expenditures are not claimed under a SOE, the supporting documents (bills, invoices, receipts, evidence of payment and evidence of shipment) are submitted and attached to the withdrawal application.

Disbursement Procedure	Disbursement Type	Description	FORM
Procedure I	Special Account	This involves advance Funding from IFAD to start up project activities and is used for claiming further deposits to replenish the Special Account	FORM: 100 FORM: 101 A FORM: 102 B FORM: 103 FORM: 104 FORM: 105
Procedure II	Direct Payment	IFAD makes direct payment to a third party on the basis of Government instructions	FORM: 100 FORM: 101B FORM: 105
Procedure III	Special Commitment	This is used for items imported by the project under a Letter of Credit requiring guarantees for reimbursement	FORM: 301 FORM: 302 FORM: 303
Procedure IV	Reimbursement	This procedure is used for claiming reimbursement where eligible project expenditure reimbursable by IFAD have been pre-financed by the government	FORM: 100 FORM: 101 A FORM: 102 B FORM: 103 FORM: 105

Procedure II: Direct Payment. Under this procedure, the government requests the Fund to pay suppliers directly from the loan funds. The procedure is similar to Procedure I described above but the payment is made direct to the third party as advised and instructed by the Government.

Procedure III: Direct Payment to a foreign supplier. Under this procedure, the government uses a Letter of Credit (L/C) as a mode of payment to a foreign supplier. Form 301, an Application for a Special Commitment, Form 302 Letter of Commitment from IFAD to a Bank and Form 303 Bank's Request for Payment. This is extensively used for financing import of goods and under this procedure IFAD gives assurance to the suppliers.

Procedure IV: Reimbursement. All eligible expenditures pre-financed by the government are claimed for reimbursement under this procedure using Application for Withdrawal –Form 100 and Summary sheets Forms 101 & 102 as with Procedure I above. This type of disbursement will be very common with the project.

This procedure is followed when expenditures have already been incurred, that is, the suppliers of goods or services have already been paid by the Government from its own funds. The reimbursement procedure is generally suitable for payment of (i) local currency costs, (ii) petty purchases; and (iii) small civil works payments. The reimbursement procedure normally requires full documentation. However, there are special cases where the IFAD accepts simplified documentation:

Statement of Expenditures (SOE) this is applicable where it is impractical or unduly burdensome to submit full documentation in support of application for withdrawal of loan proceeds.

Force Account Works. This procedure is applicable when the implementation agency uses its own work forces, equipment, and other resources in carrying out civil works. This procedure involves submission of periodic certification of progress or completion of civil works in support of application for withdrawal of loan proceeds instead of the usually required supporting documentation such as invoices, bills and receipts.

E. CHECKLIST FOR SENDING WITHDRAWAL APPLICATIONS

Following aspects need to be checked and verified before an Application for withdrawal is sent to IFAD for reimbursement or payment:

- Designation of WA signatory
- Designation for operation of the special account
- WA Sequential number
- WA signatory
- Currency and the amount due
- Account number
- Banking instructions
- Correspondent bank
- Supporting documents
- Percentage of Financing
- Disbursement procedure used
- Procurement details
- Contract or purchase order no and date
- Description of goods, works or services
- Currency and total amount of contract
- Invoice numbers and net amount of invoice covered by this application
- Withdrawal details: category and % of expenditures to be financed by IFAD

Withdrawals from the Loan Account and Grant Account may be made against statements of expenditure (SOEs) in respect of Eligible Expenditures in such amounts as IFAD may designate from time to time by notice to the GOI and GOM. The records evidencing such expenditures need not be submitted to IFAD, but will be retained by the GOI and GOM for inspection by the representatives of IFAD. The PMU will retain the relevant documents and make them readily available for inspection and review by joint review missions and the auditors. No taxes and duties will be financed out of the proceeds of the IFAD loan or Grant. Requests for replenishment with necessary supporting documents or certification of SOEs will be

made by the PMU for processing and then for funds transfer from the Special Account to the PMU Account. The PMU will compile and consolidate, on a timely basis, eligible Programme expenditures for all programme activities and consolidate and process, on a timely basis, withdrawal applications for all eligible Programme expenditures from all agencies submit those withdrawal applications to IFAD through MOF for reimbursement or replenishment of the Special Account.

No withdrawal can be made in respect of expenditures until: (i) the SPSC and PSC shall have been duly established; (ii) the PMU shall have been duly established; (iii) the GOI shall have duly opened the Special Account and the Grant Bank Account respectively; (iv) the LPA shall have duly opened the Programme Accounts; and (v) The first AWPB, including the procurement plan for the initial 18 months of Programme implementation, shall have been submitted to, and approved by IFAD. Similarly, no withdrawal will be made in respect of expenditures under Civil Works and Enterprise Support Categories until the selection of the first four GOI and State programmes should have been completed to the satisfaction of IFAD.

F. AUDIT PROCEDURES

As required by IFAD the government will have the project accounts be audited on a yearly basis by an independent auditor acceptable to IFAD. Audit will be carried out in accordance with the international Standards on Auditing and the Standard of auditing must be disclosed in the Audit report. The Audit report will provide a separate opinion stating that the proceeds if the loans that have been withdrawn on the Statement of Expenditures have been used for the purposes for which they were provided.

The PMU will appoint an independent external auditor (an audit firm) acceptable to IFAD to audit the project accounts, including the IFAD and government contribution to the project in accordance with International Standards on Auditing within 90 days after loan effectiveness for the first year and also for each of the subsequent years of the project period.

The audited accounts and financial statements, in a format agreed with IFAD and including separate opinions on the SOEs and the operations of the Special Account, project accounts, the SHGs account and Marketing groups accounts will be submitted to IFAD no later than six months after the close of each government fiscal year, until closing of the loan, i.e. 30th September each year.

The Audit Report will be in a Long Form Audit and will contain a separate management letter, which will include a report on the efficiency of the flow of funds procedures and internal controls. The reply by the PMU to the management letter will be submitted to IFAD within one month of the receipt of the audited accounts. Certified copy of the audited Financial Statements, Audit Report and Management Letter will be submitted to IFAD and the co-financiers within six months of close of Financial Year

IFAD may accept national Accounting and auditing standards when these do not depart significantly from the international standards and the annual audited Financial Statements include the additional disclosures required by IFAD.

In case of non-compliance with audit requirement, IFAD may choose to engage an independent auditor of its choice; suspend disbursement and close the loan.

If the findings of the review of the audit gives cause for concern IFAD will send as soon as possible, and in any case no later than 45 days from the receipt of the audit report, send a letter to the Government, notifying the Government of the nature of the concerns and requesting clarification or follow-up as appropriate.

The PMU will maintain a Log of Audit Observations made by the Auditors. In similar manner, the PMU will also maintain a Table of Summary Status of Audit Observations. The specific requirements to timing of the appointment of the auditors and deadlines for submission of audit reports are found in Article V of the Finance Agreement. While, the conduct of project audit is the responsibility of the Government, it will keep IFAD informed at following stages in the audit process:

IFAD Involvement	Process Stages
Appointment of auditors	PMU prepares TOR and sends to IFAD for approval PMU conducts a selection process and inform IFAD of the name of the proposed auditors and the selection process followed. PMU appoints the auditor in accordance with the timeframe established in the loan agreement.
Follow up on the annual audit cycles	Reminder appointment of auditors. Reminder submission of audit report.
Review of audit reports and follow-up on audit recommendations	Review significant points in the audit report. Overall project financial performance. Satisfactory use of SOE procedures. Follow up of actions noted in previous year's review Compliance with the procurement procedures

G. ANNUAL AUDITED FINANCIAL STATEMENTS

The LPA through the PMU will submit six-monthly progress and annual progress reports to IFAD and its co-financiers in English. These reports will use a predetermined format to be agreed at project start-up to provide essential information on the physical and financial progress of project activities and regular assessment of the project impact. Reports will be prepared at district level and consolidated at the Project area level by the PMU. All financial Statements of the operations, resources and expenditures relating to the project will be prepared by PMU for each fiscal year. These statements will be sent to IFAD within three month after the end of the fiscal year.

The project will maintain separate accounts and records in accordance with International Accounting Practices to reflect the operations, resources and expenditures relating to the project until the loan closing. The government for at least ten years after the loan closing will retain these records.

The LPA will have the Consolidated Financial Statements relating to the Programme audited each Fiscal Year by such auditors in accordance with the International Standards on Auditing, and IFAD's "Guidelines on Programme Audits (Borrowers' Use)" 2003, as may be amended from time to time, until the Loan Closing Date. The auditors should also provide: (i) an opinion on the certified statements of expenditure and the operation of the Special Account, the Grant Bank Account, and the Programme Accounts; and (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. The LPA through the PMU will deliver the above-mentioned items to IFAD within six (6) months of the end of each such Fiscal Year. The LPA will submit to IFAD the reply to the management letter of the auditors within one month of receipt thereof.

Auditing and Accounting Standards

- Accounting standard should be disclosed in the notes to Audit Report
- Audit standards applied should be specified in the Auditors Report
- International Standards on Auditing should be used
- Financial statements should be in International Accounting Standards
- Financial Statements should include a comparison of actual and budgeted amounts
- IFAD may accept National Standards of auditing and accounting if these do not depart significantly

Contents of Financial Statements

- Yearly and cumulative statement of sources and application of funds
- Special Account statements in the denomination currency
- Yearly and cumulative withdrawal application schedule
- Balance sheet

Management Letter from the Auditors

Reporting Currency /Denomination Currency

All annual financial statements are in Local Currency
SDR balances and corresponding USD values are maintained by IFAD

Special Account Statements

Currencies must be expressed both in INR and USD
Initial deposit (with date and exchange rate)
Replenishment to Special Account at the historical exchange rates
Transfers to operational accounts in INR and exchange rate
Interest and bank charges and its end use
The year-end balance, re-valued as per the year-end exchange rate
Closing balance

Interest Rate earned by the Special Account.

The interest earned can be used to fund project costs and the details should be provided.

Direct Payment

Notes to the Financial Statements

Details of Assets – cash and bank accounts

Details of procurement

Fixed Assets [if Accounting is on cash basis, there is no need to account for the depreciation of fixed assets]

Taxes: it is the policy of IFAD that Loan and Grant Fund proceeds are not to be used to pay taxes. If the Government absorbs taxes, these will be recorded under the counterpart contributions. A separate record should be kept.

H. PROJECT COMPLETION

The Project will be completed and loan closed as specified in the Finance Agreement.

- Withdrawal Applications may be continued to be submitted up to the Loan Closing date i.e. six months after the project completion date.
- Only payments made, or payments due for goods, works and services, which have been provided prior to the project completion date, qualify for disbursement.
- No replenishment will be made after the project completion date.
- The Special Account recovery will begin early enough to ensure that no balance remains in the special account at the closing date.

The following three steps will be adhered to for loan closing: (i) final statement of accounts, (ii) preparation of final audit report, and (iii) preparation of Programme Completion Report

ANNEX-8.1 NOTES TO THE FINANCIAL STATEMENTS

(d) It is fundamental that notes should include disclosure of:

- Accounting basis
- Details of Cash and Bank accounts (**including Special Accounts**)
- Details of Fixed Assets
- Details of Procurement
- Counterpart contributions relative to tax exemption

Accounting basis:

The Notes to the annual audited financial statements should disclose the accounting standards applied. The Financial Statements of a Project should be prepared on the basis of the International Accounting Standards (IAS) – International Financial Reporting Standards (IFARS) or on the basis of the IPSAS requirements¹ (IFAC-public sector)².

- Where borrowers prepare financial statements on a cash basis, the reference will be to the IPSAS, *Financial reporting under the cash basis of accounting* with eventual adoption of the modified cash accounting and inclusion of additional disclosure for IFAD purposes as specified in this report and in the appendix.
- Financial Statements should include a comparison of actual with budgeted amounts.
- In addition **IFAD may accept national accounting standards** when they do not depart significantly from the International Standards.

Details of Cash and Bank accounts (SAMPLE):

The Notes to the annual audited financial statements should describe the composition of the cash balance in the Balance Sheet.

Example: Cash and Bank balances in the Balance Sheet	INR 901,010
Compose of:	
A/c No.xxxxxx – Local Bank - Operating account	INR 784,155
A/c No.xxxxxx – National Bank - Special Account	INR 66,855
Petty cash	INR <u>50,000</u>
Total	INR <u>901,010</u>

A simple cash flow of the Operating account(s) if the Project Financial Statements are in local currency should be included:

Example:

	INR
Opening Balance (last year F/S)	748 170
Add transfers from the Special Account	230 000
Add Government contributions	12 820
Minus Project disbursements (see Summary of Sources and Uses of Funds)	288 210
Plus IFAD direct payments	(108 375)
Net disbursements from the Operating account	(179 835)
Increase (decrease) in liabilities	50 000
Increase (decrease) in receivables	(27 000)
Increase (decrease) Petty cash	<u>(50 000)</u>
Closing Balance (current year F/S)	INR <u>784 155</u>

NB Direct payments/liabilities and receivables are to be included as long as they have an effect in total yearly project disbursements.

Details of Fixed Assets:

¹ International Public Sector Accounting Standard.

² International Federation of Accountants

- If accounting is on a cash basis, there is no need to account for the depreciation of the fixed assets. However a Fixed asset Register should be kept giving details of: Date of purchase, Description, Quantity, Cost, location (or responsibility of) and accounting/payment reference for each fixed asset.
- Changes (additions and deletions from the fixed asset register should be disclosed in the notes.)

A Physical Inventory should also be kept annually in coincidence with the yearly audit. Auditors could verify Assets located in remote areas, on a rotational basis.

Details of Procurement:

With respect to procurement disclosure in the notes for the procurements effected during the year, should include the modality of procurement and assess that pricing is fair and reasonable by:

- Comparison of prices with prior contracts awarded for same or similar item.
- Comparison with competitive published price lists, market indexes, etc.
- Comparison of prices with independent market research.

The auditors should ascertain compliance with Procurement Schedule as stated in the Loan Agreement and of the adequacy of the documentation.

Taxes. Section 11.01 of the General Conditions stipulates that:

The Loan and all Loan Service Payments shall be exempt from all Taxes, and all loan service payments shall be made free and clear of taxes.

It is the policy of the Fund that Loan proceeds are not to be used to pay Taxes, including (but not limited to) any Taxes levied on the importation, procurement or supply of any good, civil work or services financed by the Loan but excluding taxes on the overall income.

- a. If taxes are to be absorbed by the Government, they will be recorded under the counterpart contributions.
- b. If the project is exempt by ministerial decree, it is important to keep record of the amount of the exemptions and disclose these YTD (Year To Date) and Cumulative-to-date exemptions in the notes to the Financial Statements.
- c. Social security benefits are considered as constituting part of staff salaries and thus eligible for financing. (Only the portion relative to the employee and not the portion relative to the employer.)

Materiality. "Information is material if its omission or misstatement could influence the decisions or assessments of the users made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstance of omission or misstatement." (Cash Basis – IPSA). In the public sector materiality includes compliance with authorities, legislative concern or public interest. In the context of IFAD-financed operation will include compliance with the Programme Financing Agreement and in particular the requirement that IFAD funds may only be used for the purpose stated therein.

Ineligible Expenses. In line with above paragraph, if the auditors during the course of their review find ineligible expenses, these will be reported as an exception regardless of their materiality, however:

- If the ineligible expenditures are immaterial and if the project agrees on the auditor's review, IFAD recommends immediate correction, in order to avoid unnecessary qualifications.
- If the ineligible expenses are material, importance would be to the auditor's assessment as to whether they are project-related or not and where they are project-related, if they are covering other financiers expenditures because of lack of liquidity/delay in fund receipts, etc.

FORM 100

ANNEX-8.2 APPLICATION FOR WITHDRAWAL

1. IFAD Loan No.: _____

2. Application No.: _____

To: International Fund for Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy
Attention: Country Programme Manager

3. **Please Pay** _____
(Currency Name) (Amount to be paid in Figures)

We hereby apply for withdrawal from the Loan Account opened under the IFAD Loan Agreement and hereby certify as follows:

- A. The undersigned has not previously withdrawn from the Loan Account to meet these expenditures and has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan or grant.
- B. The goods, works and services covered by this application have been or are being purchased in accordance with the terms of the agreement.
- C. The expenditures have been or are being made only for goods or services from member states of IFAD.

Details of Expenditure

(Use Summary Sheets if additional space is required or if expenditure relate, to more than one supplier, category)

4. **Name and address of the contractor or supplier**
(If different from payee)

Payment Instruction

7. **Payee's Bank**
Name:

Address:

Account No:

5. **Procurement Details**

- a) Contract or purchase order no. and date:
- b) Description of goods, works or services:
- c) Currency and total amount of contract:
- d) Invoice numbers and net amount of invoice covered by this application:

8. **Payee's Name and Address:**

6. **Withdrawal Details**

- a) Category no.
- b) Percentage of expenditures to be financed by IFAD

9. **Correspondent Bank:**

If the currency claimed is not the currency of the Country of the payee's bank, enter the name and address of their banks' correspondent in the country whose currency is to be paid.

10. **Special Payment Instructions and References:**

11. _____
(Name of Borrower)

13. _____
Signature(s) of Authorized Representative(s)

12. _____
Date

14. _____
Print Name(s) and Title(s)

Form 101-A - Special Account

APPLICATION SUMMARY SHEET

Supporting Documentation attached

Date: _____ Application No. _____ Summary Sheet No.: _____ IFAD Loan No.: _____ Category: _____

1	2	3	4	5	6	7
Item No.	Name and Address of Contractor(s) or Supplier(s)	Contract or Purchase Order No. and Date	Brief Description of goods, works or services	Currency and Total Amount of contract	Total amount of Contractor's or Supplier's invoices covered by this application (net of retention & other deductions)	Remarks including Country of Origin

Net total of all invoices: _____
 % Of expenditures to be financed by IFAD for Category: _____
 Net amount claimed for this summary sheet: _____
 Exchange Rate: _____ USD equivalent: _____

**Form 101-B – Direct Payment/Reimbursement
APPLICATION SUMMARY SHEET**

Supporting Documentation attached

Date: _____ Application No. _____ Summary Sheet No.: _____ IFAD Loan No.: _____ Category: _____

1	2	3	4	5	6	7
Item No.	Name and Address of Contractor(s) or Supplier(s)	Contract or Purchase Order No. and Date	Brief Description of goods, works or services	Currency and Total Amount of contract	Total amount of Contractor's or Supplier's invoices covered by this application (net of retention & other deductions)	Remarks including Country of Origin

Net total of all invoices: _____

% of expenditures to be financed by IFAD for Category: _____

Net amount claimed for this summary sheet: _____

Form 102-A
STATEMENT OF EXPENDITURES
(FOR REPLENISHMENT TO THE SPECIAL ACCOUNT)

(Description of Category)

Reporting Period - From _____ To: _____
(Month-Day-Year) (Month-Day-Year)

Date: _____
IFAD Loan No. _____
Application No. _____
Category No. _____
Summary Sheet No. _____

(Documentation not required, see footnote)

1	2	3		4	5	6	7	8	9
Item No.	Description	Cumulative Expenditures up to the beginning of the Reporting Period		Expenditures during the Reporting Period 100% (In INR)	Reimbursable under IFAD Loan % of total in Col. 4 (In INR)	Date of Payment	Exchange Rate	USD Equivalent of Col. 5 claimed for Replenishment	Remarks/ Country of Origin
		_____ (In INR)	_____ USD						

The undersigned hereby certify that the expenditures for which reimbursement is claimed herein are correct and for the Programme as provided in the IFAD Loan Agreement. We certify that the audit requirement outlined in Section 9.03(b) of the General Conditions will be complied with, and that the requirements for maintaining records and documentation for expenditures disbursed on Statements of Expenditures (Form SS2) as outlined in Section 4.07 of the General Conditions, will be complied with. This includes, *inter alia*, that an annual audit will be carried out and that the documentation (including purchase orders, invoices, evidence of payment and delivery and any other relevant documentation evidencing the expenditures), will be retained until ten years after Closing Date of the IFAD Loan and that such records and documentation will be made available to IFAD representatives for review upon request.

Certified by: _____ Certified by: _____ By: _____
(Project Accountant) (Project Director) (Authorized Representative) (Borrower)

Form 102-B
STATEMENT OF EXPENDITURES
(FOR EXPENDITURES PRE-FINANCED BY GOVERNMENT)

(Description of Category)

Reporting Period - From _____ To: _____
(Month-Day-Year) (Month-Day-Year)

Date: _____
IFAD Loan No. _____
Application No. _____
Category No. _____
Summary Sheet No. _____

Documentation not required, see footnote)

1	2	3	4	5	6	7
Item No.	Description	Cumulative Expenditures up to the beginning of the Reporting Period (In INR)	Expenditures during the Reporting Period 100% (In INR)	Reimbursable under IFAD Loan _____% of Total in Column 4 (In INR)	Date of Payment Made	Remarks/ Country of Origin

The undersigned hereby certify that the expenditures for which reimbursement is claimed herein are correct and for the Programme as provided in the IFAD Loan Agreement. We certify that the audit requirement outlined in Section 9.03(b) of the General Conditions will be complied with, and that the requirements for maintaining records and documentation for expenditures disbursed on Statements of Expenditures (Form SS2) as outlined in Section 4.07 of the General Conditions, will be complied with. This includes, inter alia, that an annual audit will be carried out and that the documentation (including purchase orders, invoices, evidence of payment and delivery and any other relevant documentation evidencing the expenditures), will be retained until ten years after Closing Date of the IFAD Loan, and that such records and documentation will be made available to IFAD representatives for review upon request.

Certified by: _____ Certified by: _____ By: _____
(Project Accountant) (Project Director) (Authorized Representative)

(Borrower)

Form 104

SPECIAL ACCOUNT RECONCILIATION STATEMENT (SAMPLE)

Project Title: Convergence of Agricultural Interventions in Maharashtra

IFAD Loan No.:

ACCOUNT NUMBER: SPECIAL ACCOUNT No.

With Bank

1.	TOTAL ADVANCED BY IFAD	USD	0.00																								
2.	LESS: TOTAL AMOUNT RECOVERED BY IFAD	-USD	0.00																								
3.	EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2)	USD	0.00																								
<hr/>																											
4.	BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: DATE, MONTH, YEAR	USD	0.00																								
5.	PLUS BALANCE OF THE PROGRAMME ACCOUNT (S)	+USD	0.00																								
	PLUS BALANCE OF SUB-ACCOUNTS	+USD	0.00																								
	PLUS CASH ON HAND	+USD	0.00																								
	Sub-total of 5:		0.00																								
	TOTAL OF BANK BALANCES, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE (4+5):	=USD	0.00																								
6.	PLUS: TOTAL AMOUNT CLAIMED IN THIS APPL. No. XXX	+USD	0.00																								
7.	PLUS: TOTAL AMOUNT WITHDRAWN FROM THE SPECIAL ACCOUNT/PA AND NOT YET CLAIMED (=3-4-5-8-11)	+USD	0.00																								
	REASON: <u>Eligible amount for which disb. Appl. has not yet been prepared.</u>		0.00																								
8.	PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENT AND CLAIMED AFTER DATE OF BANK STATEMENT																										
	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">APPLICATION No.</th> <th style="text-align: left;">Date</th> <th style="text-align: left;">USD</th> <th style="text-align: left;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: right;">USD</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">USD</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">USD</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">USD</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">USD</td> <td style="text-align: right;">0.00</td> </tr> </tbody> </table>	APPLICATION No.	Date	USD	AMOUNT			USD	0.00			USD	0.00			USD	0.00			USD	0.00			USD	0.00		
APPLICATION No.	Date	USD	AMOUNT																								
		USD	0.00																								
		USD	0.00																								
		USD	0.00																								
		USD	0.00																								
		USD	0.00																								
	SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED	+USD	0.00																								
9.	MINUS: INTERES EARNED	-USD	0.00																								
10.	TOTAL ADVANCE ACCOUNTED FOR (NO.4 THROUGH NO.9)	=USD	0.00																								
11.	EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10	+USD	0.00																								
	Non-eligible amount to be refunded to PA XXX		0.00																								
	Non-eligible amount to be refunded to PA XXXX		0.00																								
	Non-eligible amount to be refunded to PA XXX		0.00																								
12.	DATE: _____	SIGNATURE: _____																									
		Name in Full:	XXX																								
		Title in Full:	XXX																								
			XXX																								

INSTRUCTIONS FOR COMPLETING FORM 104

SPECIAL ACCOUNT RECONCILIATION STATEMENT

(e) The completed and signed Special Account Reconciliation Statement together with the bank statement of the holding bank of the Special Account and the bank statement of Project Accounts (if applicable) are mandatory supporting documentation for withdrawal applications for replenishment to the Special Account.

If a loan has 2 or more Special Accounts that are funding separate components of the project, separate Special Account Reconciliation Statement should be prepared for each Special Account that was opened for the project. Likewise, if the project is funded under a grant with a Special Account, a separate reconciliation statement should be prepared for the grant replenishment request.

Sections of Form 104 to be completed

Project Title: Indicate relevant project name.

IFAD Loan No.: Indicate relevant loan number.

Account Number/Holding Bank: Indicate Special Account Number and bank where Special Account is maintained.

Section A

- 1. Total Advanced by IFAD:** Indicate the amount of initial deposit or the total authorized allocation. If there are several tranches of the authorized allocation, indicate here the amount that was paid by IFAD as of the date of preparation of the reconciliation statement. The amount to be shown here will always be the total amount of the authorized allocation, not the deposits made to the Special Account.
- 2. Less: Total Amount Recovered by IFAD:** Indicate the total amount of recovery or justification applied by IFAD – total of withdrawal applications that were applied by IFAD as recovery of the authorized allocation. If recovery of the authorized allocation has not yet started, the entry in this section is always Zero “0.”
- 3. Equals Present Outstanding Amount Advanced to the Special Account:** This figure should be the net amount after deducting no. 2 from no.1. If recovery of the authorized allocation has not yet started, the entry in this section is always the amount shown in no. 1.

Section B

- 4. Balance of Special Account per Attached Bank Statement as of (Date/Month/Year):** Indicate the relevant date and the balance shown in the bank statement issued by the holding bank at the end of the reporting period.
- 5. Plus Balance of the Programme Accounts
Plus Balance of Sub-Accounts (if applicable)
Plus Cash on Hand**
Indicate the estimated US Dollar equivalent of the balances shown in the above accounts and the cash on hand in the petty cash. Attach Bank statements.
Total of Bank Balances: Add the figures in numbers 4 and 5.
- 6. Plus Total Claimed in this Withdrawal Application:** Indicate the amount claimed in the current withdrawal application where this reconciliation statement is attached.
- 7. Plus Total Amount Withdrawn from the Special Account but not yet Claimed for Replenishment:**
Indicate the estimated US Dollar equivalent of the expenditures already paid from the Special Account but not yet claimed – the withdrawal application for replenishment is not yet prepared.
- 8. Plus Amounts Claimed in Previous Applications but not net Credited at the Date of the Bank Statement:** Indicate the WA number and the amount that was already submitted to IFAD but payment is not yet credited in the holding bank. If there are 2 or more withdrawal applications, list down all the relevant withdrawal applications and make a sub-total.

- 9. Minus Interest Earned:** Deduct the total interest earnings on the account as shown in the bank statement of the holding bank.
- 10. Total Advance Accounted For:** Indicate the total of numbers 4 to 9. The amount reflected here should always be the same as the amount reflected in no. 3.
- 11. Explanation of Any Variations between the Totals appearing on No. 3 and No. 10:** If there is a discrepancy in the amounts, the explanation for the difference is shown here. Possible reasons for discrepancy are the following:
- An amount claimed in WA was declared ineligible for financing by IFAD.
 - The amount claimed in the WA was reduced due to calculation errors or incorrect use of financing %.

In order to regularize the Special Account, the reconciling items as shown above, should be deposited back to the Special Account and the deposit made should be reflected in the next bank statement.

- 12. Date and Signature:** The completed Special Account Reconciliation Statement should be dated and signed by the authorized project staff.

**Form 105
CHECKLIST WITHDRAWAL APPLICATION**

IFAD Loan / Grant No.

Withdrawal Application No.

CHECKED	
WA Form 100	
1. Sequential numbering of WA	
2. WA amount tallies with sequentially numbered summary sheets	
3. Categories/sub-categories charged as per Schedule 2 of Loan Agreement	
4. % of financing applicable for each category	
5. Availability of funds in categories/loan account	
6. Currency of payment	
7. Completeness and accuracy of banking instructions	
8. Complete name and address of correspondent bank	
9. Signed by authorized WA signatory	
Statement of Expenditure (SOE)	
1. Eligibility of expenditures claimed	
a) Within SOE financial ceiling (expenditures below USD XX equivalent)	
b) Applied to specified eligible categories	
2. 102 form signed by (designated project staff)	
3. 102 form supported by signed SS1 form (for items reported in a) over financial ceiling)	
Special Account (SPA) Replenishment Requests	
1. Amount within ceiling of authorized allocation (AA)	
2. Amount at least equal to 20% of AA	
3. Exchange Rate Used	
4. Completeness of SPA banking and account details	
5. Enclosed SPA Reconciliation and Bank Statements	
Supporting Documentation (Attached if required)	
1. Copy of contract	
2. Copy of invoice	
3. Copy of bank guarantee (for advance payment)	
4. Copy of delivery receipt	
5. Copy of evidence of payment	
6. Completed 102 Form	
7. Completed 101 Form	
Procurement	
1. No objection provided by IFAD	
Compliance to disbursement condition/s	
Expenditure made/committed before Project Completion Date	

Remarks:

Prepared by

Certified by

Procedure III/Form 301

APPLICATION FOR A SPECIAL COMMITMENT

1. IFAD Loan No.: _____
2. Application No.: _____

To: International Fund for Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy
Attention: Country Programme Manager

We apply for a special commitment and subsequent withdrawal from the Loan Account opened under the Programme Finance Agreement, and certify and agree as follows:

- A. The undersigned requests that a Special Commitment be issued to the negotiating bank in accordance with the terms of the Agreement in order to make payment to the negotiating bank from the Account. The undersigned irrevocably authorizes such withdrawal on the basis of any written statement by the negotiating bank that payment has been made or is due, and will promptly be made under and in accordance with the terms of the letter of credit as such may be amended.
- B. Amendments involving an extension of the letter of credit expiry date beyond the closing date of the Agreement or more than six months beyond the original expiry date of the letter of credit (whichever is earlier), a change in the value of the letter of credit, the description or quality of goods, or the beneficiary are subject to your prior approval. The undersigned will only agree to amendments to the letter of credit that are in accordance with the terms of the Agreement, and further agree that all proposed amendments will be copied to you by the negotiating bank for your information or approval as appropriate.
- C. You may limit your total obligation to make payments under the Special Commitment by inserting a limitation clause denominated in the currency of the Account sufficient to cover exchange rate fluctuations. The undersigned agrees that, if, because of the limitation clause, you cannot disburse the full amount needed to pay the negotiating bank, any uncommitted portion of the Account may be disbursed to cover the deficiency. In the event that the uncommitted portion of the Account is insufficient to cover the deficiency, you will notify the undersigned who will arrange to make such payment promptly to the negotiating bank.
- D. The obligation of IFAD under the Special Commitment shall terminate:
 - a) Except IFAD, shall otherwise agree, 30 days after the expiry date of the letter of credit, or at the closing date of the loan agreement (whichever is earlier).
 - b) Upon payment by IFAD to the negotiating bank of the full value of the letter of credit.
 - c) Upon receipt by IFAD of written notice from the negotiating bank specifying that the Special Commitment may be cancelled.
- E. The undersigned has not previously withdrawn from the Account to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other Loan.
- F. The goods covered by this application are being purchased in accordance with the terms of the Agreement.
- G. The expenditures are being made only for goods from eligible source.
- H. In the event that all or part of the funds withdrawn from the Loan Account pursuant to this application are returned to IFAD, the undersigned hereby authorizes IFAD to apply the current value of such funds as a credit to the Loan Account.

DETAILS OF LETTER OF CREDIT		DETAILS OF EXPENDITURE	
3.	Name and Address of Negotiating Bank	7.	Name and Address of Contractor or Supplier (letter of credit beneficiary)
4.	Name and Address of Opening (Borrower's) Bank	8. a)	Procurement Details Contract or Purchase Order No. and (or other reference to contract documents)
5.	Name of L/C Opener (Borrower or Executing Agency)	b)	Brief Description of Goods,
6.	Letter of Credit Details	9.	Withdrawal Details
	a) Opening Bank's L/C Number	a)	Category or Sub-Category No.
	b) Currency Name	b)	Percent of Expenditures to be financed by IFAD
	c) Currency Amount	c)	By Joint Financier (if any)
	d) L/C Expiry Date	10.	Special Instructions and Remarks
11.	_____ (Name of Borrower)	13.	By _____ Signature of Authorized Representative(s)
12.	Date: _____	14.	By _____ Name(s) & title(s) of Authorized Representative(s)

- (a) Any amendment involving a change in the value of the letter of credit, the description or quantity of goods, or the beneficiary will not be operative until you receive our written approval.
- (b) Any amendment extending the expiry date of the letter of credit more than six months beyond the original expiry date or beyond _____ will not be operative until you receive our written approval.
3. If the letter of credit is not denominated in the currency of your country, you will notify us of the name and address of your correspondent bank in the country of such currency who will receive the funds for your account.
4. IFAD shall not be obligated to pay you unless a telex/cable or written request in accordance with Form 203 attached hereto shall have been received by us at our above stated address within 30 days of your negotiation of documents. IFAD's obligations under this Special Commitment may be terminated 30 days after the date in paragraph 2(b) above or six months after the letter of credit expiry date (whichever is earlier).
5. IFAD shall not be obligated to you in respect of interest, commission, other charges or expenses in connection with the letter of credit.
6. You agree that upon cancellation, expiration or final payment of the letter of credit you will advise us promptly thereof including the amount of any cancellation.
7. Since IFAD's financing is limited to an amount denominated in SDR's (Special Drawing Rights), IFAD shall not be obligated to make reimbursements to the extent that they would in the aggregate exceed the equivalent of SDR _____ (representing the equivalent of the letter of credit amount in _____ calculated on the basis of the current exchange rate, plus a margin for exchange rate fluctuations).

It is IFAD policy to retain sufficient funds in the Loan/Grant account to fully cover outstanding Special Commitments. The borrower has agreed that if, because of this limitation clause, we cannot disburse the full amount needed to pay you, any uncommitted portion of the account may be disbursed to cover the deficiency, and in the event the uncommitted portion of the account is insufficient to cover the deficiency, our borrower will arrange to make such payment promptly to you after receipt of our notification.

Your first request for payment shall constitute your acceptance of this Special Commitment including all the terms and conditions herein set forth as evidenced by the copy of this agreement on our files.

Very truly yours,

(Name & Title of Authorized Officer)

cc:

**SAMPLE FORM
(BANK'S REQUEST FOR PAYMENT)**

We will accept requests for payment via SWIFT message addressed to the IFAD Treasury (IFAD ITRR) using MT 999 SWIFT format, Attn: IFAD Loans Unit. Requests for payment should indicate the IFAD Loan Number, the currency and amount paid or due to the beneficiary, our Special Commitment Number and the Letter of Credit Number in the following form:

"IFAD LOAN NUMBER, SPECIAL COMMITMENT NUMBER, CURRENCY, AMOUNT, LETTER OF CREDIT NUMBER, NEGOTIATING BANK NAME, AND PAYMENT INSTRUCTIONS"

Any message in the form above will constitute a request by your bank for payment of amounts paid or due to the beneficiary under the Special Commitment and Letter of Credit mentioned in the message. Special payment instructions or information on the status of the letter of credit, such as expiry date, unused balance, etc., should be included at the end of the standard telex format.

We will also accept requests for payment by mail in the following form. If this method is used, we should receive in advance, the name of the authorized signatory and the specimen signature duly authenticated by an authorized officer of the bank.

WRITTEN REQUEST FOR PAYMENT

To:	IFAD Via Paolo di Dono, 44 00142 Rome Italy	Date: _____ IFAD Loan No.: _____ Special Commitment No.: _____ Our Ref.: _____ Our Correspondent: _____ Our Correspondent's L/C _____
-----	--	--

Check box if this is a confirmation of a cable or telex request for payment
We have paid or will pay _____ to or on the order of:
(Currency and amount)

(Name and address of beneficiary)

Under the Letter of Credit, Special Commitment and Loan Agreement mentioned above. Such payment has been made, or is due and will be promptly made to the beneficiary under and in accordance with the terms and conditions of the said letter of credit and amendments, if any, appropriately approved. We request payment of the amount pursuant to said Special Commitment.

Balance of the letter of credit _____
(Currency and amount)

has been cancelled

will be utilized

Please check appropriate box.

Validity of the letter of credit has been extended to special reimbursement instructions:

Very truly yours,

(Authorized Signature)
(Name)

(Name and Address of Commercial Bank)

SAMPLE CONTRACT RECORD

PROJECT TITLE _____
MONTH/YEAR _____

IFAD LOAN # _____
Date _____

1	2	3	4	5	6	7	8	9	10	11
Contract #	% of loan	Procurement category	Contract date	Name/address of contractor	Description of goods, works or services	Country of Origin	Contract duration and delivery date	Contract amount (in currency of contract)	category (refer to Loan Agreement Annex)	Remark/ date of IFAD No objection

SAMPLE INDIVIDUAL CONTRACT MONITORING FORM

Procurement file #: _____ Component/Activity: _____

Description of contract: _____
Project officer: _____ Date of no objection: _____

Name of supplier: _____ Bank details: _____

Address: _____

Contract Summary

Document	Number	Amount	Dates (start-end)
Original contract			
Amendment # 1			
Amendment # 2			
Amendment # 3			
Amendment # 4			
Total			

Monitoring of Payments

Payment schedule		Approved progress certificate		Payments issued				Balance due on contract
Milestone	Amount	Number	Date	Invoice #	Date	Amount	Check #	
TOTAL								