



Investing in rural people

June 17, 2022

Excellency,

Subject: Project Financial Management and Financial Control Arrangements Letter (FMFCL)

Country: Republic of India

IFAD Financing: IFAD Loan Number: 2000004123

Project Number: 2000003737

Full Name of Project: Rural Enterprise Acceleration Project (REAP)

1. I refer to the Financing Agreement between Republic of India ("Borrower") and the International Fund for Agricultural Development (IFAD), dated June 2, 2022 ("Agreement"). The Agreement entered into force as of that date.
2. In accordance with Article IV of the General Conditions, the instructions contained in this Project Financial Management and Financial Control Arrangements Letter ("FMFC") govern the withdrawal and use of the proceeds of the Financing under the Agreement, including requirements pertaining to the Designated Account(s) and Project Account(s), Authorised User(s), project financial reporting and audit (see Annexes 1 and 2).
3. The Loan Account has been credited with the amount of US\$ 105,000,000 as of the date of entry into force of the Agreement.
4. Capitalised terms defined in the Financing Agreement/Grant Agreement and General Conditions shall have the same meaning in this Letter unless expressly defined in this Letter.
5. Finally, I take the opportunity to highlight the policies and guidelines that govern IFAD-financed operations, including the Anti-Money Laundering and Countering the Financing of Terrorism Policy, IFAD's Personal Data Protection Guidelines, Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, and IFAD Policy to preventing and responding to Sexual Harassment, Sexual Exploitation and Abuse, IFAD Handbook for financial reporting and Auditing of IFAD-Financed Projects and Project Financial Management and Financial Control Handbook all of which form integral part of the agreements with the Borrower along with the General Conditions.

Mr Ajay Seth
Secretary
Department of Economic Affairs
Ministry of Finance of the Republic of India,
New Delhi.

Disbursement Requirements

A.1. Designation letter for authorised signatory

6. Before disbursement can begin, IFAD must receive, a duly completed Authorised User(s) Letter (see Annex 2), from the designated representative specified in Section E of the Agreement, designating the name(s) of official(s) authorised to approve Withdrawal Application(s) and Interim Financial Report(s).

7. The designated delegated officials will be authorised to undertake actions in the IFAD's systems including the IFAD Client Portal (ICP) commensurate to the respectively assigned roles, which shall include the electronic submission of documentation through the ICP. Electronic submission of documentation must be performed in accordance with the Terms and Conditions as included in Annex 2.

A.2. Interim Financial Reporting (IFR)

8. Interim Financial Report(s) (IFR) are required both for reporting and disbursement purposes.

9. IFRs for reporting purposes must be submitted in accordance with the frequency and submission deadlines detailed in Annex 1. When submitted as a component of Withdrawal Applications, IFRs must be submitted in a form and quality acceptable to IFAD (Annex 3)¹.

A.3. Expenditure thresholds and supporting documentation

10. Each Withdrawal Application shall be submitted to IFAD in accordance with the requirements set out in Annex 1.

11. Where deemed applicable by IFAD, expenditure thresholds (also referred to as statement of expenditure thresholds or SOEs) may be determined at financing instrument, expense category and/or contract levels, as detailed in Annex 1. Expenditure items or contracts that exceed the expenditure threshold/s, where applicable, must be accompanied by copies of relevant supporting documentation.

12. At its discretion, IFAD may request submission of supporting documentation on an ad-hoc basis to facilitate the ex-ante and/or ex-post review of Withdrawal Applications and determine eligibility of expenditure. Such requests may be made irrespective of the expenditure thresholds established in Annex 1.

A. Designated Accounts and Project Accounts

13. In accordance with Section B of the Agreement and the General Conditions, the Borrower is required to open and maintain a Designated Account to receive Loan resources as soon as possible after entry into force of the Agreement.

14. Documentation evidencing the opening of the Designated Account(s), as detailed in Annex 1, must be submitted to IFAD electronically before withdrawal from the Loan Account shall be permitted.

¹ To be provided at signing of FMFCL

15. The authorised allocation(s) to the Designated Account(s), as detailed in Annex 1, may be amended during project implementation. One or more advances may be withdrawn from the Loan account within the authorised allocation.

16. As detailed in Annex 1, the Project will maintain Project Account(s) to receive funds from the Designated Account(s) for Eligible Expenditures, and separate Project Account(s) to receive counterpart and beneficiary funds.

B. Annual Project Financial Reporting and Audit

17. Auditors should normally be appointed in advance of the start of the period to be audited, to allow sufficient time to plan, carry out a comprehensive examination and submit the audit report to IFAD in a timely manner. As soon as practicable, and no later than one hundred and twenty (120) calendar days after entry into force of the Agreement, the Borrower/Recipient must appoint independent auditors acceptable to IFAD, selected in accordance with IFAD requirements, to audit the Project statements, for the first fiscal period in accordance with the agreed audit terms of reference.

18. Detailed (unaudited) financial statements of all the operations, resources and expenditures related to the Project for each Fiscal Year, must be submitted within four (4) months of the end of each Fiscal Year.²

19. The Project Accounts must be audited by independent auditors acceptable to IFAD in accordance with acceptable auditing standards and submitted to IFAD within six (6) months of the end of each Fiscal Year³.

20. IFAD shall publicly disclose project audit reports on the IFAD website. Borrowers/Recipients are strongly encouraged to make similar disclosures on relevant public websites, for increased accountability.

C. Anti-Money Laundering, Countering the Financing of Terrorism & Sanctions

21. The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Anti-Money Laundering and Countering the Financing of Terrorism Policy, as may be amended from time to time. This requires that adequate due diligence and other controls are in place to prevent: i). money laundering; ii). terrorism financing; and iii). engaging with sanctioned individuals and entities, in order to safeguard funds provided by IFAD. The Fund may take appropriate measures in line with such Policy.

D. Data Privacy

22. IFAD is committed to international standards of personal data protection as outlined in IFAD's Personal Data Privacy Guidelines and its Privacy Notice⁴. The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the principles and provisions of the above-mentioned Guidelines, as may be amended from time to time. This requires that sufficient and adequate due diligence and other controls are in place to safeguard personal data processed while carrying out Project activities. Safeguards include

² All project financing sources, must be duly valued and accounted for in the project financial statements. Where applicable, start-up costs and expenditures incurred from retroactive financing must be accounted for and included in the first set of aggregate financial statements that are prepared and subject to audit.

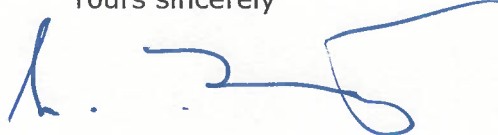
³ IFAD Handbook for Financial Reporting and Auditing of IFAD Financed Projects

⁴ <https://www.ifad.org/en/privacy>

applying appropriate security, restricting access, only sharing where necessary, retaining only for as long as is necessary and reporting any data breaches to IFAD without undue delay. The Fund may take appropriate measures in line with such Guidelines.

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

Yours sincerely

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Han Ulaç Demirag
Country Director
Asia and Pacific Division

Copy for information:

Mr Sukhbir Singh Sandhu
Chief Secretary
Government of Uttarakhand
Dehradun

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

Mr Sachin S Kurve
Secretary
Rural Development Department
Government of Uttarakhand
Dehradun

Ms Reena Joshi
Project Director, REAP
Dehradun

Annex 1 –Disbursement, Financial Reporting and Control Arrangements

A. Disbursement Arrangements:

Disbursement methods	Applicable (Yes / N/A)	Currency	Ceiling	Supporting documentation:		Supporting documentation: Optional	Submission frequency
				Standard mandatory	Optional		
Imprest mechanism Advance	N/A	N/A	N/A	<ul style="list-style-type: none"> Form 100 (integral part of ICP) 	N/A	As indicated in the Sec B -Par 15	
Revolving Fund mechanism Advance	Yes	USD	N/A	<ul style="list-style-type: none"> Form 100 (integral part of ICP) Cash forecast for the first two quarters, as per the approved Annual Work Plan and Budget (AWPB) for IFAD financing. 	N/A	Once	
Imprest mechanism (Replenishment of Special account/Justification)	N/A	N/A	N/A	<ul style="list-style-type: none"> Form 100 (integral part of ICP) IFR (Annex 3) Designated Account bank statements 	SOE / Transaction List	Quarterly	
Revolving Fund mechanism (Advances/Justification)	YES	USD	N/A	<ul style="list-style-type: none"> Form 100 (integral part of ICP) IFR (Annex 3) Designated Account bank statements 	SOE / Transaction List	<p>* Quarterly /Take note that under revolving fund modality the first advance withdrawal cannot exceed the period of six months forecast amount of IFAD financed expenditures approved in the Annual Work Plan and Budget (AWPB) for six months planned activities. Further advances to the Designated Account will be made for the next reporting period based on the AWPB or expenditure forecasts provided that at least 50% of the immediately preceding advance and 100% of all prior advances have been fully justified.</p>	
Direct payment	Yes	Foreign Exchange Payment	If Col 2 indicated as applicable: Minimum value of: US\$ 200 000	<ul style="list-style-type: none"> Form 100 (integral part of ICP) Contract (copy, signed); Invoices; Bank guarantee for advances Evidence of completion of contracted goods / services; Work / Service advance certification; Payee's bank account verification letter. 		Not specified	
Reimbursement	Yes – Optional	USD		<ul style="list-style-type: none"> Form 100 (integral part of ICP) IFR (Annex 3) Certified copy of the government Treasury Bank account statements 	SOE / Transaction List	Quarterly /90 days after payment	

B. Expenditure Thresholds [+ / - section]

Financial Instrument	Applicable (Yes / N/A)	Currency	Expenditure Threshold	Authorised Allocation	Ratio (if pari passu)

2000004123	N/A	N/A					
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C. SOE Threshold by category / activity / contract [+ / - section]

Expenditure category/ies	Applicable (Yes / N/A)	Currency	Contract / Invoice Threshold	Figure
	N/A	N/A		

D. Prefinancing: [+ / - section]

Prefinancing methods	Applicable (Yes / N/A)	Currency	Ceiling	Eligibility period	Other details
Start-up Advance	N/A	N/A		Start-up expenditure: from date of entry into force of the Agreement and prior to the satisfaction of the additional (general/specific) conditions precedent to withdrawal (GC 4.02 (b))	
Retroactive Financing	Yes	USD	1 000 000	Project expenditures, as per Schedule 2 of the Agreement: from August 6, 2021 and before entry into force of the Agreement, whereby such expenditure have been approved as an exception to GC 4.08.	

E. Interim Financial Report Package:

IFR Component	Mandatory	Template source	Frequency	Submission
1-A Cash Flow Forecast	Yes (except for reimbursement)		Quarterly	Within 45 days from quarter end.
1-B Sources and Uses of Funds	Yes		Quarterly	Within 45 days from quarter end.
1-C DA Activity statement	Yes (except for reimbursement)		Quarterly	Within 45 days from quarter end
1-D Others (Variance analysis)	Optional		Quarterly	Within 45 days from quarter end.

F. Designated Account(s):

Designated Account	Banking Instructions	Central / Commercial Bank	Segregated / Pooled	Currency	Imprest / Revolving	Authorised Allocation	Remarks
Designated Account 1	<ul style="list-style-type: none"> Authorised user(s) letter from Borrower/Recipient (Mandatory) 	Central Bank (Reserve Bank of India)	Segregated	USD	Revolving	N/A	

G. Project Accounts:

Project Accounts	Name	Currency	Location	Source of Financing
Project Account 1	PMU account	INR		Auto-populate from GRIPS
Project account 1		Drop-down menu		

H. Auditor appointment:

Auditor name	Private or Supreme Audit Institution	Period	Location
	Private	First financial period	

Annex 2 – – ICP Onboarding Letter and User Credentials

This Annex is provided here for reference as IFAD will utilise DocuSign®, from 2022 onwards, to transmit and receive requests for nomination of authorised users to IFAD’s Client Portal.

IFAD is committed to international standards of personal data protection as outlined in IFAD’s Personal Data Privacy Guidelines and its Privacy Notice⁵.

(Sample letter – IFAD will send a digital version of the below letter, which may be amended from time to time, via DocuSign® on an annual basis or upon onboarding)

Attention: Controller & Director, Financial Controller's Division (FCD) att.
RMTdistribution@ifad.org with copy to FCD_clientservices@ifad.org

Subject: Designating authorised officials for disbursement or to access IFAD’s client financial system

Name of Borrower/Recipient: _____
 Project name(s): _____
 Financing number(s): _____

I, the appropriately authorised individual for *the* above mentioned Borrower/Recipient *duly authorise the below mentioned individual(s) to access IFAD’s client financial system to submit funding requests/Withdrawal Applications (WA), Banking Instructions and supporting documents to IFAD by electronic means. The above mentioned Borrower/Recipient is responsible for all actions taken by the individual(s) it authorises who must abide by the Terms and Conditions for Access to IFAD’s systems.*

Any changes to the below list should be communicated to IFAD at the above mentioned email addresses and IFAD will promptly add or remove access to its systems ensuring only authorised individuals that IFAD determines continue to have access to IFAD systems. The Borrower/Recipient takes full accountability for any unauthorised individuals that have not been communicated to IFAD.

Table 1: Delegated authorised individuals & IFAD system role

First Name	Last Name	Official Title	Requested Role (more than one person per role is possible) ⁶	Email Address	Mobile number (including country calling code)
			Approver level 1 (mandatory*)		+
			Approver level 2 (optional - cannot be same as approver 1 or 3)		+
			Approver level 3 (optional - cannot be same as approver 1 or 2)		+
			Inputter (mandatory* – cannot be same as any approver. Displays as 'Author' in ICP)		+
			Uploader (mandatory*)		+
			Viewer (optional - Read only)		+

⁵ <https://www.ifad.org/en/privacy>

⁶ Multiple users may have the same role; any such users are alternates to each other.

Annex 3 – Interim Financial Reports (IFRs)

			User Role Manager (optional – cannot be same as any approver)		+
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Add additional rows as required

* Multiple users may have the same role; any such users are alternates to each other. This column may be ignored if the project will not use the IFAD Client Portal (ICP) for WA submission

Signed by⁷: _____

Printed Name of the Borrower/Recipient designated representative / delegated authorised official: _____

Title: _____

Date: _____

⁷ Borrower/Recipient designated representative or nominated representative delegated official

Annex 3 – Interim Financial Reports (IFRs)

Report I: Summary of Uses of Funds				
Name of the Project:				
IFAD Instrument number:				
List other instruments if applicable				
For the Period:		<u>Starting Date</u>	TO	<u>End Date</u>
	REF	IFAD Loan		
		Actual for Period	Actual For Year To-Date	Actual Since Inception To-Date
		A	B	C
		Currency		
Uses of Funds by Category:				
I. Training, Consultancies, studies and TA		-	-	-
II. Goods, Services and Inputs		-	-	-
III. Grants and Subsidies, Credit and Guarantee Funds		-	-	-
IV. Operating cost		-	-	-
Total Funds Used by Categories	II	-	-	-
Uses of Funds by Component:				
Component 1: Inclusive cluster development		-	-	-
Component 2: Ecosystem for enterprise development		-	-	-
Component 3: Project Management, M&E and Knowledge Management		-	-	-
Total Funds Used by Component (must be equal to II)	III	-	-	-
Authorized Signatory				
Name				
Designation				
Organization/Project				

Annex 3 – Interim Financial Reports (IFRs)

Report II: Funds Reconciliation Statement		
Name of the Project:		
IFAD Instrument number:		
List other instruments if applicable		
For the Period:	<u>Starting Date</u>	<u>End Date</u>
	IFAD Loan	-
	Currency	-
PART I (Funds Status)		
1. Cumulative project expenditure since inception to date		
2. Cumulative funds received from IFAD till the end of reporting period	-	-
3. Funds receivable from IFAD (Line 1 minus Line 2)		
PART II (Receivable from IFAD)		
4. Total of Withdrawal Applications submitted but not yet cleared by IFAD (if not zero, give details below)		
5. Add/Subtract - Adjustments (if any)		
6. Expenditure claimed as Reimbursement for the current reporting period		
7. Funds required as Withdrawal from IFAD (Line 4 Plus Line 5 Plus Line 6)		
8. Difference, if any (Line 3 minus Line 7). (If not zero, please provide explanation)		
Details for Line 4: WAs submitted but not yet cleared by IFAD		
	WA Ref No.	Amount
TOTAL		
Explanation for Line 5 (if not zero):		
Explanation for Line 8 (if not zero):		

Remarks

This should match with IFAD records. In case of any differences between project figures and justified figures as per IFAD records, it has to be explained below.

Annex 3 – Interim Financial Reports (IFRs)

Report III: Variance Analysis of Use of Funds - FY				
Name of the Project:				
IFAD Instrument number:				
List other instruments if applicable				
For the Period: <u>FY Start Date</u> <u>To</u> <u>End Date</u>				
IFAD Loan				
Planned	Actual	Balance		
A	B	C=A-B	D=B/A	
Ref: AWP/ Forecast	Actual Cumulative year to date	AWPB Available Balance	Actual Progress against AWPB	
Currency			%age	
Expenditure by Categories:				
I. Training, Consultancies, studies and TA	-	-	-	
II. Goods, Services and Inputs	-	-	-	
III. Grants and Subsidies, Credit and Guarantee Funds	-	-	-	
IV. Operating cost	-	-	-	
TOTAL I	-	-	-	
Expenditure by Components:				
Component 1: Inclusive cluster development	-	-	-	
Component 2: Ecosystem for enterprise development	-	-	-	
Component 3: Project Management, M&E and Knowledge Management	-	-	-	
TOTAL II (must be equal to I)	-	-	-	
* Note: Provide reasons if the Cash Forecast is over and above AWPB Balance (i.e. the Forecast includes the Quarter 1 of the Subsequent AWPB)				
Authorized Signatory				
Name				
Designation				
Organization/Project				