

**FINANCIAL PROCEDURES AGREEMENT**

between

**INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT**

and

**THE INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT,**

as Trustee of

**THE LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE**

November 18, 2009

## **FINANCIAL PROCEDURES AGREEMENT**

**FINANCIAL PROCEDURES AGREEMENT** (hereinafter the "Agreement"), dated as of November 18, 2009 made between the International Bank for Reconstruction and Development (the "Bank") as trustee (the "Trustee") of the Least Developed Countries Fund for Climate Change (the "LDCF"), and the International Fund for Agricultural Development ("IFAD");

### **PREAMBLE**

**WHEREAS**, the Conference of the Parties ("COP") to the United Nations Framework Convention on Climate Change (the "UNFCCC") decided at its Seventh Session ("COP 7") that the LDCF shall be established and invited the Global Environment Facility ("GEF") to operate the LDCF under the guidance of the COP (Decision 7/CP.7 of the COP).

**WHEREAS**, at its May 15-17, 2002 meeting, the GEF Council (the "GEF Council"), on the basis of document GEF/C.19/6, (i) approved the arrangements proposed for the establishment of the LDCF, including applicability of the operational policies and procedures and governance structure of the GEF to the operation of the LDCF, and (ii) invited the Bank to act as trustee of the LDCF.

**WHEREAS**, having accepted the invitation by the GEF Council to act as trustee of the LDCF, the Bank has entered with certain donors into the legal arrangements necessary to establish, and receive contributions to, the LDCF.

**WHEREAS**, at its August 28, 2006 meeting, the GEF Council decided, on the basis of document GEF/C/29/5, that for decision making for the LDCF, the GEF Council will meet as the council for the LDCF (the "LDCF Council").

**WHEREAS**, at its November 16, 2007 meeting, the LDCF Council decided on the basis of document GEF/LDCF.SCCF.3/Inf.5 to expand direct access to the LDCF to include GEF Executing Agencies for the preparation and implementation of activities financed by the LDCF.

**WHEREAS**, under the GEF Council decisions made at its May 2001 and November 2003 meetings on the basis of documents GEF/C.17/13 and GEF/C.22/12, IFAD acts as a GEF Executing Agency.

**NOW, THEREFORE**, the Trustee and IFAD hereby agree as follows:

## **1. DEFINITIONS**

**Section 1.1.** Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement shall have the respective meanings set forth therein and the following additional terms shall have the following meanings:

“Administrative Budget” means a portion of the LDCF’s administrative budget (other than Special Initiatives and IFAD Fees), which is allocated to IFAD, if applicable, in accordance with the applicable policies and procedures of the LDCF;

“Authorized Officer” means a person who is authorized to sign in the name and on behalf of IFAD for the purposes of this Agreement;

“Cash Transfer Request for Fees” means a request submitted by IFAD to the Trustee for the transfer of LDCF funds to IFAD for IFAD Fees;

“Cash Transfer Request for LDCF Projects” means a request submitted by IFAD to the Trustee for the transfer of LDCF funds to the IFAD/LDCF Fund for LDCF Projects;

“Cash Transfer Request for Special Initiatives/Administrative Budgets” means a request submitted by IFAD to the Trustee for the transfer of LDCF funds to the IFAD/LDCF Fund for Special Initiatives and Administrative Budgets, if any;

“CEO” means the Chief Executive Officer/Chairperson of the GEF;

“Dollars” or “\$” means dollars in the currency of the United States of America;

“GEF Fiscal Year” means July 1 through June 30 of each calendar year;

“LDCF Project” means a project, project component(s), or project preparation activity, for which funding from the LDCF has been approved;

“IFAD Fee” means the fee payable to IFAD, in accordance with the policies and procedures of the LDCF, to cover IFAD’s costs in respect of services performed by IFAD in connection with IFAD’s LDCF Project;

“IFAD/LDCF Fund” means the dedicated account established and administered by IFAD to receive, hold in trust and administer the LDCF funds transferred to IFAD by the Trustee;

“Letter of Commitment” means a letter from the Trustee to IFAD confirming the commitment of LDCF funds to IFAD;

“Letter of Commitment Cancellation” means a letter from the Trustee to IFAD confirming the cancellation of the commitment of LDCF funds to IFAD;

“MOU” means the Memorandum of Understanding entered into between IFAD and the Secretariat of the GEF (the “Secretariat”) dated April 29, 2005, as may be amended from time to time; and

“Special Initiative” means activities to be performed by IFAD, if applicable, as special initiative, approved by the LDCF Council as part of the LDCF’s Administrative Budget.

## **2. LDCF ACCOUNT ADMINISTERED BY IFAD**

**Section 2.1.** IFAD shall maintain the IFAD/LDCF Fund, to receive, hold in trust and administer LDCF funds (other than IFAD Fees) transferred to it by the Trustee. In administering the IFAD/LDCF Fund, IFAD shall maintain separate records and ledger accounts in respect of the LDCF funds in the IFAD/LDCF Fund and disbursements made therefrom.

## **3. COMMITMENT OF FUNDS BY THE TRUSTEE**

**Section 3.1.** Unless otherwise agreed between the Trustee and IFAD, the following procedures shall apply to the commitment of LDCF funds by the Trustee to IFAD.

(a) In the case of a LDCF Project or IFAD Fee, for which approval by the LDCF Council and endorsement by the CEO are required pursuant to the policies and procedures of the LDCF, the Trustee shall, upon approval by the LDCF Council and subject to the availability of resources in the LDCF, set aside the LDCF funds in the amount approved by the LDCF Council for the LDCF Project or IFAD Fee, to be made available for a commitment by the Trustee pursuant to Section 3.1(d) below.

(b) In the case of a LDCF Project or an IFAD Fee, for which approval by the CEO and subsequent endorsement by the CEO are required pursuant to the policies and procedures of the LDCF, the Trustee shall, upon approval by the CEO and subject to the availability of resources in the LDCF, set aside the LDCF funds in the amount approved by the CEO for the LDCF Project or IFAD Fee, to be made available for a commitment by the Trustee pursuant to Section 3.1(d) below.

(c) In the event that any LDCF Project or IFAD Fee, for which the Trustee has set aside the LDCF funds under Section 3.1(a) or (b) above, is cancelled in whole or in part prior to a commitment by the Trustee pursuant to Section 3.1(d) below, the Trustee shall release the amount of the LDCF funds corresponding to such cancelled amount, which was previously set aside for such LDCF Project or IFAD Fee, so that such amount may be made available for other purposes.

(d) Subject to the availability of resources in the LDCF, the Trustee shall commit LDCF funds to IFAD on a monthly basis (or such other frequency as the

Trustee and IFAD may agree) for LDCF Projects, IFAD Fees, Special Initiatives and/or Administrative Budgets, if any. The amount of funds committed shall be based upon the amounts (i) endorsed by the CEO (in the case of LDCF funding, for which approval by the LDCF Council or the CEO, and endorsement by the CEO are required), (ii) approved by the CEO (in the case of LDCF funding, for which only approval by the CEO is required), or (iii) approved by the LDCF Council (in the case of LDCF funding, for which only approval by the LDCF Council is required), as reflected in the information provided to the Trustee by the Secretariat pursuant to Section 11.1. below. The Trustee shall commit the funds to IFAD by means of a Letter of Commitment, substantially in the form attached to this Agreement as Annex A.

(e) The amount of the LDCF funds committed by the Trustee may be adjusted as follows:

(i) In the event that the LDCF funding allocated to IFAD for any LDCF Project, IFAD Fee or Special Initiative is decreased, as a result of a subsequent cancellation or amendment of the LDCF Project/Special Initiative or reallocation of LDCF funding to any other agency, after the Trustee has committed the funds for such LDCF Project, IFAD Fee or Special Initiative under Section 3(d) above, the corresponding amount of funds committed by the Trustee pursuant to Section 3.1.(d) above shall be cancelled to reflect such decrease of the LDCF funding allocated. Such cancellation shall be made upon any cancellation notification provided by IFAD to the Trustee consistent with paragraph 30(a) of the Joint Summary of the Chairs of the GEF Council Meeting in December 2006 (in case of cancellation prior to approval by IFAD), or otherwise the information provided by IFAD referred to in Sections 12.2.(b) and (c) below. Further, if the decrease of the LDCF funding is a result of reallocation of LDCF funding or cancellation of the CEO approval or endorsement, the Trustee may verify such reallocation or cancellation against the information provided by the Secretariat pursuant to Section 11.1 below with a view to reconciling any discrepancy between the information provided by IFAD and the Secretariat.

(ii) In the event that there are any unused funds from the LDCF Projects, Special Initiatives or Administrative Budgets, for which no further disbursements are due to be made by IFAD, the amount of funds committed by the Trustee pursuant to Section 3.1.(d) above shall be cancelled to reflect the amount of unused funds held by IFAD in the IFAD/LDCF Fund in accordance with Section 6.2 below. Such reduction shall be made upon the information provided by IFAD referred to in Section 12.2.(d) below.

(f) The Trustee shall notify IFAD of the cancellation of the LDCF funds committed by the Trustee by means of a Letter of Commitment Cancellation, substantially in the form attached to this Agreement as Annex B.

#### **4. TRANSFER OF FUNDS BY THE TRUSTEE TO IFAD**

##### **Section 4.1. LDCF Projects**

The following procedures shall apply to the transfer of LDCF funds by the Trustee to IFAD for LDCF Projects.

(a) IFAD may request transfer of LDCF funds for a LDCF Project, after (i) the LDCF funds have been committed by the Trustee for the LDCF Project pursuant to Section 3.1 above, and (ii) the LDCF Project has been approved by IFAD in accordance with its policies and procedures; provided that the request by IFAD shall be submitted to the Trustee in accordance with Sections 4.1.(b) and (c) below.

(b) Every six months (or at such other frequency as the Trustee and IFAD may agree) IFAD shall submit, by email, facsimile or as otherwise agreed with the Trustee, a Cash Transfer Request for LDCF Projects to the Trustee.

(c) Each Cash Transfer Request for LDCF Projects shall be substantially in the form attached to this Agreement as Annex C, signed by an Authorized Officer, and shall indicate:

(i) the projected cash requirements for LDCF Projects for the six-month period (or such other frequency as the Trustee and IFAD may agree) following the date of the request; and

(ii) a statement of the net cash position (net cumulative LDCF funds received from the Trustee for LDCF Projects less net cumulative disbursements by IFAD for LDCF Projects of the IFAD/LDCF Fund) as of the date of the request.

(d) The amount of funds requested by IFAD in each Cash Transfer Request for LDCF Projects for activities to be carried out under LDCF Projects shall be based on the six-month projections (or such other frequency as the Trustee and IFAD may agree) referred to in Section 4.1.(c)(i) above, adjusted to reflect the net cash position referred to in Section 4.1.(c)(ii) above.

(e) Upon receipt of a Cash Transfer Request for LDCF Projects, the Trustee shall verify that the amount requested by IFAD does not exceed the amount equal to (i) the net cumulative LDCF funds committed by the Trustee and approved by IFAD for the LDCF Projects (based on the information provided by IFAD

referred to in Section 12.2.(a) below), less (ii) the net cumulative LDCF funds transferred by the Trustee to IFAD for the LDCF Projects.

(f) Upon the verification referred to in Section 4.1.(e) above and subject to the receipt of the information required in Annex C and the availability of resources in the LDCF, the Trustee shall transfer to the IFAD/LDCF Fund the amount of funds requested for LDCF Projects in each Cash Transfer Request for LDCF Projects, or such other amount as the Trustee in its discretion, after consultation with IFAD, deems appropriate, based on; the information received from the Secretariat under Section 11.1; the relevant LDCF Council documents, the Trustee's review of the amount of undisbursed funds in the IFAD/LDCF Fund; and consultation with IFAD on the purposes for which any such undisbursed funds may be used.

(g) For the avoidance of doubt, the LDCF funds transferred by the Trustee may be used by IFAD for any LDCF Project committed by the Trustee and approved by IFAD, provided that the amount used for any particular LDCF Project shall not exceed the amount committed by the Trustee for that LDCF Project.

#### **Section 4.2. IFAD Fees**

The following procedures shall apply to the transfer of the LDCF funds by the Trustee to IFAD for IFAD Fees.

(a) IFAD may request transfer of LDCF funds for any IFAD Fee after the LDCF funds have been committed by the Trustee for the IFAD Fee pursuant to Section 3.1 above; provided that the request by IFAD shall be submitted to the Trustee in accordance with Sections 4.2.(b) and (c) below.

(b) Every three months (or at such other frequency as the Trustee and IFAD may agree) IFAD shall submit, by email, facsimile or as otherwise agreed with the Trustee, a Cash Transfer Request for Fees to the Trustee for the transfer to IFAD of IFAD Fees.

(c) Each Cash Transfer Request for Fees shall be substantially in the form attached to this Agreement as Annex D, signed by an Authorized Officer, and shall indicate the net cumulative LDCF funds received from the Trustee for IFAD Fees as of the date of the request. The amount of funds requested by IFAD in such request shall not exceed the amount equal to the net cumulative amount of the LDCF funds committed by the Trustee less the net cumulative amount of the LDCF funds received from the Trustee, both as of the date of the request.

(d) The Trustee shall verify that the amount of funds requested to be transferred does not exceed the amount equal to (i) the cumulative LDCF funds committed by the Trustee for the IFAD Fees less (ii) the cumulative LDCF funds

transferred by the Trustee to IFAD for the IFAD Fees as of the date of the request. Upon such verification and subject to the receipt of the information required in Annex D and the availability of resources in the LDCF, the Trustee shall transfer to IFAD the amount of funds requested for the IFAD Fees.

(e) Notwithstanding Sections 4.2. (b),(c) and (d) above, upon the request of the Trustee, IFAD shall return to the LDCF, to such account as the Trustee may designate, funds transferred to IFAD as IFAD Fees for any LDCF Project, which is cancelled, amended or reallocated, after such funds have been transferred, resulting in a decrease in the amount of LDCF funding approved for IFAD for such project. The amount to be returned to the Trustee shall be determined in accordance with the policies and procedures established for the determination and payment of agency fees payable approved by the LDCF Council, as such policies and procedures may be amended from time to time.

### **Section 4.3. Special Initiatives and Administrative Budgets**

The following procedures shall apply to the transfer of the LDCF funds by the Trustee to IFAD for Special Initiatives and Administrative Budgets, if any.

(a) IFAD may request transfer of LDCF funds for Special Initiatives or Administrative Budgets after the LDCF funds have been committed by the Trustee for the Special Initiatives or Administrative Budgets pursuant to Section 3.1 above; provided that the request by IFAD shall be submitted to the Trustee in accordance with Sections 4.3.(b) and (c) below.

(b) At any time after the commitment by the Trustee, IFAD may submit, by email, facsimile or as otherwise agreed with the Trustee, a Cash Transfer Request for Special Initiatives/Administrative Budgets to the Trustee for each Special Initiative or Administrative Budget for which the cash transfer is requested.

(c) Each Cash Transfer Request for Special Initiatives/Administrative Budgets shall be substantially in the form attached to this Agreement as Annex E, signed by an Authorized Officer, and shall indicate the net cumulative LDCF funds received from the Trustee for Special Initiatives (in case of a request for the Special Initiative) or Administrative Budgets (in case of a request for the Administrative Budget) as of the date of the request. The amount of funds requested in such request shall not exceed the amount equal to the net cumulative amount of the LDCF funds committed by the Trustee less the net cumulative amount of the LDCF funds transferred from the Trustee, both as of the date of the request.

(d) Upon receipt of a Cash Transfer Request for Special Initiative/Administrative Budgets, the Trustee shall verify that the amount requested by IFAD does not exceed the amount equal to (i) the net cumulative LDCF funds committed by the Trustee for the Special Initiatives or



Administrative Budgets, as applicable, less (ii) the net cumulative LDCF funds transferred by the Trustee to the IFAD/LDCF Fund for the Special Initiatives or Administrative Budgets, as applicable. Upon such verification and subject to the receipt of the information required in Annex E and the availability of resources in the LDCF, the Trustee shall transfer to the IFAD/LDCF Fund the amount of funds requested for the Special Initiative or Administrative Budgets, as applicable.

#### **Section 4.4. Transfer of Funds**

Transfer of the LDCF funds from the Trustee to IFAD shall be made to such account as IFAD may from time to time designate for such purposes. The Trustee shall notify IFAD of each such transfer.

### **5. USE OF FUNDS**

**Section 5.1.** The funds transferred to IFAD under Section 4 of this Agreement shall be used for the purpose for which they have been provided.

**Section 5.2.** Subject to the terms of this Agreement, IFAD may invest all funds in the IFAD/LDCF Fund pending their disbursement in accordance with IFAD's guidelines and policies concerning the investment of funds in respect of which IFAD acts as trustee. IFAD shall have the right to convert all funds received into the IFAD/LDCF Fund into other currencies to facilitate the administration of the IFAD/LDCF Fund.

**Section 5.3.** The Trustee shall have no responsibility for collection of funds due to IFAD from the project recipient or such other entity under any LDCF Project or Special Initiative. When IFAD has received any unused funds or reflow of funds, IFAD shall report and return such funds to the LDCF in accordance with Sections 6 and 7 below.

### **6. DISBURSEMENT OF FUNDS**

**Section 6.1.** Implementation of LDCF activities by IFAD shall be dependent upon the receipt by IFAD of LDCF funds in accordance with this Agreement. Disbursement of funds from the IFAD/LDCF Fund to recipients shall be made in accordance with IFAD's rules and policies and its applicable disbursement procedures.

**Section 6.2.** Unused funds from LDCF Projects, Special Initiatives or Administrative Budgets, for which no further disbursements are due to be made, shall be held by IFAD (following their return to IFAD by the project recipient or such other party) in the IFAD/LDCF Fund; provided, that in the case of unused funds from LDCF Projects, any such funds held by IFAD shall be reflected in the net cash position referred to in Section 4.1.(c)(ii) above, so that the amount of the unused funds

shall be taken into account to determine the amount of transfer of the LDCF funds to IFAD. IFAD will maintain a record of any such unused funds and report to the Trustee pursuant to Section 12.2 (d) below. Any unused funds reported by IFAD shall be reflected in cancellation of commitments by the Trustee pursuant to Section 3.1.(e)(ii).

**Section 6.3.** Notwithstanding Section 6.2. above, upon the request of the Trustee, IFAD shall return to the LDCF, such account as the Trustee may designate, any unused funds from LDCF Projects, Special Initiatives or Administrative Budgets held by IFAD in the IFAD/LDCF Fund.

## **7. REFLOWS**

**Section 7.1.** If any LDCF funds transferred to IFAD for LDCF Projects are used to provide financing, which generates any reflow of funds on any instrument other than grants, and if such reflow of funds are required to be returned to the LDCF pursuant to the applicable policies and procedures of the LDCF, IFAD shall credit and hold the funds in the IFAD/LDCF Fund (following their receipt by IFAD), until the Trustee requests IFAD to return them to the Trustee at such account as the Trustee may designate. IFAD will maintain a record of any such reflow of funds and report them to the Trustee pursuant to Section 12.2.(e) below. For the avoidance of doubt, the reflow of funds does not include unused funds from LDCF Projects. Any unused funds from the LDCF Projects shall be administered by IFAD in accordance with Sections 6.2 and 6.3 above.

## **8. INVESTMENT INCOME**

**Section 8.1.** Income earned on the investment of LDCF funds transferred to IFAD (except for income earned on the investment of LDCF funds transferred as IFAD Fees) may be held by IFAD in the IFAD/LDCF Fund until the Trustee requests IFAD to return it to the Trustee at such account as the Trustee may designate. IFAD will maintain a record of any such income and report to the Trustee pursuant to Section 12.2 below.

**Section 8.2.** Income earned on the investment of LDCF funds transferred to IFAD as IFAD Fees may be retained by IFAD and is not required to be reported or returned to the Trustee.

## **9. STANDARD OF CARE**

**Section 9.1.** IFAD shall exercise the same degree of care and diligence in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own resources. Subject to the terms of this Agreement and the MOU, IFAD shall do any and all such acts as may be necessary or appropriate

for the proper administration of the IFAD/LDCF Fund, and shall be accountable to the LDCF Council for its LDCF-financed activities.

## **10. OWNERSHIP OF EQUIPMENT, SUPPLIES AND OTHER PROPERTY**

**Section 10.1.** Ownership of equipment, supplies and other property financed with funds from the IFAD/LDCF Fund may vest in IFAD, the recipient of the funds or such other entity as may be permitted to retain ownership under the rules and regulations of IFAD.

## **11. VERIFICATION**

**Section 11.1.** For the purposes of verifying amounts in connection with the set aside, commitment and transfer of LDCF funds by the Trustee under this Agreement, the Trustee shall rely upon the information provided by the Secretariat to the Trustee indicating:

- (a) the amount of LDCF funds and the type of financing instrument for each LDCF Project approved by the LDCF Council as allocable to IFAD (including (i) the amount approved for any amendment to the previously approved LDCF Project or any reallocation of the funds which were previously allocated to any other agency and (ii) the amounts and schedule of expected reflow of funds, if applicable), during the period reported;
- (b) the amount of LDCF funds and the type of financing instrument for each LDCF Project approved or endorsed by the CEO, as allocable to IFAD (including (i) the amount approved or endorsed for any amendment to the previously approved LDCF Project or any reallocation of the funds which were previously allocated to any other agency and (ii) the amounts and schedule of expected reflow of funds, if applicable), and the date of the CEO approval or endorsement, during the period reported;
- (c) the date and amount of cancellation of CEO endorsement or approval of each of the LDCF Projects prior to approval by IFAD of the LDCF Project, during the period reported,
- (d) the amount of each LDCF Project which has been, after approval by IFAD, reallocated to another agency, resulting in a decrease in the amount of LDCF funds approved for IFAD for such project, during the period reported;
- (e) the amount of each IFAD Fee approved by the LDCF Council as payable to IFAD (including the amount approved for any amendment to the

previously approved LDCF Project or any reallocation of the funds which were previously allocated to any other agency), during the period reported;

- (f) the amount of each IFAD Fee approved or endorsed by the CEO, as payable to IFAD (including the amount approved or endorsed for any amendment to the previously approved LDCF Project or any reallocation of the funds which were previously allocated to any other agency), during the period reported;
- (g) the amount of the IFAD Fee, which shall be returned to the LDCF, as a result of subsequent cancellation, amendment or reallocation of the LDCF Project for which such fee was provided, resulting in a decrease in the amount of LDCF funds approved for such fee, during the period reported;
- (h) the amount of each Special Initiative and Administrative Budget, if any, approved by the LDCF Council, as payable to IFAD, during the period reported; and
- (i) any other funding from the LDCF, allocated to IFAD by the LDCF Council or the CEO, during the period reported.

## **12. RECORDS AND REPORTING**

**Section 12.1.** Unless the parties hereto agree otherwise, all financial accounts and reports related to the LDCF funds shall be expressed in Dollars.

**Section 12.2.** IFAD shall provide the following information to the Trustee, prepared in accordance with IFAD's accounting and reporting procedures and provided in a form and means agreed with the Trustee:

- (a) on a quarterly basis (or such other frequency agreed with the Trustee), the dates and amounts of approvals by IFAD of LDCF Projects, if applicable, for the period reported, broken down by each LDCF Project;
- (b) within thirty (30) days after the end of each quarter of the GEF Fiscal Year (or such other frequency agreed with the Trustee), the dates and amounts of the cancellations of the LDCF funding approved as allocable to IFAD for LDCF Projects and Special Initiatives, for the period reported, broken down by each LDCF Project and Special Initiative;
- (c) within thirty (30) days after the end of each quarter of the GEF Fiscal Year (or such other frequency agreed with the Trustee), the dates and amounts of the cancellations, in whole or in part, of the LDCF funding approved for IFAD Fees, for the period reported, broken down by each IFAD Fee;

- (d) within thirty (30) days after the end of each quarter of the GEF Fiscal Year (or such other frequency agreed with the Trustee), the date on which any LDCF Project is financially closed, the final amount disbursed and the amount of any unused funds from such project, for the period reported, broken down by each LDCF Project, Special Initiative and Administrative Budget;
- (e) within thirty (30) days after the end of each quarter of the GEF Fiscal Year (or such other frequency agreed with the Trustee), the dates and amounts of reflows of funds received by IFAD from LDCF Projects, for the period reported, broken down by each LDCF Project;
- (f) within sixty (60) days after the end of each semester of the GEF Fiscal Year (or such other frequency agreed with the Trustee), statements of (i) investment income earned on the LDCF funds transferred to the IFAD/LDCF Fund for LDCF Projects, Special Initiatives and Administrative Budget and (ii) investment income returned to the LDCF;
- (g) within six months after the end of IFAD's fiscal year, an IFAD consolidated financial statement with specific LDCF activities listed in a separate annex audited by IFAD's external auditors;
- (h) within six months after termination of this Agreement, a final financial statement for the IFAD/LDCF Fund; and
- (i) such other reports related to the LDCF funds transferred to IFAD, as may reasonably be requested by the Trustee from time to time.

For the purposes of the financial reports and statements required under Sections 12.2.(f), (g) and (h) above and Section 12.4(i) below investment income earned by the IFAD/LDCF Fund shall be reported as aggregate investment income without allocating between individual LDCF activities.

**Section 12.3.** As soon as practicable after the end of the GEF Fiscal Year, the Trustee shall furnish with IFAD an annual report for reconciliation between the Trustee and IFAD in respect of LDCF funds approved as allocable to IFAD, substantially in the form of attached to this Agreement as Annex F. IFAD shall confirm its agreement to the information contained in the report, no later than 45 days after receipt by IFAD of the report, by signing, dating and returning to the Trustee a copy of the report. In the event that there is any discrepancy between the information provided by the Trustee in the report and the information used by IFAD, IFAD shall promptly inform the Trustee of such discrepancy and reconcile with the Trustee the information contained in the report.

**Section 12.4** With six (6) months prior notice, the Trustee may request IFAD to (i) provide to the Trustee, in lieu of the consolidated financial statement required under Section 12.2(g) above, annual financial statements separately prepared for the IFAD/LDCF Fund in accordance with IFAD's accounting and reporting procedures in form and means agreed with the Trustee and audited by IFAD's external auditors, and/or (ii) cause the financial statement required under Section 12.2(h) above to be audited by IFAD's external auditors. The costs of the audits referred to in this Section shall be borne by the LDCF.

**Section 12.5.** Where the Trustee has reason for concern that LDCF resources provided to IFAD for any LDCF Project or Special Initiative may not have been used in accordance with the decisions taken by the LDCF Council, the Trustee will ask IFAD to provide it with information concerning the use of LDCF resources in respect of the LDCF Project or Special Initiative concerned. If after reviewing any such information provided by IFAD, the Trustee continues to have a concern as to the manner in which the LDCF resources provided to IFAD for such LDCF Project or Special Initiative have been used, the Trustee may request IFAD to cause accounts and reports of such individual LDCF Project or Special Initiative to be audited by IFAD's external auditors on terms agreed with the Trustee. The Trustee would require such additional audits only in these exceptional circumstances, and will communicate fully its reasons for such request to IFAD. The costs of such audits will be borne by IFAD; however, should the additional audit by IFAD's external auditors disclose that the resources were used in accordance and the decisions taken by the LDCF Council, the cost of such audits shall be borne by the LDCF.

**Section 12.6.** In the event that IFAD fails to comply with Sections 12.1, 12.2, 12.3, 12.4 and 12.5, the Trustee shall promptly notify IFAD in writing of such non-compliance. If the non-compliance has continued for a period of not less than thirty days after the written notification from the Trustee, the Trustee may suspend any further commitment and/or cash transfer of LDCF funds to IFAD until such time as the non-compliance is resolved to the reasonable satisfaction of the Trustee.

**Section 12.7.** IFAD shall provide the Trustee with a list containing the names and signatures of IFAD's Authorized Officers, substantially in the form attached to this Agreement as Annex G.

### **13. NOTICES**

**Section 13.1.** All communications concerning this Agreement shall be made to the relevant person at the address, facsimile number, telephone number or electronic mail address, from time to time designated by that party to the other for that purpose. The address, facsimile number, telephone number and electronic mail address so designated are set out below:

(a) For the Trustee:

Name: International Bank for Reconstruction and Development, as  
Trustee of the Least Developed Countries Fund for Climate  
Change  
Address: 1818 H. Street, N.W.  
Washington, D.C. 20433  
U.S.A.  
Attention: Ms. Susan McAdams  
Director, Multilateral Trusteeship and Innovative Financing  
Telephone: +1 202 458-0019  
Facsimile: +1 202 614-0795  
Electronic mail: geftrustee@worldbank.org

(b) For IFAD:

Name: International Fund for Agricultural Development  
Address: 44, Via P.Di Dono  
00142 Rome, Italy  
Attention: Mr. Bambis Costantinides  
Director, Financial Services Division  
Telephone: +39-06-5459-2054  
Facsimile: +39-06-5459-3054  
Electronic mail: c.constantinides@ifad.org  
With copy to: c.mainella@ifad.org  
t.tirabassi@ifad.org  
geccregistry@ifad.org

**14. AMENDMENT**

**Section 14.1.** This Agreement may be amended at any time by the written agreement of the Trustee and IFAD.

## **15. TERMINATION**

**Section 15.1.** This Agreement will terminate on June 30, 2014, unless extended by mutual agreement of the parties to this Agreement. This Agreement may be terminated before June 30, 2014 by either party, and shall cease to be in force sixty (60) days after either party gives to the other written notice of its desire to terminate the Agreement.

**Section 15.2.** Notwithstanding termination of this Agreement, IFAD shall continue to receive and hold in the IFAD/LDCF Fund unused or undisbursed funds from any LDCF Project, Special Initiative or Administrative Budget, income earned by the IFAD/LDCF Fund and any other amounts due to IFAD under any LDCF Project until all outstanding commitments and liabilities incurred in the implementation of the LDCF Projects, Special Initiatives, activities for which any Administrative Budget is provided, or such other IFAD's activities have been satisfied. IFAD shall return to the Trustee, on terms agreed with the Trustee, (i) any portion of the IFAD/LDCF Fund and any income earned thereon (other than the income earned on IFAD Fees described in Section 8.2), remaining after such commitments and liabilities have been satisfied, and (ii) any other LDCF funds received by IFAD after the termination of this Agreement, which are otherwise due to be returned to the Trustee under the terms of this Agreement.

## **16. ENTIRE AGREEMENT**

**Section 16.1.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

**Section 16.2.** This Agreement shall be effective as of the date aforementioned on the first page of this Agreement.

## **17. EXECUTION IN COUNTERPARTS**

**Section 17.1.** This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.



**IN WITNESS WHEREOF**, the undersigned, being duly authorized thereto, have signed this Agreement with effect from the date aforementioned on the first page of this Agreement

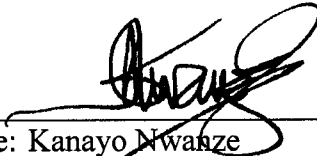
INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT, AS TRUSTEE OF THE  
LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE  
CHANGE



\_\_\_\_\_  
Name: Axel van Trotsenburg

Title: Vice President, ~~Concessional~~ Finance and Global Partnerships

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT



\_\_\_\_\_  
Name: Kanayo Nwanze

Title: President, International Fund for Agricultural Development

**Annex A**

**Letter of Commitment**

[date]

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

**Least Developed Countries Fund for Climate Change**  
**Commitment of Funds to the International Fund for Agricultural Development**

Dear Sir or Madam:

Reference is made to the Financial Procedures Agreement dated November 18, 2009, between the International Bank for Reconstruction and Development, as trustee (the "Trustee") of the Least Developed Countries Fund for Climate Change (the "LDCF") and the International Fund for Agricultural Development ("IFAD") (the "Agreement").

In accordance with Section 3 of the Agreement, the Trustee hereby commits the sum of US\$ [insert amount] to IFAD, such amount reflecting the amounts endorsed or approved by the Chief Executive Officer/Chairperson of the GEF (the "CEO"), as appropriate, during [period] for IFAD activities to be carried out in connection with the [LDCF Projects, IFAD Fees, Special Initiatives, Administrative Budget select as applicable] listed in Annex attached hereto, provided, however, that pursuant to Sections 3.1(e) and (f) of the Agreement, the amount of the commitment hereunder may be subject to adjustment, [upon any cancellation notification provided by IFAD to the Trustee consistent with paragraph 30(a) of the Joint Summary of the Chairs of the GEF Council Meeting in December 2006 (in case of cancellation prior to approval by IFAD), or the information provided by IFAD referred to in Sections 12.2.(b), (c) and (d) of the Agreement,] to reflect any subsequent decrease of LDCF funding allocated for any LDCF Project or IFAD Fee for which the commitment was made by the Trustee.

Funds will be transferred by the Trustee to IFAD to account, [account details], in accordance with the procedures set out in Section 4 of the Agreement.

International Bank for Reconstruction and Development, as  
Trustee of the Least Developed Countries Fund for Climate  
Change

\_\_\_\_\_  
Name:

Title:

Attachments

**Annex B**

**Letter of Commitment Cancellation**

[date]

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

**Least Developed Countries Fund for Climate Change**  
**Cancellation of Commitment of Funds to**  
**the International Fund for Agricultural Development**

Dear Sir or Madam:

Reference is made to the Financial Procedures Agreement dated November 18, 2009, between the International Bank for Reconstruction and Development, as trustee (the "Trustee") of the Least Developed Countries Fund for Climate Change (the "LDCF") and the International Fund for Agricultural Development ("IFAD") (the "Agreement").

In accordance with Sections 3.1(e) and (f) of the Agreement, the Trustee hereby notifies you that the commitment made by the Trustee in the sum of US\$ [*insert amount*] for the [LDCF Projects, IFAD Fees and Special Initiatives *select as applicable*] listed in Annex attached hereto is cancelled pursuant to said sections.

International Bank for Reconstruction and Development, as  
Trustee of the Least Developed Countries Fund for Climate  
Change

\_\_\_\_\_  
Name:

Title:

Attachment

THE LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE

IFAD Ref. No. \_\_\_\_\_  
Cash Transfer Request Number \_\_\_\_\_

International Fund for Agricultural Development (IFAD)

Cash Transfer Request for LDCF Projects a/

As of [date] \_\_\_\_\_  
(in US dollars)

Net Cumulative Cash received from the Trustee in the IFAD/LDCF Fund b/ (1)	Net Cumulative Disbursements from the IFAD/LDCF Fund c/ (2)	Net Cash Position (3) = (1) - (2)	Projected Cash Requirements for Next [6] Months (4)	Projected Net Cash Position (5) = (3) - (4)	Amount of Cash Transfer Request (6)
0.00	0.00	0.00	0.00	0.00	0.00

Bank Account Details

Signed \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

a/ This request includes cash transfers for LDCF Projects, including project preparation activities, but excludes cash transfers for IFAD Fees, Administrative Budget or Special Initiatives.  
b/ This column represents the cumulative amount transferred to the IFAD less return of funds to the Trustee since the inception of the IFAD/LDCF Fund.  
c/ This column represents the cumulative amount disbursed from the IFAD/LDCF Fund less subsequent return of funds by project recipients to the IFAD since the inception of the IFAD/LDCF fund.

## THE LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE

IFAD Ref. No. \_\_\_\_\_

Cash Transfer Request Number \_\_\_\_\_

## International Fund for Agricultural Development (IFAD)

## Cash Transfer Request for Fees

As of [date] \_\_\_\_\_

(in US dollars)

Net Cumulative Cash received from the Trustee in the IFAD/LDCF Fund a/ (1)		Amount of Cash Transfer Request for Fees (2)
0.00		0.00

Bank Account details

Signed \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

a/ This column represents the cumulative amount transferred to the IFAD less return of funds to the Trustee since the inception of the IFAD/LDCF Fund.

**Annex E**

**THE LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE**

IFAD Ref. No. \_\_\_\_\_

Cash Transfer Request Number \_\_\_\_\_

**International Fund for Agricultural Development (IFAD)**

**Cash Transfer Request for [Administrative Budget]/[Special Initiatives]**

As of [date] \_\_\_\_\_

(in US dollars)

Net Cumulative Cash received from the Trustee in the IFAD/LDCF Fund a/ (1)		Amount of Cash Transfer Request for [Administrative Budget]/[Special Initiative] (2)
0.00		0.00

Bank Account details

Signed \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

*a/ This column represents the cumulative amount transferred to the IFAD less return of funds to the Trustee since the inception of the IFAD/LDCF Fund.*

## THE LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE

## International Fund for Agricultural Development (IFAD)

## Agency Annual Report for Reconciliation in respect of LDCF Fund funding approved for IFAD

As of (date) \_\_\_\_\_  
(in US dollars)

Trustee ID	GEFSEC ID	Agency ID	Project Title	Joint Project or Programmatic Initiative	Use b/	Component c/	LDCF Council or CEO Approval date d/	Amount Set Aside	Funding Approval Status	Agency Project Execution/ Implementation Status	Agency Approval Date	CEO Endorsement/ Approval Date e/	Cumulative Trustee Commitment	Cumulative Cancelled Amounts	Final Unused Amount	Final Used Amount	Financial Closure Date	Trustee Net Commitment	Refund of funds, if applicable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) = (14) - (15) - (16)	(18)	(19) = (17)	--

a/ This report includes LDCF Projects (including project preparation activities), IFAD Fee and Administrative Budget, Special Initiatives, if applicable.

b/ This column indicates the use for which the LDCF funds are approved, such as LDCF Project, IFAD Fee, IFAD administrative budget. In the case of Special Initiative, it shall be reported as LDCF administrative budget for the purpose of this column.

c/ This column indicates the component of the LDCF funding, such as full-size, medium-size, expedited enabling activities, project preparation activities, in the case of LDCF Projects, and Administrative Budget or Special Initiative, in the case of LDCF administrative budgets.

d/ This column indicates the date of LDCF Council approval or, in case of LDCF funding which requires both CEO approval and endorsement, the date of CEO approval.

e/ This column indicates the date of CEO endorsement or, in case of LDCF funding which requires only CEO approval, the date of CEO approval.

## **Annex G**

[date]

Attention: Director, Multilateral Trusteeship and Innovative Financing  
International Bank for Reconstruction and Development,  
As Trustee of the Least Developed Countries Fund for Climate Change  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

### **Re: Financial Procedures Agreement between the Trustee and the International Fund for Agricultural Development**

Dear Director:

I refer to the Financial Procedures Agreement ("Agreement") between the International Bank for Reconstruction and Development, as Trustee of the Least Developed Countries Fund for Climate Change (the "Trustee") and the International Fund for Agricultural Development ("IFAD"), dated November 18, 2009. For the purposes of the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of IFAD to sign any request or report under the Agreement:

[Name], [position]      Specimen Signature: \_\_\_\_\_

[Name], [position]      Specimen Signature: \_\_\_\_\_

[Name], [position]      Specimen Signature: \_\_\_\_\_

Yours truly,

/ signed /

\_\_\_\_\_  
[Position]