

Document: EB 2010/100/R.18
Agenda: 13(b)(i)
Date: 2 August 2010
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

President's memorandum

Request for a waiver of the policy on taxes for the

Market-oriented Smallholder Agriculture Project in the Republic of Angola

Note to Executive Board representatives

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Executive Board — 100th Session
Rome, 15-17 September 2010

For: Approval

Recommendation for approval

The Executive Board is invited to approve the waiver of the policy on taxes for the Market-oriented Smallholder Agriculture Project in the Republic of Angola as contained in paragraph 6.

President's memorandum

Request for a waiver of the policy on taxes for the Market-oriented Smallholder Agriculture Project in the Republic of Angola

A. Introduction and background

1. The Market-oriented Smallholder Agriculture Project in Angola was presented to the Executive Board in December 2007 and IFAD loan 736-AO was declared effective in November 2009.
2. The project was initiated by the World Bank and has a total project budget of about US\$50 million. Of this amount, IFAD is cofinancing US\$8.2 million.
3. At the time this loan agreement was signed, IFAD's General Conditions for Agricultural Development Financing stated that "... it is a policy of the Fund that loan proceeds are not to be used to pay taxes" (article 11, section 11.01, Taxation). The World Bank, on the other hand, does allow for such costs to be paid out of its loan.

B. Justification for the amendment request

4. In view of the benefits of harmonizing all procedures between IFAD and the World Bank in line with the Paris Declaration on Aid Effectiveness, the World Bank and the Government of Angola have requested that IFAD apply a waiver of the section on taxation in the General Conditions. This will simplify project implementation and loan administration, particularly as the World Bank will be the cooperating institution and will be supervising the project.
5. Following the approval of the Executive Board, reference to this waiver will be reflected in a loan amendment letter, to permit IFAD loan proceeds to be used to finance taxes and duties to the same extent as applied by the World Bank for the above project.

C. Recommendation

6. I recommend that the Executive Board approve the proposed waiver in terms of the following resolution:

RESOLVED: that the Fund shall approve the waiver of the policy on taxes as contained in section 11.01 of the General Conditions for Agricultural Development Financing for project loan agreement number 736-AO with effect from the respective effective date thereof, upon the terms and conditions presented herein.

Kanayo F. Nwanze
President