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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-seventh Session

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REPORT AND RECOMMENDATION OF THE PRESIDENT

ON

PROPOSED ADDITIONAL LOANS FOR THE POST-TSUNAMI PROGRAMMES

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**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON PROPOSED ADDITIONAL LOANS FOR THE
POST-TSUNAMI PROGRAMMES**

I submit the following report and recommendation on proposed additional loans for the four post-tsunami programmes in an aggregate amount of SDR 24.45 million (equivalent to approximately USD 35.1 million) on highly concessional terms to cover financing gaps in the programmes.

PART I – BACKGROUND AND RATIONALE

1. At its eighty-fourth session in April 2005, the Executive Board approved the following loans to countries affected by the tsunami that swept across the Indian Ocean on 26 December 2004:
 - (a) Republic of India: Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu, for SDR 9.95 million (equivalent to approximately USD 15 million), document EB 2005/84/R.16/Rev.1;
 - (b) Republic of Maldives: Post-Tsunami Agricultural and Fisheries Rehabilitation Programme, for SDR 1.40 million (equivalent to approximately USD 2.05 million), document EB 2005/84/R.19/Rev.1;
 - (c) Democratic Socialist Republic of Sri Lanka: Post-Tsunami Coastal Rehabilitation and Resource Management Programme, for SDR 9.4 million (equivalent to approximately USD 14.2 million), document EB 2005/84/R.20/Rev.1; and
 - (d) Democratic Socialist Republic of Sri Lanka: Post-Tsunami Livelihoods Support and Partnership Programme, for SDR 1.56 million (equivalent to approximately USD 2.35 million), document EB 2005/84/R.21/Rev.1.
2. At the time of approval, the Board noted that further amounts would be mobilized or covered under the programme of work and budget of IFAD for 2006.
3. Subsequent to the Board's approval of the loans, contacts with various potential cofinancing partners were established. The majority indicated that they either were fully committed or preferred to focus on emergency projects with short implementation periods, or on specific aspects such as education, health, housing, infrastructure, water management and early warning systems. In addition, most donor countries preferred to operate on a bilateral basis or through the trust funds established by the Asian Development Bank and the World Bank. Among those contacted, France and the Organization of the Petroleum Exporting Countries Fund for International Development indicated their willingness to cofinance the IFAD programmes, provided that the beneficiary countries approached them directly and accepted their concessional terms and conditions, which were, however, less favourable than the ones offered by IFAD. In the end, no cofinancing could be mobilized.
4. Substantive progress has been made in bringing all the post-tsunami programmes to effectiveness, and the scope of the programmes and total resource requirements have been validated and confirmed by the respective governments and stakeholders.
5. Revised loan and financing summaries can be found in Annexes I to IV. Other details are as set forth in documents EB 2005/84/R.16/Rev.2, EB 2005/84/R.19/Rev.2, EB 2005/84/R.20/Rev.2 and EB 2005/84/R.21/Rev.2.

PART II – LEGAL INSTRUMENTS AND AUTHORITY

6. Loan agreements between IFAD and respectively the Republic of India, the Republic of Maldives and the Democratic Socialist Republic of Sri Lanka will constitute the legal instruments for extending the proposed loans to the borrowers.
7. The Republic of India, the Republic of Maldives and the Democratic Socialist Republic of Sri Lanka are empowered under their respective laws to borrow from IFAD.
8. I am satisfied that the proposed loans will comply with the Agreement Establishing IFAD.

PART III – RECOMMENDATIONS

9. I recommend that the Executive Board approve the proposed loans in terms of the following resolutions:

RESOLVED: that the Fund, in order to finance, in part, the Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu, shall make a loan to the Republic of India in various currencies in an amount equivalent to ten million four hundred thousand special drawing rights (SDR 10 400 000) to mature on or prior to 15 April 2046 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Post-Tsunami Agricultural and Fisheries Rehabilitation Programme, shall make a loan to the Republic of Maldives in various currencies in an amount equivalent to one million four hundred and fifty thousand special drawing rights (SDR 1 450 000) to mature on or prior to 15 April 2046 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Post-Tsunami Coastal Rehabilitation and Resource Management Programme, shall make a loan to the Democratic Socialist Republic of Sri Lanka in various currencies in an amount equivalent to ten million nine hundred and fifty thousand special drawing rights (SDR 10 950 000) to mature on or prior to 15 April 2046 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Post-Tsunami Livelihoods Support and Partnership Programme, shall make a loan to the Democratic Socialist Republic of Sri Lanka in various currencies in an amount equivalent to one million six hundred and fifty thousand special drawing rights (SDR 1 650 000) to mature on or prior to 15 April 2046 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

REPUBLIC OF INDIA

**POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR
THE COASTAL COMMUNITIES OF TAMIL NADU**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of India
EXECUTING AGENCY:	Tamil Nadu Welfare Society for Self-Help Groups
TOTAL PROGRAMME COST:	USD 68.59 million
AMOUNT OF IFAD LOAN APPROVED IN APRIL 2005:	SDR 9.95 million (equivalent to approximately USD 15 million)
AMOUNT OF IFAD LOAN SUBMITTED FOR APPROVAL IN APRIL 2006:	SDR 10.40 million (equivalent to approximately USD 15 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	Scheduled commercial banks, insurance companies
AMOUNT OF COFINANCING:	USD 24.92 million
TERMS OF COFINANCING:	To be determined
CONTRIBUTION OF STATE GOVERNMENT:	USD 3.41 million
CONTRIBUTION OF BENEFICIARIES:	USD 10.35 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD '000)

Component	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Coastal areas resource management	9 223	90	9 313	1	14
Rural finance and risk-transfer instruments	35 754	122	35 876	-	56
Employment generation and skills training	14 749	494	15 243	3	24
Community-based sea-safety and disaster management	402	11	414	3	1
Programme management	3 357	72	3 429	2	5
Total base costs	63 486	790	64 276	1	100
Physical contingencies	2 138	77	2 215	3	3
Price contingencies	2 033	67	2 100	3	3
Total programme costs	67 657	934	68 591	1	107

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Component	IFAD		Banks/Insurance Companies		State Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Coastal areas resource management	7 664	78.1	-	-	664	6.8	1 486	15.1	9 814	14.3	104	9 570	140
Rural finance and risk-transfer instruments	2 312	6.4	24 924	69.0	-	-	8 860	24.5	36 096	52.6	144	35 952	-
Employment generation and skills training	16 287	90.2	-	-	1 778	9.8	-	-	18 065	26.3	588	16 772	704
Community-based sea-safety and disaster management	485	98.7	-	-	7	1.3	-	-	491	0.7	13	472	7
Programme management	3 168	76.8	-	-	957	23.2	-	-	4 125	6.0	84	3 876	164
Total disbursement	29 916	43.6	24 924	36.3	3 405	5.0	10 346	15.1	68 591	100.0	934	66 642	1 015

^a Discrepancies in totals are due to rounding.

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES EXPECTED TO BE
INCLUDED IN THE NEGOTIATED SECOND LOAN AGREEMENT**

1. **Suspension.** In addition to the events specified in the General Conditions, IFAD:
 - (a) may suspend, in whole or in part, the right of the Government of the Republic of India (the Government) to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the right of the Government to withdraw the proceeds of Loan No. 662-IN and/or the loan has been suspended, cancelled or terminated, in whole or in part;
 - (ii) Loan No. 662-IN has become due and payable prior to the agreed maturity thereof;
 - (iii) any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
 - (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report for the loan has not been satisfactorily completed within 12 months after the financial reporting period set forth in loan agreement No. 662-IN.
2. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:
 - (a) loan agreement No. 662-IN has been declared effective;
 - (b) the Government has withdrawn from Loan No. 662-IN no less than the amount equivalent to 85% of the principal amount of Loan No. 662-IN;
 - (c) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (d) a favourable legal opinion, issued by the Solicitor General of the Government and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

REPUBLIC OF MALDIVES

**POST-TSUNAMI AGRICULTURAL AND FISHERIES
REHABILITATION PROGRAMME**

FINANCING SUMMARY

INITIATING INSTITUTION:	IFAD
RECIPIENT:	Republic of Maldives
EXECUTING AGENCY:	Ministry of Fisheries, Agriculture and Marine Resources (MFAMR)
TOTAL PROGRAMME COST:	USD 4.99 million
AMOUNT OF IFAD FINANCING APPROVED IN APRIL 2005:	Loan: SDR 1.40 million (equivalent to approximately USD 2.05 million) Grant: SDR 140 000 (equivalent to approximately USD 200 000)
AMOUNT OF IFAD LOAN SUBMITTED FOR APPROVAL IN APRIL 2006:	SDR 1.45 million (equivalent to approximately USD 2.05 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	Government of Italy (supplementary funds)
AMOUNT OF COFINANCING:	USD 500 000
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF RECIPIENT:	USD 193 100
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

TABLE 2: FINANCING PLAN^a
(USD '000)

Component	IFAD Loan		IFAD Grant		Italian Grant		Government		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Recovery and sustainable development of the fisheries sector	3 024.8	96.6			-		106.5	3.4	3 131.3	65.4	1 791.9	1 339.4	-
Recovery and sustainable development of the agricultural sector	1 024.6	92.2			-		86.7	7.8	1 111.3	23.2	400.5	710.7	-
Policy support, capacity-building and technical assistance to MFAMR	-	-			413.2	100.0	-		413.2	8.6	233.1	180.1	-
Programme coordination, management and implementation	45.6	34.4			87.1	65.6	-		132.6	2.8	70.5	62.1	-
Total disbursement	4 095.0	85.5			500.2	10.4	193.1	4.0	4 788.3	100	2 496.0	2 292.3	-
IFAD field presence and MFAMR capacity-building	-	-	200.0	-	-	-	-	-	200.0			200.0	
Total programme costs	4 095.0	82.1	200.0	4.0	500.2	10.0	193.1	3.9	4 988.3	100	2 496.0	2 492.3	

^a Discrepancies in totals are due to rounding.

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES TO BE
INCLUDED IN THE NEGOTIATED SECOND LOAN AGREEMENT**

1. **Suspension.** In addition to the events specified in the General Conditions, IFAD:
 - (a) may suspend, in whole or in part, the right of the Government of the Republic of Maldives (the Government) to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the right of the Government to withdraw the proceeds of Loan No. 663-MV, Grant No. 783-MV and/or the loan has been suspended, cancelled or terminated, in whole or in part;
 - (ii) Loan No. 663-MV has become due and payable prior to the agreed maturity thereof;
 - (iii) any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
 - (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report for the loan has not been satisfactorily completed within 12 months after the financial reporting period set forth in the programme financing agreement (Loan No. 663-MV and Grant No. 783-MV).
2. **Condition precedent to withdrawal.** No withdrawals may be made in respect of expenditures from the loan until the Government has withdrawn from Loan No. 663-MV an amount equivalent to 85% of the principal amount of Loan No. 663-MV.
3. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:
 - (a) the programme financing agreement (Loan No. 663-MV and Grant No. 783-MV) has been declared effective;
 - (b) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (c) a favourable legal opinion, issued by the Attorney General or other legal counsel of the Government acceptable to IFAD and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

**POST-TSUNAMI COASTAL REHABILITATION AND RESOURCE MANAGEMENT
PROGRAMME**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Democratic Socialist Republic of Sri Lanka
EXECUTING AGENCY:	Ministry of Fisheries and Aquatic Resources
TOTAL PROGRAMME COST:	USD 33.5 million
AMOUNT OF IFAD LOAN APPROVED IN APRIL 2005:	SDR 9.4 million (equivalent to approximately USD 14.2 million)
AMOUNT OF IFAD LOAN SUBMITTED FOR APPROVAL IN APRIL 2006:	SDR 10.95 million (equivalent to approximately USD 15.7 million ¹)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
CONTRIBUTION OF BORROWER:	USD 3.4 million
CONTRIBUTION OF BENEFICIARIES:	USD 211 600
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

¹ The supplementary fund grant earmarked for cofinancing the programme up to the amount of USD 1.5 million did not materialize, and the Government of Sri Lanka subsequently requested that the shortfall be included in the additional IFAD loan. Consequently, instead of the additional USD 14.2 million anticipated in the original Report and Recommendation of the President (EB 2005/84/R.20/Rev.1), a new IFAD loan equivalent to USD 15.7 million is being requested, to be mobilized from IFAD's programme of work and budget for 2006.

TABLE 1: FINANCING PLAN^a
(USD '000)

Component	Government		IFAD Loan		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
Community-based coastal resource management	162.0	7.6	1 849.4	87.1	111.8	5.3	2 123.3	6.3	391.5	1 569.7	162.0
Support to artisanal fisheries development											
– Post-tsunami recovery	658.8	15.1	3 708.1	84.9	-	-	4 367.0	13.0	1 517.4	2 190.7	658.8
– Fisheries development	1 519.9	14.7	8 713.1	84.3	99.8	1.0	10 332.8	30.9	1 085.2	7 727.7	1 519.9
– Post-harvest handling and marketing of fisheries products	24.3	1.3	1 908.8	98.7	-	-	1 933.2	5.8	173.6	1 735.3	24.3
Subtotal	2 203.0	13.2	14 330.1	86.2	99.8	0.6	16 632.9	49.7	2 776.2	11 653.7	2 203.0
Microenterprise and financial service development											
– Post-tsunami recovery	69.4	4.1	1 637.8	96.0	-	-	1 707.2	5.1	414.8	1 223.1	69.4
– Microenterprise and financial service development	65.5	1.3	4 907.9	98.7	-	-	4 973.4	14.9	705.2	4 202.7	65.5
Subtotal	134.9	2.0	6 545.7	97.9	-	-	6 680.5	20.0	1 119.9	5 425.7	134.9
Social and economic infrastructure development	498.6	13.0	3 336.0	87.0	-	-	3 835.2	11.5	360.9	2 975.7	498.6
Policy support and programme management	397.4	9.4	3 815.4	90.6	-	-	4 212.7	12.6	693.4	3 121.9	397.4
Total programme costs	3 395.8	10.1	29 877.1	89.2	211.6	0.6	33 484.6	100.0	5 341.9	24 746.8	3 395.8

^a Discrepancies in totals are due to rounding.

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES TO BE
INCLUDED IN THE NEGOTIATED SECOND LOAN AGREEMENT**

1. **Suspension.** In addition to the events specified in the General Conditions, IFAD:
 - (a) may suspend, in whole or in part, the right of the Government of the Democratic Socialist Republic of Sri Lanka (the Government) to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the right of the Government to withdraw the proceeds of Loan No. 664-LK and/or the loan has been suspended, cancelled or terminated, in whole or in part;
 - (ii) Loan No. 664-LK has become due and payable prior to the agreed maturity thereof;
 - (iii) any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
 - (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report for the loan has not been satisfactorily completed within 12 months after the financial reporting period set forth in loan agreement No. 664-LK.
2. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:
 - (a) loan agreement No. 664-LK has been declared effective and the conditions precedent to withdrawal for the individual programme districts have been fulfilled by a programme district;
 - (b) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (c) a favourable legal opinion, issued by the Attorney General or other legal counsel of the Government acceptable to IFAD and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

POST-TSUNAMI LIVELIHOODS SUPPORT AND PARTNERSHIP PROGRAMME

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Democratic Socialist Republic of Sri Lanka
EXECUTING AGENCIES:	Ministry of Agriculture, Livestock, Land and Irrigation; Ministry of Fisheries and Aquatic Resources
TOTAL PROGRAMME COST:	USD 4.70 million
AMOUNT OF IFAD LOAN APPROVED IN APRIL 2005:	SDR 1.56 million (equivalent to approximately USD 2.35 million)
AMOUNT OF IFAD LOAN SUBMITTED FOR APPROVAL IN APRIL 2006:	SDR 1.65 million (equivalent to approximately USD 2.35 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
CONTRIBUTION OF BORROWER:	Taxes and duties
CONTRIBUTION OF BENEFICIARIES:	Labour in kind
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTIONS:	International Development Association/ United Nations Office for Project Services

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES TO BE
INCLUDED IN THE NEGOTIATED SECOND LOAN AGREEMENT**

1. **Suspension.** In addition to the events specified in the General Conditions, IFAD:
 - (a) may suspend, in whole or in part, the right of the Government of the Democratic Socialist Republic of Sri Lanka (the Government) to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the right of the Government to withdraw the proceeds of Loan No. 665-LK and/or the loan has been suspended, cancelled or terminated, in whole or in part;
 - (ii) Loan No. 665-LK has become due and payable prior to the agreed maturity thereof;
 - (iii) any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
 - (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report for the loan has not been satisfactorily completed within 12 months after the financial reporting period set forth in loan agreement No. 665-LK.
2. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:
 - (a) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (b) a favourable legal opinion, issued by the Attorney General or other legal counsel of the Government acceptable to IFAD and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.