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Enabling poor rural people
to overcome poverty

President's memorandum

Request for a waiver of the policy on taxes for:

**(1) Agricultural Services Support
Programme (loan no. 642-TZ) in the
United Republic of Tanzania;**

**(2) Agricultural Sector Development
Programme - Livestock: Support for
Pastoral and Agro-Pastoral
Development (loan no. 672-TZ) in the
United Republic of Tanzania; and**

**(3) Agricultural Support Programme
(loan no. 690-MZ) in Mozambique**

Executive Board — Ninety-third Session
Rome, 24-25 April 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Recommendation for approval

The Executive Board is invited to approve the waiver of the policy on taxes for:

(1) Agricultural Services Support Programme (loan no. 642-TZ) in the United Republic of Tanzania;

(2) Agricultural Sector Development Programme - Livestock: Support for Pastoral and Agro-Pastoral Development (loan no. 672-TZ) in the United Republic of Tanzania; and

(3) Agricultural Support Programme (loan no. 690-MZ) in Mozambique

as contained in paragraph 5.

President's memorandum

Request for a waiver of the policy on taxes for: **(1) Agricultural Services Support Programme (loan no. 642-TZ) in the United Republic of Tanzania;** **(2) Agricultural Sector Development Programme - Livestock: Support for Pastoral and Agro-Pastoral Development (loan no. 672-TZ) in the United Republic of Tanzania; and (3) Agricultural Support Programme (loan no. 690-MZ) in Mozambique**

A. Introduction and background

1. The Executive Board, at its eighty-third session held in December 2004, its eighty-fifth session held in September 2005 and its eighty-seventh session held in April 2006, approved loans 642-TZ, 672-TZ and 690-MZ respectively. These IFAD loans are provided in support of a sector-wide approach (SWAp) with basket funding arrangements.
2. In the case of the above programmes, for both the United Republic of Tanzania and Mozambique, the World Bank specifically permits the financing of taxes and duties which it deems to be reasonable overall.

B. Justification for the amendment request

3. In view of the nature of the SWAp and basket fund arrangements, whereby development partners agree to follow the same systems, procedures and reporting parameters, it would be extremely difficult for IFAD to demand compliance with its own financial management procedures, reports and systems. Moreover, this would run counter to the principle of harmonization embodied in the Paris Declaration on Aid Effectiveness. An exception is therefore being requested to IFAD's General Conditions for Agricultural Development Financing and standard policies and procedures, to permit the loan proceeds to be used to finance taxes and duties **to the same extent as applied by the World Bank** for the above programmes. This waiver is fully consistent with the principles outlined in IFAD's Policy on SWAps, which foresees the need to align financial arrangements in specific cases where minimum fiduciary standards are judged to have been met and the World Bank has endorsed such arrangements. Such is the case with these programmes.
4. Following the approval of the Executive Board, reference to this waiver will be reflected in appropriately worded loan amendment letters to be executed by the Fund and the borrowers.

C. Recommendation

5. 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 Sections 4.10 (a)(i) and 11.01 of the General Conditions for Agricultural Development Financing for Programme Loan Agreements Nos. 642-TZ, 672-TZ and 690-MZ with effect from the respective effective dates thereof, upon the terms and conditions presented herein.

Lennart Båge
 President