



Disbursement Instructions for Projects Financed by the Nordic Development Fund



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Glossary

Term	Explanation
Closing date	The date after which the right of the recipient to make drawdowns under the financing agreement may be terminated by NDF and any undisbursed balances of a grant/credit may be cancelled.
Disbursement commencement letter	A letter sent out to the recipient confirming that NDF is ready to disburse subject to disbursement request.
Disbursement deadline date	The final date on which NDF will make disbursements under a financing agreement. Expenditure must have been incurred before the closing date. The date is usually not less than one month and not more than four months after the closing date.
Disbursement letter	Letter from NDF following the signing of the financing agreement to recipient detailing conditions precedent and specifying/confirming the disbursement arrangements for the Project.
Disbursement request	Request signed by person(s) authorised by the recipient and addressed to NDF to make a payment under direct payment, special advance or reimbursement method. The request comprises of a duly filled Disbursement Request form and of supporting documents.
Eligible expenditures	<p>Expenditures which, except as otherwise provided in the financing agreement, satisfy the following requirements:</p> <ul style="list-style-type: none"> • The payment is for the reasonable cost of goods, works or services required for the project, to be financed out of the proceeds of the grant or credit and procured, all in accordance with the provisions of the financing agreement • The payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations • The payment: <ul style="list-style-type: none"> (i) is made on or after the date specified in the financing agreement for that purpose; and (ii) except as NDF may otherwise agree, is for expenditures incurred prior to the closing date.
Financing agreement	NDF Grant Agreement or NDF Credit Agreement.
Implementing Agency (IA)	Entity responsible for implementation of the Project defined as such in the financing agreement. IA is often also the contracting party (Client, Purchaser, Employer) in the supply, works and service contracts under the Project.
Payment request	Request prepared and signed by a financial institution and addressed to NDF to make a payment under Special Commitment issued by NDF to the financial institution.
Recipient	Recipients of NDF grants and/or Borrowers of NDF credits and the Implementing/Executing Agencies of projects financed from NDF grant or credit.
Replenishment deadline date (Special Advance)	The final date on which NDF should receive a disbursement request for replenishment of a Special Account. Except as otherwise defined in the financing agreement or agreed between NDF and the recipient, the replenishment deadline date shall be no later than 6 months before the closing date.

1 Foreword

These Disbursement Instructions set out the disbursement policies and principles, guidelines, procedures and practices for projects financed and administered by the Nordic Development Fund (NDF). The instructions will serve as a reference guide for NDF's recipients, project staff, co-financing partners, NDF staff and contracting parties in designing and operating disbursement and financial management procedures that will support efficient project implementation.

Specifically these instructions describe the different methods and procedures used by NDF to disburse grants and credits, the requirements for supporting documentation, the criteria for establishing NDF Special Accounts and the various forms to be used for meeting conditions of disbursement and in connection with the different disbursement methods.

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2 Introduction

The principles and procedures described in these instructions apply for projects that are entirely financed by NDF or under parallel co-financing by NDF. In joint co-financing, the disbursements shall follow the guidelines and procedures of the lead financing partner that administers the joint funds, whether it be NDF or another financing institution.

Funding proceeds can only be used to finance expenditures necessary to meet the development objectives of the operations supported by the grant or credit, and disbursements are made only for or against such eligible project expenditures.

Except as otherwise defined in the financing agreement, expenditures incurred before the signing of the financing agreement cannot be financed from the proceeds of the grant or credit. Neither can the proceeds be used for costs incurred after the closing date of the grant or credit.

3 Conditions Precedent

3.1 Financing Agreement Definitions

NDF funds can be disbursed only after the financing agreement has become effective and the conditions precedent defined in the financing agreement have been fulfilled. The conditions will be considered fulfilled when NDF has received and accepted documentation applicable to the following:

- (i) a legal opinion showing that the financing agreement has been duly authorised or ratified by, and executed and delivered on behalf of the recipient and is legally binding upon the recipient in accordance with its terms; (see section 3.2)
- (ii) if requested by NDF, further evidence satisfactory to NDF that the execution and delivery of the financing agreement on behalf of the recipient has been duly authorised by all necessary authorities;
- (iii) evidence satisfactory to NDF of the authority of the person or persons authorised to sign disbursement requests and the authenticated specimen signature of any such person; (see section 3.3)
- (iv) evidence satisfactory to NDF that all other financing required for the Project, including financing from the recipient and the lead agency, has been obtained, and that conditions precedent to the effectiveness of such financing have been met; (see section 3.4)
- (v) if relevant, certified copies of implementation agreements, acceptable to NDF, whereby the Recipient makes the NDF financing available to the Implementing Agency(ies); (see section 3.5)
- (vi) if relevant, all documentation required for the establishment of NDF Special Account(s) on terms and conditions satisfactory to NDF; (see section 4.3.2.1)
- (vii) any other documentation NDF reasonably requests relating to the execution of the agreement or the implementation of the project.

In exceptional cases, the financing agreement may also include other conditions for disbursement. After signing of the financing agreement, NDF will send the recipient a Disbursement Letter (see Appendix A) which specifies the disbursement arrangements to be used and the provisions of these Disbursement Instructions that apply for the Project. Upon all conditions precedent being fulfilled, NDF will send the recipient a Disbursement Commencement Letter (see Appendix B) that confirms that the grant/credit can now be drawn down.

If a project is agreed to use Special Advance method (see section 4.3) and to have Special Account(s) but such account(s) is(are) not needed from the beginning of a project, NDF may issue first a Disbursement Letter conforming other conditions and disbursement methods, and later another Disbursement Letter confirming the Special Advance and establishment of a Special Account(s).

NDF may issue, usually after consulting with the recipient, subsequent disbursement letters to modify the disbursement arrangements for an operation, as required, during project implementation.

3.2 Legal Opinion

As soon as possible after the financing agreement has been signed a legal opinion shall be prepared by the Ministry of Justice, the Attorney General or the Chief Legal Adviser of the Ministry of Finance or at the responsible ministry in the recipient's country and sent to NDF for acceptance. The legal opinion shall substantially be in the form set forth in Appendix C to these disbursement instructions. However, another format may be acceptable to NDF. In case a different format is used it is advisable that this format is discussed with NDF beforehand to avoid delays in disbursement of funds.

3.3 Authorisation

The recipient shall authorise a sufficient number of people to sign, on behalf of the recipient, disbursement requests for drawing down the grant/credit and application for Special Commitment. The authorisation letter shall include the full names and titles of authorised persons and their corresponding specimen signatures and shall be received by NDF in original form, not as a copy. A sample format of an authorisation letter is attached as Appendix D.

3.4 Other Financing

Evidence on other financing shall normally be a declaration by the recipient that all other financing contemplated for the project has been secured, supported with copies of letters and statements from other financiers confirming that their agreements with the recipient have been signed and become effective. NDF will review the documentation received in order to determine whether the overall funding requirements of the project have been met.

3.5 Implementation Agreements

Depending on the status of the Implementing Agency and its relation to the Recipient of the NDF Grant or Borrower of the NDF Credit (usually the ministry responsible for financing), separate implementation agreement(s) between such Recipient/Borrower and Implementing Agency may be required to define the implementation procedures and conditions on which the grant or credit is made available to the Implementing Agency (for example on-lending agreement). While such agreements are usually not needed between the ministry responsible for financing and other ministries or government departments and agencies, implementation agreements are usually needed when the Implementing Agency is a company (state-owned, parastatal, public or private).

4 Disbursement Methods

NDF disburses grants and credits using one or more of the four disbursement methods set forth below:

- **Direct Payment,**
- **Special Commitment,**
- **Special Advance, and**
- **Reimbursement.**

To the extent possible, the method(s) applicable for a specific grant/credit are defined in the financing agreement and confirmed/re-defined in the Disbursement letter.

Direct payment is the method preferred by NDF. In cases where there are many small payments NDF prefers reimbursement instead of using the Special Advance method. Special Commitment is used only when needed to enable major supplies of goods from outside the recipient's country.

Except the Special Commitment method, the other disbursement methods use the same Disbursement Request (DR) form (Appendix E). In the form, it is possible to indicate which method is used. NDF must receive the signed original of the form.

To ensure smooth and timely processing, the request form must contain complete information and the authenticated signature of a person or persons authorised to sign disbursement requests. It is also essential to ensure that all relevant supporting documentation is attached. The normal period of time required by NDF for processing a disbursement does not exceed 30 calendar days from receipt of a correctly completed form and supporting documentation. In case of Direct Payment, a separate DR is required for each contract and for each different currency of a contract.

Table 1: Summary of NDF disbursement methods

Disbursement Method	Type of Expenditure	Description	Supporting Documentation
Direct Payment	Payments to consultants, suppliers, contractors and service providers	Upon request NDF disburses a payment directly to a third party.	Copies of invoices, receipts, shipping documents, advance payment bank guarantee, payment certificate, etc.
Special Commitment	Goods to be imported paid through documentary credit	At the request of the recipient, NDF provides an irrevocable 'Special Commitment' to a bank that opens or confirms a letter of credit, to pay to the negotiating bank the amounts requested by it in accordance with the letter of credit.	No supporting documents needed for the payment.
Special Advance	Small works and goods payments, training expenses, operating expenses, other small and numerous expenditures (mostly in recipient's currency)	NDF advances agreed amounts of the grant/ credit to a NDF Special Account (SA). The account can then be used by the recipient exclusively for eligible project expenditures as they occur.	Bank statements, statement of expenditures, copies of contracts, purchase orders, invoices, delivery receipts, payment receipts etc., un-audited & audited financial reports. Evidence of applicable exchange rate. (These are needed to support SA replenishment requests and final reconciliation.)
Reimbursement	Same as for Special Advance	Recipient requests for reimbursement of eligible expenditures which have been incurred and paid for by the recipient's own resources.	Same as for Special Advance

4.1 Direct Payment

4.1.1 Method

Direct Payment is NDF's preferred method of disbursing. NDF makes a payment directly to a third party for eligible expenditures at the recipient's request. The third party can be a consultant, supplier, contractor or service provider.

4.1.2 Procedure

Direct payments shall be made by NDF against Disbursement Requests (Appendix E) signed and submitted (original) by the recipient (or, if authorised, by the Implementing Agency) with supporting documentation. Before making a Direct Payment, NDF must be in receipt of a copy of the signed contract resulting, when applicable, from NDF's review of and no objection to the procurement documents, evaluation report(s), and the draft contract.

4.1.3 Supporting Documentation

For direct payment, the DR shall be supported with copies of original documents¹ approved by the Implementing Agency as per the requirements of the contract (for example copies of the third party invoice, shipping documents, advance payment bank guarantee, payment certificate, delivery note, acceptance certificate, etc.). NDF reserves the right to request additional documents as and when required.

4.2 Special Commitment

4.2.1 Method

To facilitate payments to foreign suppliers of goods to be imported, NDF may at its discretion, upon a request by the recipient, permit a portion of, or the entire grant or credit to be made available through a Special Commitment (SC). Under a Special Commitment, NDF may pay amounts to a third party for eligible expenditures on terms and conditions defined in the SC.

To finance the purchase of goods to be imported under a project, the terms of the contract with the Supplier may require the Purchaser to open a letter of credit (documentary credit). If a commercial bank (usually the negotiating bank) is unwilling to issue, advise, or confirm the letter of credit without some reimbursement guarantee or security, NDF may, at the request of the recipient, provide the negotiating bank with a guarantee in the form of a Special Commitment. Special Commitments can be used for major contracts for goods to be imported for which NDF's "no objection" is required prior to signature of the contract.

Under its Special Commitment, NDF undertakes to reserve funds for later disbursement to a negotiating bank, normally in the Supplier's country, for payments made or to be made by the negotiating bank under a letter of credit. Special Commitments are irrevocable, even though the NDF funding may later be suspended or cancelled. NDF commits to make payment within 30 days of receipt of the negotiating bank's Payment Request.

¹ If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates).

4.2.2 Procedure

Table 2. Special Commitment steps

	Steps	Description/next steps/action
1.	Payment through Letter of Credit (L/C) is requested by the Supplier and agreed in the supply contract	The recipient/Implementing Agency turns for the L/C to its (L/C opening) bank who again (or the recipient/IA directly) turns to a correspondent (negotiating) bank (usually in the Supplier's country) which is expected to be willing to issue, advise or confirm the L/C
2.	The negotiating bank indicates that it is unwilling to issue, advise or confirm the L/C without a reimbursement guarantee or security	The recipient submits to NDF an application for special commitment (Appendix F) signed by authorised representative(s). The application must be supported by a draft L/C prepared by the banks.
3.	NDF considers the application. If acceptable, NDF issues the Special Commitment.	NDF sends the special commitment to the negotiating bank together with a copy of the proposed letter of credit. Standard Form for Special Commitment is in Appendix G.
4.	NDF confirms that the Special Commitment has been entered into.	NDF sends a copy of the Special Commitment to the recipient/ IA.
5.	Negotiating bank confirms authorised signatures	Promptly after the negotiating bank receives NDF's Special Commitment, the negotiating bank shall send to NDF a letter (with specimen signatures) defining the persons authorised to sign the Payment Requests on behalf of the bank.
6.*	Supplier submits documents to the negotiating bank	In accordance with the progress of the delivery, the Supplier submits to the negotiating bank the documents required for payments in accordance with the L/C (usually shipping documents).
7.*	Negotiating bank requests NDF for payment and pays to the Supplier	Promptly after each payment or negotiation of documents by the negotiating bank under the letter of credit (after checking that the 'shipping documents' are in order), the negotiating bank sends NDF a Special Commitment Payment Request (see Appendix H) and pays to the Supplier before or after receiving the payment from NDF.
8.*	NDF makes payment to the negotiating bank	NDF makes the payment without delay and latest within 30 days of receipt of the negotiating bank's Payment Request.
9.*	NDF sends confirmation of payment	After NDF has made a payment to the commercial bank it sends a confirmation to the recipient/IA.

*As the letter of credit usually allows partial shipments/deliveries, steps 6, 7, 8, and 9 are repeated until all the goods have been delivered.

4.2.3 Supporting Documentation

For Payment Requests under Special Commitments, no supporting documentation needs to be sent to NDF by the bank. On the request form, the negotiating bank provides its confirmation directly to NDF that conditions for release of payments have been met. Neither are any supporting documents required from the recipient.

4.2.4 Limitations

Special commitments are generally not issued in the recipient's local currency or in relation to contracts with firms from the recipient's country, because they are meant to facilitate the procurement of foreign goods.

Special Commitment by NDF does not cover interest, commission, and other charges or expenses in connection with the letter of credit. NDF can make payments three months after the L/C's closing date. The L/C's closing date can be extended after NDF's no objection. It is up to the recipient/IA and the bank to make the arrangements regarding an extension.

Each Special Commitment has a limitation clause specifying the aggregate limit that NDF is obligated to pay when conditions for payment have been met.

4.3 Special Advance

4.3.1 Method

4.3.1.1 General

Under the Special Advance method NDF may advance agreed amounts of the grant or credit to NDF Special Account(s) opened by the recipient or IA in accordance with 4.3.2.1 below. The account(s) can then be used by the Implementing Agency exclusively for eligible project expenditures as they are incurred. The use of such account(s) is intended to assist the recipient with project cash flow flexibility; providing more control over payments (particularly smaller payments) and reduces the number of disbursement requests submitted to NDF. Supporting documents for expenditures paid from a Special Account are provided by the recipient at every stage when replenishment of Special Account is requested and after the closing of the Special Account (see 4.3.3).

The use of the Special Advance method will be acceptable to NDF only if the Implementing Agency is deemed to have:

- effective administrative, financial and accounting procedures and systems in place;
- satisfactory internal control systems;
- a commitment to 'regularly' supply NDF with supporting documentation (see 4.3.3); and
- a commitment to undertake independent audit of the Special Account upon NDF's request (see 4.3.2.5)

The use of the Special Advance method shall, to the extent possible, be negotiated and agreed upon in the project design phase before signing the financing agreement.

Should the recipient have an existing Special Account open with another co-financier of the Project, NDF may also disburse a Special Advance to this account. The use of 'pooled' project account(s) may be discussed with NDF's Country Program Manager responsible for the Project.

4.3.1.2 Eligible Expenditures Financed by the Special Advance

The NDF Special Account can be used exclusively for NDF's share of financing project expenditures. NDF grants and credits can be used to finance recurrent costs (other than reasonable bank charges) and operational costs of the project only if so defined in the financing agreement. No transactions other than those connected to the NDF grant/credit shall be permitted on the Special Account unless the recipient/IA has obtained NDF's prior approval for such in writing.

Except for transfer of balance of earned interests and transfers between separate NDF Special Accounts under the same grant/credit, the payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the financing agreement. "Eligible expenditures" mean:

- (i) expenditures approved by NDF for payment out of the Special Account
- (ii) reasonable bank charges arising from the operation of the Special Account that cannot be covered by the interest accrued on the Special Account (see 4.3.1.5)

See also definition in glossary.

4.3.1.3 Currency of Special Account

The Special Account will be held in a currency acceptable to NDF. If a number of payments in both foreign and local currencies will be made from the Special Account, if returns in local currency are expected, or if the fluctuations of the local currency cause increased exchange rate risk, then two Special Accounts should be established, one in the currency of the grant/credit (EUR) and another in local currency. If only a limited number of payments in foreign and/or local currencies will be made and if returns in local currency are not expected, then the currency of Special Account is normally the same as the currency of the grant/credit (EUR). Use of other foreign currency than Euro may be considered acceptable in exceptional circumstances. If all or nearly all of the payments from the Special Account shall be in the local currency, this may also be the currency of the Special Account. Any exchange rate risk will be borne by the recipient.

4.3.1.4 Financial Institutions for Special Accounts

Special Accounts must be opened and maintained in a financial institution (usually a commercial bank or a central bank) acceptable to NDF. The financial institution holding the Special Account must be financially sound and capable in terms of:

- executing foreign exchange and local currency transactions
- performing a wide range of banking services including executing transactions promptly
- be part of a satisfactory correspondent banking network
- providing monthly bank statements to the account holder and, if possible, to NDF
- be audited regularly and receive satisfactory audit reports
- charge reasonable fees for its services

Acceptance of a bank as the place of Special Account by the lead co-financier of a project is usually a sign of acceptability of the bank for NDF.

4.3.1.5 Other Special Account Requirements

The Special Account shall be opened by, and be in the name of the recipient or the financial administrator/Implementing Agency of the NDF grant/credit if the recipient has appointed one. For easy identification, the account shall be designated for use only for NDF grant/credit proceeds to the project and the name of the account shall include the NDF grant/credit number and the name or part of the name of the project.

Any interest accrued on the Special Account shall be primarily used to cover bank charges related to the Special Account. The remaining balance of interest may be transferred freely by the recipient before closing of the Special Account.

4.3.2 Procedure

4.3.2.1 Opening a Special Account

The use of the Special Advance method should usually first be agreed upon in the financing agreement and confirmed in the Disbursement Letter. Following NDF's approval that the recipient/IA may use the Special Advance method, NDF will advise the recipient on the documentation (including sample formats) required (as described below) to formally apply for and open NDF Special Account(s).

Table 3. Special Account opening steps

	Stage	Description/next steps/action
1.	Following project design discussions and signing of the financing agreement, NDF approves use of Special Advance method	NDF sends to recipient instructions on Special Account opening procedures and required forms.
2.	Recipient makes preparations	Recipient begins preparations; selects the bank(s) for Special Account(s) and the authorised operators of the account(s), obtains the Central Bank's authorisation (if required) and checks that the Special Account Bank agrees to write the Confirmation Letter to NDF (appendix J)
3.	Recipient submits to NDF the completed Application Letter (appendix I)	Application letter (appendix I) will contain details of the bank where the recipient intends to open the Special Account(s), the currency(ies) of the account(s) and the recipient's commitment to provide the required documents.
4.	NDF permits opening of Special Account	NDF carries out due diligence on the bank(s) and other arrangements and accepts the opening.
5.	Recipient submits Special Account opening documents to NDF	Documents required are : <ul style="list-style-type: none"> • Authorisation to open account(s) • Authorised users • Confirmation of account opening(s), (appendix J) • Central Bank's authorisation (if required).
6.	Recipient/IA submits budgets to NDF	Total and of 6 months for payments to be channelled through Special Account(s), with breakdown to eligible expenditure categories, proposal for first deposit(s) amount(s) to Special Account(s)
7.	NDF accepts budget and first deposit(s)	NDF confirms budget and first deposit amount are acceptable. NDF will advise the recipient when Conditions for disbursement have been met (see section 3.)
8.	Recipient sends request(s) for first deposit	Recipient/IA sends to NDF a Disbursement Request(s) (appendix E) for first deposit(s) to Special Account signed by authorised person(s) (see 3.3)

The opening process starts with the recipient identifying the bank(s) in which they want to open the Special Account(s) and checking with the bank(s) that it(they) would agree to submit to NDF the required 'confirmation letter(s)'. At the same time, the recipient gets central bank approval for the opening of the SA(s), if needed, and selects and authorises the persons for operation of the SA(s).

Once the above is cleared, the application process begins with the Special Account Application Letter' (appendix I). This is the recipient's formal application to NDF requesting permission to open Special Account(s). It states the recipient's intent to proceed with account(s) opening in named bank(s), in named currency(ies) and in the name of financial administrator of the NDF grant/credit, all in accordance with NDF's requirements, following receipt of NDF's approval for the opening.

NDF shall examine the undertaking and carry out necessary due diligence regarding the proposed bank(s). If everything is in order, NDF sends to recipient a letter approving the opening of Special Account(s) as requested or eventually with conditions. Following NDF's approval the recipient shall have the Special Account(s) opened and submit to NDF:

- a) copy of an authorisation letter from the recipient to the bank to open a Special Account(s);
- b) copy of a letter from the recipient to the bank with authorisation and specimen signatures of the persons appointed to operate the Special Account(s) on behalf of the recipient;
- c) an original letter from the bank to NDF confirming that the Special Account(s) has (have) been opened (appendix J); and
- d) copy of Central Bank's authorisation to open a Special Account in foreign currency, if required.

4.3.2.2 First Deposit to the Special Account

After successfully opening the Special Account(s), the recipient/IA submits to NDF a proposal for eligible expenditures, total budget for expenditures to be made from the Special Account (with breakdown to contracts and/or eligible expenditure categories), and the budget for the first six months of the Special Account operation with sufficient details.

If the project has Special Accounts in Euro and local currency, the first deposit is usually made to the Euro account and the recipient/IA is expected to transfer the funds from there to the local currency account as required.

NDF responds with written acceptance of the amount of the first deposit. The amount of the first deposit shall normally cover expected eligible expenditures to be paid out of the Special Account(s) during a period not exceeding 6 months.

The first deposit to the Special Account shall be based on a Disbursement Request (Appendix E), supported by a copy of NDF's acceptance letter. Prior to the first deposit to a Special Account by NDF the following conditions shall be fulfilled:

- (i) the conditions precedent specified in the financing agreement;
- (ii) all documents listed in 4.3.2.1 above shall have been received and accepted by NDF; and
- (iii) the amount of the first deposit shall have been agreed upon by NDF in writing.

4.3.2.3 Replenishment of the Special Account

If the project has Special Accounts in Euro and local currency, replenishments by NDF are usually made to the Euro account. The recipient may request, by submitting a Disbursement Request, a replenishment deposit into the Special Account when 65% of the first or previous deposit has been paid out of the (Euro and local currency) account(s). The Disbursement Request for replenishment shall be supported by the following documentation:

- (i) a copy of the Bank Statements giving details of all transactions made up to such date,
- (ii) (monthly) Statement(s) of Expenditures, substantially in the format set out in Appendix K, verifying the eligibility of payments made from the Special Account, supported by relevant supporting documentation (see 4.3.3)
- (iii) budget for the payments from the Special Account up to maximum 6 months from the date of replenishment request; and
- (iv) if available, unaudited and/or audited financial statements; and
- (v) any other documentation that NDF may reasonably request.

The amount of the replenishment request should not exceed the budget under (iii) above less the balance remaining on the Special Account at the end of the last date covered by the Bank Statements.

The final date on which NDF should receive a disbursement request for replenishment of a Special Account (replenishment deadline date) shall be, except as otherwise defined in the financing agreement or agreed between NDF and the recipient, no later than 6 months before the closing date of a project.

4.3.2.4 Suspending Replenishment & Requests for Refund

NDF may at any time demand the recipient to immediately suspend payments from the Special Account and/or suspend the replenishment of the Special Account if:

- supporting documentation (see 4.3.3) and/or Audited financial statements are not received within six months of the financial year end
- audit reports, management letters or NDF missions indicate significant irregularities in the operation of the Special Account or significant internal control weaknesses
- the Special Account has been inactive for more than six months and no request for replenishment has been received
- the right to draw down the grant/credit has been suspended

In the event payments are made for ineligible expenditures, the recipient shall upon the request of NDF, promptly deposit into the Special Account, or refund to NDF, an amount equal to the ineligible expenditures.

At its discretion, NDF may at any time determine that the balance on the Special Account is surplus to anticipated requirements. In such case, the recipient shall upon the notice of NDF refund an amount specified by NDF.

4.3.2.5 Closure, Final Reconciliation and Audit of the Special Account

When the final payments from the Special Account have been completed and, at the latest, at the completion of the Project, eventual transfers from the Special Account shall be made of the surplus interests and of funds to cover agreed costs of audit. After that the account shall be closed and the recipient shall have the Special Account audited by independent auditors. Not later than 6 months after the closing of the account, the recipient shall forward to NDF a final Reconciliation Statement with the documentation listed 4.3.3 below and if required the Auditor's report (see 5.0).

Evidence of the closure of the Special Account(s) shall be provided to NDF by the recipient.

Any balance of the Special Account, remaining after transfer of the unused interest and funds for the audit, shall be refunded to NDF.

The refunds referred to above shall be credited to the grant/credit for subsequent disbursement or for cancellation in accordance with the relevant provisions of the financing agreement.

After the closing date of the grant/credit no payments (except eventual transfer of interests and funds for audit) shall be made from the Special Account(s).

4.3.3 Supporting Documentation

NDF may require the following supporting documentation² in order to satisfactorily reconcile expenditures made from a Special Account:

- bank statements
- statements of expenditure (appendix K)
- invoices, receipts, contracts, payment certificates, acceptance certificates, delivery notes, etc.
- unaudited financial statement (when available)
- audited financial statement (when available)
- any other documentation that NDF may reasonably request

Copies of the above may be submitted to NDF with every replenishment request, with the Final Reconciliation Statement or every six months, depending which event occurs first. If no replenishment requests are made, then supporting documentation should be submitted every 6 months to 30 June and to year end.

4.4 Reimbursement

4.4.1 Method

In the reimbursement method, NDF disburses to the recipient/Implementing Agency for eligible expenditures which have been incurred and paid for by the recipient from its own resources. Typical expenditures financed through the reimbursement method are similar to those in Special Advance method: small civil works, small purchases and local currency costs. Reimbursement would usually be done in the currency or currencies in which the expenditures have incurred. However, in exceptional cases, reimbursement in the currency of the grant/credit may be considered by NDF provided that a mutually acceptable method for definition of exchange rates can be found.

² If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates).

4.4.2 Procedure

Requests for reimbursement should be submitted as and when a reasonable amount of expenditures are incurred (usually equivalent of EUR 50,000 or more). Regular reimbursement requests may also help to mitigate against the risk of devaluation of an amount to be reimbursed because of exchange rate fluctuations. A reimbursement payment shall be made by NDF against Disbursement Requests (Appendix E) signed and submitted by the recipient with supporting documentation.

4.4.3 Supporting Documentation

A Disbursement Request for a reimbursement payment shall be accompanied by:

- a) a summary report in the form of a statement of expenditures, (appendix K)
- b) evidence of the payments made such as copies of bank statements, invoices, receipts, contracts, payment certificates, acceptance certificates, delivery notes, etc.;
- c) any other documentation that NDF may reasonably request

The supporting documentation³ must demonstrate that the recipient has paid for eligible expenditures for the purpose for which the funding was granted.

³ If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates).

5 Audit

It is the responsibility of the recipient to adhere to NDF's and/or the Lead Agency's reporting and auditing requirements as set out in the financing agreement. If requested by NDF, audits shall be undertaken by an external, independent and qualified auditor in accordance with international standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) or the International Federation of Accountants (IFAC). The cost of the audit shall be included in the project budget and financed from the grant/credit proceeds. If sufficient Grant/Credit proceeds are not available, NDF and the Recipient shall agree on how to finance the audit.

Upon request, audits shall be carried out annually (January - December) and submitted to NDF not later than 30 June each year up to and including Project completion.

The audit report shall contain:

- Audited financial statements
- Auditors report - shall contain the audit findings made during the audit process and express an audit opinion on the financial statements and any recommendations
- Management letter/audit memorandum - shall contain the recipient's response to the auditor's findings in the auditor's report and state the measures that have been taken as a result.

The annual audits shall cover the NDF Special Account(s). In addition, special audit of NDF Special Account(s) shall be carried out after the closure of such accounts, unless NDF has confirmed in writing that no such special audit is required.

In addition to the annual audits and the special audit of the special account, NDF may also request a special audit on any project-related matter.

If the recipient fails to provide acceptable audited financial statements/reports, NDF may suspend all disbursements. If the audited financial statements reveal deficiencies in internal controls, including inadequate evidence that funds have been used for eligible expenditures, NDF may suspend disbursements until it is satisfied that the recipient has taken adequate remedial action.

NDF's Country Program Manager responsible for the Project shall be consulted before undertaking audit preparations to determine the audit requirements and the content of the audit for a specific Project.

6

Financial Administration

6.1 Authorised Signatures

A condition precedent as outlined in the financing agreement is that NDF has satisfactory evidence of the person or persons authorised to sign disbursement requests and applications for Special Commitments. This is provided in the form of a letter (in original form, not a copy) stating the names and providing authenticated specimen signatures of all such persons (appendix D). The letter should also clearly state the number and combination, if any, of signatories required to authorise a disbursement request or application for Special Commitment. To ensure that disbursement requests sent to NDF can be processed without delay, the list of names and new authenticated specimen signatures (when applicable) must be updated and submitted to NDF without delay each time a person is withdrawn from, or added to, the list.

The above applies also for persons authorised to operate NDF Special Account(s) and for persons (usually commercial bank representatives) authorised to sign Payment Requests to NDF based on Special Commitment.

6.2 Contacts

For the sake of efficient communication between the recipient and NDF, the recipient must keep NDF informed of the names and contact details (email, telephone and fax numbers) of the persons within the recipient, Implementing agency and project organisation who should be informed by NDF of:

- each disbursement made by NDF (Confirmation of Disbursement letters)
- consolidated information on disbursements made by NDF for the contracts
- consolidated information on disbursements made by NDF for the Project
- amounts of charges and instalments (for credits) payable (Advice letters)
- any other financial information required by the recipient

NDF shall be notified immediately should there be any change to such contact information.

Following processing of each disbursement, NDF sends information of the planned payment to the payee of the disbursement, and after the payment, a confirmation of disbursement to the recipient (and if required to the Implementing Agency) also detailing funds remaining under the grant/credit.

6.3 Exchange Rates

NDF disburses payments in the following currencies: EUR, USD, SEK, DKK and NOK. When a Disbursement Request is received for a local currency other than these currencies, NDF will determine the applicable amount in USD and make the disbursement in USD* to the local currency account of the recipient as stated on the disbursement request. Please ensure a USD correspondent bank is provided on the disbursement request document when requesting a local currency.

Any exchange rate risk will be borne by the recipient.

Grant proceeds will always be referred to in Euros in all other communication regarding remaining funds.

*Exception: XOF will be disbursed in EUR

6.4 Document Retention

Recipients are required to retain all records (contracts, purchase orders, invoices, bills, receipts and other documents) evidencing eligible expenditures and to enable NDF's representative to examine such records. Such records should be retained for at least one year following receipt by NDF of the final audited financial statements (required under the financing agreement) or two years after the closing date, whichever is later. Recipients are responsible for ensuring that document retention also complies with their government's laws and regulations.

6.5 Closing Date & Final Disbursement

The closing date is established on the basis of the anticipated project completion date, which is normally specified at the project negotiation stage. All eligible expenditures required for the project must be incurred by the closing date. If implementation has been delayed, NDF may extend the closing date, usually after consultation with or at the request of the recipient. NDF reserves the right not to accept requests for extension of closing date that it considers to be unreasonable or due to the recipient's poor management of the closing process.

To facilitate orderly project closing, NDF may accept disbursement requests for a period of not less than one month and not more than four months after the closing date for eligible expenditures incurred on or before the closing date. The deadline for receiving disbursement requests is known as the disbursement deadline date and is established at the beginning of the project. The disbursement deadline date is indicated in the Disbursement Letter (appendix A) or other notification by NDF.

6.6 NDF Standard Settlement Instructions

Beneficiary full name:

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki

	Correspondent Bank Full Name	Correspondent SWIFT Code	Beneficiary Bank Full Name	Beneficiary Bank SWIFT Code	Beneficiary Account Number
EUR	Not applicable	Not applicable	Nordea Bank Finland PLC, Helsinki	NDEAFIHH	FI5412003000028795
USD	Citibank N.A., New York	CITIUS33	Nordea Bank Finland PLC, Helsinki	NDEAFIHH	FI4020016600035770

List of Appendices

Appendix A:	Disbursement Letter (example)
Appendix B:	Disbursement Commencement Letter (example)
Appendix C:	Legal Opinion (sample)
Appendix D:	Authorisation Letter (sample)
Appendix E:	Disbursement Request (form)
Appendix F:	Special Commitment Application (form)
Appendix G:	Standard Form for Special Commitment (example)
Appendix H:	Special Commitment Payment Request (form)
Appendix I:	Special Account Application Letter (sample)
Appendix J:	Special Account Bank Confirmation Letter (sample)
Appendix K:	Statement of Expenditure (form)

All appendixes can be found in their original format for download on the NDF website:
www.ndf.fi

Appendix A - Example Disbursement Letter



DISBURSEMENT LETTER

[Date]

[Addressee name: *the letter should be addressed to the person indicated in the financing agreement as the Recipient's representative*]

[Street Address]

[City] [Country]

Attention: [name and position]

Dear [Sir or Madam],

Re: Grant No. [] [Project name]:

Reference is made to Grant Agreement No. [], dated [], between [] (the "Recipient") and the Nordic Development Fund (the "Fund") for the amount [] ([grant amount written out in words]) (the "Grant") for the [project name] (the "Project") in co-financing with the [partner agency name], (the Partner Agency).

The purpose of this letter (the Disbursement Letter) is to outline the disbursement procedures as well as to set out any additional instructions regarding withdrawal of proceeds of the Grant. Unless otherwise defined in this Disbursement Letter, the capitalised terms used have the same meaning as in the Grant Agreement.

Conditions Precedent

With reference to Article III of the Grant Agreement, we would like to remind you that, prior to making the first disbursement from the Grant, the Fund must receive, in form and substance acceptable to the Fund:

- (i) a legal opinion showing that the Agreement has been duly authorised or ratified by, and executed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms;
- (ii) if requested by the Fund, further evidence satisfactory to it that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorised by all necessary authorities;
- (iii) evidence satisfactory to the Fund of the authority of the person or persons authorised to sign disbursement requests on behalf of the Recipient and the authenticated specimen signature of any such person;
- (iv) evidence satisfactory to the Fund that other financing, including financing from the Recipient as well as the Partner Agency, required for the Project has been obtained, and that conditions precedent to the effectiveness of such financing have been met;
- (v) if relevant, certified copies of implementation agreements, acceptable to the Fund, whereby the Recipient makes the Grant available to the Implementing Agencies; and

Nordic Development Fund

P.O. Box 185, Fabianinkatu 34, FI-00171 Helsinki, Finland
Tel. +358 10 618 002 Fax +358 9 622 1491 E-mail: info@ndf.fi



- (iv) any other documentation the Fund reasonably requests relating to the execution of this Agreement or the implementation of the Project.

Please note that in accordance with Section 7.02 of the Grant Agreement, the Fund has the right to terminate the right of the Recipient to draw down the Grant and cancel the Grant if the Conditions of Disbursement have not been fulfilled 180 days after the date of the Grant Agreement. The Fund will confirm by letter when the conditions precedent are satisfactorily fulfilled.

Disbursement Method(s)

The following disbursement method[s] may be used under the Grant: [*select applicable methods and renumber as applicable*]

- (i) direct payment(s) to the Contractor(s) for the cost of Eligible Expenditures incurred (“Direct Payment”);
- (ii) payment(s) for the cost of Eligible Expenditures through a financial institution under a Special Commitment issued by the Fund (“Special Commitment”);
- (iii) advance payment(s) to one or more Special Accounts opened for the purposes of the Project (“Special Advance”);
- (iv) reimbursement of Eligible Expenditures which have been incurred and paid for with the Recipient’s own resources (“Reimbursement”).

Attached please find the NDF Disbursement Instructions, where additional practical information regarding the disbursement procedures is provided, together with relevant forms and templates.

[Other Information]

[*Add other relevant information if needed*]

We look forward to receiving the requested documentation at your earliest convenience. Should you have any enquiries relating to the above, please do not hesitate to contact the undersigned.

Yours sincerely,

[Name] [Position]

Copy to:

[Implementing agency]

Attn: [co-ordinator]

[Lead agency]

Attn: [Task leader]

Attachments:

NDF Disbursement Instructions (April 2014)

Nordic Development Fund

P.O. Box 185, Fabianinkatu 34, FI-00171 Helsinki, Finland
Tel. +358 10 618 002 Fax +358 9 622 1491 E-mail: info@ndf.fi

Appendix B - Example Disbursement Commencement Letter



[Date]

[Recipient]
[Street Address]
[City] [Country]

Dear Sir/Madam,

Re: Grant No. [] [Project name]: Official Letter on Approval of Disbursement Conditions

We refer to the Grant Agreement between [] (the "Recipient") and Nordic Development Fund (the "Fund") dated [] (the "Grant Agreement"), for the Grant No. [] [Project name].

We are pleased to confirm that the disbursement precedents stated in the Grant Agreement, Article 3.01 have been fulfilled. Subject to a disbursement request in accordance with Section 2.05 (c) of the Grant Agreement, NDF may now start disbursing grant funds.

You should already have received a copy of the document 'Disbursement Instructions for Projects Financed by NDF'; please note it can also be found on the NDF website.

Yours sincerely,

[Name]
Managing Director

[Name]
Country Program Manager

Cc: [Implementation Agency]
[Co-financing partner]
[Other]

Nordic Development Fund

P.O. Box 185, Fabianinkatu 34, FI-00171 Helsinki, Finland
Tel. +358 10 618 002 Fax +358 9 622 1491 E-mail: info@ndf.fi

Appendix C Sample Legal Opinion

[Letterhead of Ministry of Justice/Attorney General]
[Street address]
[City] [Country]

[DATE]

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki
FINLAND
info.ndf@ndf.fi

Dear Sir/Madam:

Re: Legal Opinion Grant No. [] [Project name]

I refer to the Grant Agreement between [] (the "Recipient") and Nordic Development Fund (the "Fund") dated [] (the "Agreement") under which the Fund has agreed to make available to the Recipient an amount of [] EUR (EUR []) (the "Grant"). Capitalised terms used herein which are defined in the Agreement shall have the same meanings set forth in the Agreement, unless otherwise stated herein. This opinion letter is being delivered to you pursuant to section 3.01 of the Agreement.

For the purpose of rendering this opinion, I have made such legal and factual inquiries, such investigations of law, including the [Constitution] and examined records, documents, certificates and other instruments as I deemed relevant or necessary for the purposes hereof.

In arriving at the opinions expressed below, I have examined and relied on the following documents:

- (a) a copy of the Agreement.
- (b) []

Based on the foregoing, it is my opinion, as [Minister of Justice/Attorney General] of [], that:

1. The Agreement has been duly ratified, has been duly executed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms.
2. The Recipient has obtained all authorisations, consents and permits, and has taken or caused to be taken all actions, necessary or advisable to enable the Recipient to receive the Grant and to perform its obligations under the Agreement, and all such authorisations, consents and permits are in full force and effect.
3. To the best of my knowledge, the Recipient is not in default under any agreement or guarantee to which it is a party or by which it may be bound, which default will or could adversely affect its ability to perform its obligations under the Agreement, and no event has occurred or is continuing which constitutes or, with the giving of notice or lapse of time or both, would constitute such an event of default under any such agreement or guarantee. Neither is the Recipient in breach of any terms under any existing agreement between the Recipient and the Fund.
4. The execution and delivery of the Agreement by the Recipient and the performance of its obligations there under do not and will not violate any law, regulation, order or decree to which the Recipient is subject or result in the breach of any agreement or guarantee to which the Recipient is a party or by which it may be bound.
5. The Recipient's waiver of immunity in section 9.05 of the Agreement is a valid and legally binding act on the part of the Recipient.
6. The submission of the Recipient to final and binding arbitration in [] under the provisions in section 9.02 of the Agreement is a valid and legally binding obligation of the Recipient, enforceable against the Recipient under the law of the [].

In stating the foregoing, I express no opinion other than as to the law of [].

Yours faithfully,

[Minister of Justice/Attorney General]

Appendix D - Sample Authorisation Letter

[Letterhead of Ministry/issuing authority]
[Street address]
[City] [Country]

[DATE]

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki
FINLAND
info.ndf@ndf.fi

Dear Sir/Madam:

Re: [Grant/Credit] No. [] [Project name]

I refer to the Grant/Credit Agreement (the “Agreement”) between the Nordic Development Fund and [name of recipient/borrower] (the “Borrower”/”the Recipient”), dated [], providing the above [Grant/Credit]. For the purposes of Article III, Section 3.01 (c) (iii) as defined in the Agreement, the person(s) whose authenticated specimen signature(s) appear below is authorised on behalf of the [Recipient/Borrower] to sign Disbursement Requests, Applications for Special Commitments and Special Accounts under this [Grant/Credit]:

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Stipulate special instructions regarding number and combinations of signatures required.]


Yours faithfully,

/ signed /

Signed by:
[Title of Recipient’s/Borrower’s Designated Representative, as provided in the Grant/Credit Agreement]

Appendix E - Disbursement Request Form

Disbursement Request


NDF NORDIC DEVELOPMENT FUND
 PO, Box 185, FIN-00171 Helsinki, Finland.
info.ndf@ndf.fi

NDF Grant/Credit No: Country: Request No:
 Project Name:
 Name of Recipient/Borrower:
 Method of Disbursement (select one): Direct Payment Reimbursement Special Advances: First Deposit Replenishment
 Currency & Amount:
 Name of Beneficiary:
 Address of Beneficiary:
 Name of Beneficiary's Bank:
 Address of Beneficiary's Bank:
 Account Number of Beneficiary:
 SWIFT Code of Beneficiary's Bank:
 Correspondent Bank Details:
 Invoice References and Special Payment Instructions:
 Contract references:
 This application consists of pages of supporting documentation.
 We hereby request this disbursement from the Grant under the above referenced Grant Agreement and, in connection therewith, certify and agree as follows:

- A. The undersigned has not previously drawn down any amount of the Grant/Credit to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan, credit or grant;
- B. The goods and services covered by this request have been or are being purchased in accordance with the terms of the Grant Agreement;
- C. The expenditures have been made or are being made only for goods, works, or services from eligible sources.

Signed by: _____
 Signature(s) of authorised representative(s)

 Print name(s) and title(s) of authorised representative(s) Date:

Contact details for disbursement confirmation:

	Beneficiary	Recipient/Borrower	Implementing Agency
Email	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fax	<input type="text"/>	<input type="text"/>	<input type="text"/>
Address	<input type="text"/>	<input type="text"/>	<input type="text"/>

Appendix F - Special Commitment Application Form

Special Commitment Application



PO. Box 185, FIN-00171
Helsinki, Finland.
info.ndf@ndf.fi

1. NDF Grant No: Enter grant no. 2. Request No: Enter request no.

Attention: Financial Administration

In connection with the Grant Agreement dated [] between the Nordic Development Fund ("NDF") and [] (the "Recipient") for a grant in the amount of [] (the "Grant"), we apply for a Special Commitment and subsequent disbursement under the Grant in [*Currency, Amount, Amount in words*] and certify and agree as follows:

- A. The undersigned request that a Special Commitment Letter be issued to the nominated negotiating bank set out below in accordance with the terms of the Grant Agreement in order to make payments to the negotiating bank from the Grant. The undersigned irrevocably authorises such disbursement on the basis of any written statement by the negotiating bank that payment has been made or is due, and will be promptly made under and in accordance with the terms of the letter of credit as such may be amended.
- B. Amendments involving an extension of the letter of credit expiry date beyond the Closing Date of the Grant Agreement or more than six months beyond the original expiry date of the letter of credit (whichever is earlier), a change in the value or currency of the letter of credit, the description or quantity of goods and/or works and/or services, or the beneficiary or terms of payment are subject to your prior approval. The undersigned will only agree to amendments to the letter of credit that are in accordance with the terms of the Grant Agreement, and further agrees that all proposed amendments will be copied to you by the negotiating bank for your information or approval as appropriate.
- C. You may limit your total obligation to make payments under the Special Commitment by inserting a limitation clause in the Special Commitment letter denominated in the Currency of the Grant sufficient to cover exchange rate fluctuations. The undersigned agrees that, if, because of the limitation clause, you cannot disburse the full amount needed to pay the negotiating bank, any uncommitted portion of the Grant may be disbursed to cover the deficiency. In the event that the uncommitted portion of the Grant is insufficient to cover the deficiency, you will notify the undersigned who agrees to make such payment promptly to the negotiating bank.
- D. Your obligation under Special Commitment shall terminate:
 - a) except as NDF shall otherwise agree, 30 days after the expiry date of the letter of credit or at the Closing Date of the Grant Agreement (whichever is earlier)
 - b) upon payment by NDF to the negotiating bank of the full value of the letter of credit, in accordance with the terms and conditions of the Special Commitment letter.
 - c) upon receipt by NDF of written notice from the negotiating bank specifying that the Special Commitment may be cancelled.
- E. The undersigned has not previously made drawdowns from the Grant to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan, credit, or grant.
- F. The goods and/or works and/or services covered by this application are being purchased in accordance with the terms of the Grant Agreement and relevant contracts.
- G. The expenditures are being made only for goods and/or works and/or services from eligible sources.
- H. As of the date of this application, there is no default existing under the Grant Agreement, or under any other agreement between NDF and the Recipient.

**Special Commitment
Application**



PO. Box 185, FIN-00171
Helsinki, Finland.
info.ndf@ndf.fi

I. In the event that all or part of the funds disbursed from the Grant pursuant to this application are returned to NDF, the undersigned hereby authorises NDF to apply the current value of such funds as a credit to the Grant funds.

Details of Letter of Credit:

3. Name and address of negotiating Bank:

Enter name and address.

4. Name and address of (recipients) opening Bank:

Enter name and address.

5. Name of L/C opener (recipient or executing agency):

Enter name of L/C opener.

6. Letter of credit details

a) Opening Bank's L/C number: Enter issuing Bank's L/C number.

b) Currency & amount: Enter currency and amount.

c) L/C expiry date: Enter L/C expiry date.

Details of Expenditure:

7. Name and address of contractor or supplier (letter of credit beneficiary):

Enter name and address.

8. Procurement details

a) Contract or purchase order number and date:

Enter purchase order no. and date.

b) Brief description of goods and/or services:

Enter description.

9. Drawdown details

a) Category number: Enter category number.

b) Percent of expenditures to be financed by NDF: Enter percent.

10. Special instructions and remarks:

Enter special instructions and remarks.

11. Signed by:

Signature(s) of authorised representative(s)

Print name(s) and title(s) of authorised representative(s)

12. Date: Enter date.

Appendix G - Example Standard Form for Special Commitment



[Date]

[Negotiating Bank Name]
[Street Address]
[City] [Country]

Your (opening) bank: []
Your (opening) bank's L/C No.: []
Application No.: []
Your Reference: []

Dear []:

Re: NDF Grant No. []; Special Commitment No. [] (*Note: all correspondence must include the Grant Number and the Special Commitment Number*)

We send herewith a copy of a letter of credit which we understand you are prepared to issue, advise or confirm in favor of [Name of Supplier] in the amount of [] expiring on [].

In consideration of your acceptance hereof as provided below, we irrevocably agree to:

- a) Reimburse you (or the negotiating bank) for any payment made to or on the order of the beneficiary under and in accordance with the terms of the letter of credit
- b) Pay to you (or the negotiating bank) amounts that have become due to the beneficiary under and in accordance with the terms of the letter of credit in which case you agree to make payment to or on the order of the beneficiary upon receipt of our payments.

Subject to the terms and conditions described below, payment shall be made by us promptly but not later than 30 days after receipt by us of a written request therefore provided that such written request should have been specifically addressed to the Nordic Development Fund ("NDF") indicated in the signature block below. All communications in connection with this Special Commitment should be sent to that address.

This Special Commitment is subject to the following terms and conditions:

1. You will issue, advise or confirm the letter of credit and promptly advise us of any change in the negotiating bank
2. You undertake to promptly furnish us with copies of all amendments to the letter of credit. Such amendments are subject to the following additional conditions:
 - a) any amendment involving a change in the value or currency of the letter of credit, the description or quantity of goods and/or services and/or works, or the beneficiary, or the terms of payment, will not be operative until you receive our written approval;
 - b) any amendment extending the expiry date of the letter of credit more than six months beyond the original expiry date or [*closing date as set out in Grant Agreement*] (whichever is earlier) will not be operative until you receive our approval.
3. If the letter of credit is not denominated in the currency of your country, you will notify us of the name and address of your correspondent bank in the country of such currency which will receive funds for your account
4. We shall not be obligated to pay you unless a written request for payment shall have been received by us at our address stated below within 30 days of your negotiation of documents. Our obligation under this Special Commitment may be terminated 30 days after the date in paragraph 2(b) above or six months after the letter of credit expiry date (whichever is earlier). We shall not be obligated under this Special Commitment to any person (including the beneficiary under the letter of credit) other than you
5. We shall not be obligated to pay you in respect of interest, commission, other charges or expenses in connection with the letter of credit
6. You agree that you will advise us promptly upon cancellation, expiration or final payment of the letter of credit including the amount of any cancellation
7. You agree that:

Nordic Development Fund

P.O. Box 185, Fabianinkatu 34, FI-00171 Helsinki, Finland
Tel. +358 10 618 002 Fax +358 9 622 1491 E-mail: info@ndf.fi



- a) This Special Commitment is issued under a Grant Agreement by NDF. Since such financing is limited, we shall not be obligated to make payments to the extent that they would in the aggregate exceed the equivalent, as determined by us when payments are made, of: [*limit in EUR*].
 - b) Our Grant Recipient has agreed that if the amount it must pay to you by it exceeds the maximum amount we and/or other financier(s) have undertaken to pay under a) above, we may at our discretion disburse any uncommitted portion of the loan/credit/grant that may exist to cover the deficiency. If no such disbursement is made or if any such disbursement proves insufficient to cover the deficiency, we will notify the Grant Recipient of the amount of the deficiency remaining. Upon receipt of our notification, it will be our Grant Recipient's responsibility to arrange to make prompt payment to you to cover any such deficiency
 - c) We shall have no liability to you for the failure of any other financier for whom we are acting as agent to make any payment required of such financier under this Special Commitment. You understand and agree that such payments may be made to you either by us or directly by the financier.
8. The Special Commitment is allocated as follows:

Financier	Grant No.	Tranche	CCY	Letter of Credit Amount	Category No.	Category Description

All requests for payment should specify the amount pertaining to each category.

- 9. This Special Commitment shall be construed in accordance with and be governed in all respects by the laws of the Kingdom of Sweden.

Any disagreement between the parties hereto and any claim by any such party against any other such party arising under this Agreement or in connection herewith, which has not been settled by agreement of the parties within 60 calendar days, shall be submitted to arbitration and shall be finally settled under the Rules of Arbitration of the Arbitration Institute of the Stockholm Chamber of Commerce by three arbitrators appointed in accordance with the said Rules. The place of the arbitration proceedings shall be Stockholm and the language of such proceedings shall be English.

Please sign and return a copy of this letter as acceptance of this Special Commitment including all the terms and conditions set forth above.

Yours faithfully,

[Name]
Managing Director

[Name]
Country Program Manager

The above is understood and accepted.

[Name and title of Negotiating Bank representative]

Nordic Development Fund

P.O. Box 185, Fabianinkatu 34, FI-00171 Helsinki, Finland
Tel. +358 10 618 002 Fax +358 9 622 1491 E-mail: info@ndf.fi

Appendix H - Special Commitment Payment Request Form

Special Commitment Request for Payment



PO. Box 185, FIN-00171
Helsinki, Finland.
info.ndf@ndf.fi

NDF Grant No:

Request for Payment No:

NDF Special Commitment No:

Your Reference:

Letter of Credit No:

Currency & Amount:

We have paid or will pay the above amount to or on the order of:

Under the Letter of Credit, Special Commitment and Grant Agreement mentioned above. Such payment has been made, or is due and will be promptly made to the beneficiary under and in accordance with the terms and conditions of the said Letter of Credit and amendments, if any, appropriately approved. We request payment of the amount pursuant to said Special Commitment to be made to the instructions below.

Balance of the letter of credit has been cancelled will be utilised.

Validity of the letter of credit has been extended to:

Payment instructions

Bank Name:

Bank Address:

Account/IBAN Number:

SWIFT Code:

Correspondent Bank Details:

Special Payment Instructions and References:

Signed by:

Signature(s) of authorised representative(s)

Print name(s) and title(s) of authorised representative(s)

Date:

Reset Form

Appendix I - Sample Special Account Application Letter

[Letterhead of the Recipient or Financial Administrator of the Grant]
[Street address]
[City] [Country]

[DATE]

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki
FINLAND
info.ndf@ndf.fi

Dear [Country Program Manager]:

Re: Application to operate a Special Account for the NDF Grant/Credit No. [] [Project name]

We refer to the NDF Grant Agreement No. [] dated [] between the [name of the Recipient] and the Nordic Development Fund.

To facilitate the implementation of the Project, we hereby apply for your approval to open a Special Account for the purpose of making payments of eligible expenditures as defined in the NDF Grant Agreement.

We undertake to establish and operate the Special Account in accordance with the provisions of the NDF Disbursement Instructions.

We intend to request [name and address of account holding bank] to open a Special Account in the [currency] designated [name of project including reference to the NDF Grant No.] in the name of [name of the Recipient, executing agency or financial administrator of the Grant]. Immediately upon receipt of your approval to the opening of the Special Account, we will forward to you the following documents:

- (a) Our authorisation letter to [name of bank] to open the Special Account in the foreign currency;
- (b) The letter to [name of bank] from [name of the Recipient, executing agency or the financial administrator] with authorisation and specimen signatures of persons appointed to operate the Special Account on our behalf;
- (c) A letter from the [name of the bank] confirming that the Special Account has been opened; and
- (d) If required, the Central Bank's authorisation to open a Special Account in a foreign currency.

In addition, we will instruct the [name of the bank] to issue a Bank Confirmation Letter addressed to NDF.

Yours faithfully,

[Authorised signature of the Recipient] [Place and date]

Appendix J - Sample Special Account Bank Confirmation Letter

[Letterhead of the Bank]
[Street address]
[City] [Country]

[DATE]

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki
FINLAND
info.ndf@ndf.fi

Dear [Country Program Manager]:

Re: Special Account Grant/Credit No. [] [Project name]

We refer to the NDF Grant Agreement No. [] dated [] between the [name of the Recipient] and the Nordic Development Fund.

We are pleased to confirm that we have opened the Special Account no. [], in [currency] designated [name of account including a reference to NDF Grant No.] in the name of the [name of the executing agency or financial administrator].

Monthly statements of the account will be issued both to the Nordic Development Fund and to [name of the executing agency or financial administrator].

Authorised Nordic Development Fund representatives will have access to inspect the Special Account and related documents, as well as permission to take extracts from the Special Account books [copy of authorisation to be attached].

Recognising that the Nordic Development Fund has an interest in safeguarding the use of its funds for the special purposes of its projects, we are further pleased to confirm that we will not assert any claim to set off, seize, or attach amounts on deposit in the Special Account to satisfy amounts due to us except only to the extent necessary to protect our position in such instances where a third party takes steps to attach such funds.

In the event that a third party has attached funds in the Special Account, we will inform the Nordic Development Fund immediately of such attachment and will co-operate, as appropriate, with the Nordic Development Fund in its efforts to seek the removal of such attachment.

We confirm that the above undertakings shall be binding upon us also in respect of future Special Account arrangements with us.

Yours faithfully,

[Authorised signature] [Place and date]



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Internet: <http://www.ndf.fi>
Telephone +358 10 618 002
Telefax +358 9 622 1491