

# Guidelines on Dealing with *De Facto* Governments

---

**At its 100th Session (September 2010), the Executive Board, by virtue of paragraph 52 of the Lending Policies and Criteria, approved the Guidelines on Dealing with *De Facto* Governments\*.**

---

\* In this document, the generic masculine is used for conciseness purposes only: it applies to both women and men.

# Introduction

## PURPOSE OF THE GUIDELINES

1. The purpose of these Guidelines is to provide guidance as to whether the Fund should extend new project financing for Member States whose governments change without an orderly transition of power.
2. In considering whether the Fund should continue existing Project financing, it should be recalled that the General Conditions for Agricultural Development Financing (which apply automatically to each financing agreement concluded between the Fund and a Member State) establish situations where the Fund may trigger its right to suspend or even cancel a Financing Agreement. More specifically, reference is made to Sections 12.01 (a) (i), (v), and (vi) of the General Conditions, where the following grounds for suspension are stated: the Borrower has demonstrated an inability to make any Loan Service Payments when due, the Project has failed to fulfil, or is unlikely to fulfil in a timely manner, its purposes as stated in the Agreement, or when the Fund has determined that a situation has arisen which may make it improbable that the Project can be successfully carried. In light of the foregoing, the Fund holds the right to suspend, in whole or in part, and even cancel, project financing if it considers that the *de facto* nature of a government will impede or obstruct on-going project implementation for existing projects.

## Guidelines

1. In determining whether the Fund should extend new project financing to a Member State, when the government of such Member State is overthrown without an orderly transition of power, the President first allows a certain time to pass to weigh the following five most important criteria:
  - (a) whether a new loan or guarantee would expose the Fund to additional legal or political risks associated with the country's financial obligations and obligations to carry out the project, given the government's *de facto* nature;
  - (b) whether the government is in effective control of the country and enjoys a reasonable degree of stability and public acceptance;
  - (c) whether the government generally recognizes the country's past international obligations, in particular any past obligations to the Fund (in this regard, the Fund examines the country's record; one indicator is whether past governments have generally recognized the obligations incurred by the *de facto* governments that have preceded them);
  - (d) the number of countries (particularly neighbouring) that have recognized the government or dealt with it as the government of the country; and
  - (e) the position of other international and regional organizations, within their respective competencies, toward the government.
2. If the President is satisfied that:
  - (a) a new loan or guarantee will not expose the Fund to additional legal or political risks associated with the country's financial obligations and obligations to carry out the project, given the government's *de facto* nature;
  - (b) the government is in effective control of the country and enjoys a reasonable degree of stability and public acceptance;
  - (c) the government generally recognizes the country's past international obligations, in particular, any past obligations to the Fund;

(d) a predominant number of countries (particularly neighbouring) have effectively recognized the government or dealt with it as the government of the country; and

(e) most international and regional organizations, within their respective competencies, have effectively recognized the government or dealt with it as the government of the country;

then the project financing proposal conforms to the country and project criteria set forth in the Lending Policies and Criteria and the President will recommend the project for approval by the Executive Board. On the other hand, if any of these questions receives a negative response, the project does not comply with the Lending Policies and Criteria and the President will refrain from submitting the project to the Executive Board and will inform the Executive Board accordingly.

January 2011

---




International Fund for Agricultural Development


Via Paolo di Dono, 44 - 00142 Rome, Italy

Tel: +39 06 54591 - Fax: +39 06 5043463


Email: [ifad@ifad.org](mailto:ifad@ifad.org)


[www.ifad.org](http://www.ifad.org)

 [facebook.com/ifad](https://facebook.com/ifad)

 [instagram.com/ifadnews](https://instagram.com/ifadnews)

 [linkedin.com/company/ifad](https://linkedin.com/company/ifad)

 [twitter.com/ifad](https://twitter.com/ifad)

 [youtube.com/user/ifadTV](https://youtube.com/user/ifadTV)