

GRANT NO. 2000004879

FINANCING AGREEMENT

Rural Livelihoods Resilience Programme (RLRP)

between the

FEDERAL REPUBLIC OF SOMALIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in Mogadishu, Somalia, and Rome, Italy

FINANCING AGREEMENT

Grant No: 2000004879

Project name: Rural Livelihoods Resilience Programme ("RLRP"/"the Programme")

The Federal Republic of Somalia (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Recipient has requested a Debt Sustainability Framework (DSF) grant from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS the Fund has agreed to provide financing for the Programme;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide a DSF grant to the Recipient, which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the DSF grant is eleven million, six hundred thousand United States dollars (USD 11 600 000) (the "Grant/ the "Financing").
2. The first day of the applicable Fiscal Year shall be 1 January.
3. A specific Designated Account in United States Dollars for the exclusive use of the Programme will be opened in the Central Bank of Somalia in order to receive funds pertaining to the Grant. The Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
4. The Recipient, including its federal member states shall provide counterpart funding for the purpose of the Programme for an amount of USD 2 700 000 equivalent in cash and in kind to contribute to activities included in subcomponents 1.2, 2.2 and 3.1. Beneficiaries will also make in kind contributions to the Programme amounting to USD 3 000 000 for activities included in subcomponents 1.2, 2.1 and 2.2.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture and Irrigation (MoAI).
2. Additional Programme parties are described in paragraph 11, Schedule 3 of the Agreement.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be the 8th anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be as specified in the General Conditions.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the Recipient's procurement methods and regulations to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Grant and supervise the Programme.

Section E

1. The following is designated as an additional ground for suspension of this Agreement:
 - (a) The Programme Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Programme; and
 - (b) The following key Programme personnel are terminated and/or suspended without seeking IFAD's prior no-objection: (i) National Programme Coordinator (NPC); (ii) Financial Controller (FC); (iii) Programme Accountant; (iv) Procurement Specialist; (v) Agro-pastoral Value Chains and Rural Development Specialist; (vi) Gender and Social Inclusion Specialist; (vii) Environment and Climate Specialist to be sourced from the MoECC; and (viii) M&E Specialist.
2. The following is designated as an additional ground for cancellation of this Agreement:
 - (a) In the event that the Recipient did not request a disbursement of the Financing 12 months without justification.
3. The following are designated as additional conditions precedent to withdrawal:
 - (a) The IFAD no objection to the PIM shall have been obtained;
 - (b) The key programme staff shall have appointed and approved by the Fund as detailed under Paragraph 10 of Schedule 3; and
 - (c) The programme accounting software has been set-up to account for programme expenditures in line with IFAD requirements.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:


Mr. Adam Abdulkadir Adam
Project Coordinator
aadancade15@gmail.com
Tel. +252-615861070

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

FEDERAL REPUBLIC OF SOMALIA

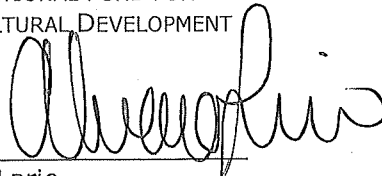


Bihi Iman Egeh
Minister for Finance

Date: 29-02-2024



INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT



Alvaro Lario
President

Date: 28-03-2024

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall benefit 30,000 poor small-scale agro-pastoral households, corresponding to 180,000 persons, engaged in cropping, and small livestock production who have little access to assets and economic opportunities due to social exclusion, marginalisation, conflict and the negative impact of climate change.

2. *Programme area.* The Programme will be initially launched in two jointly selected Federal Member States (FMS) with five districts: South West State (Bay, Bakool and Lower Shabelle districts) and Jubaland (Gedo and Lower Juba districts) (the "Project/Programme Area"). Based on the implementation experience, funding availability and the conflict dynamics, selected programme activities will be scaled up either within the initial districts, within the initial FMS, or to other FMS, most likely during the midterm review.

3. *Goal.* The goal of the Programme is to achieve improved and resilient livelihoods of rural smallholders in Somalia.

4. *Objectives.* The development objective of the Programme is to sustainably increase productivity, incomes and nutrition security and enhance the resilience of rural smallholder families in Somalia.

5. *Components.*

The RLRP comprises three components: (1) Support to community resilience, whose outcomes are strengthened and inclusive communities with enhanced social cohesion that are able to define their livelihood development pathways and manage conflict; (2) Support to Smallholder Livelihoods Enhancement, whose outcomes are: increased production and productivity of priority crops and livestock for resilience, dietary diversity, food security, and improved incomes, as informed by the CDP; and (3) programme coordination and capacity building, whose outcomes are improved local governance due to a strengthened policy and institutional environment and sustainable local and national policies thanks to an efficiently and effectively managed programme

5.1. Component 1: Support to community resilience consist of two subcomponents. The core activities of the subcomponent 1.1 (Strengthening community governance and services), are to comprises a range of institution-building and skills development activities to enable the programme communities to own and be accountable for development initiatives. Key activities include: (i) development of district profiles; (ii) mobilisation of communities; (iii) development of the CDP; and (iv) capacity building of existing and newly-formed community institutions to serve their members and on disaster risk management. Subcomponent 1.2 (Community investment support) will finance investments prioritised in the CDP including: (i) community-based water sources for domestic use and crop and livestock production; (ii) rehabilitation of irrigation canals; (iii) migration to pressurised irrigation networks using solar-powered pumping systems; (iv) surface water harvesting; (iv) rehabilitation/ construction of post-harvest management(PHM) and processing facilities, community-owned grain reserves, grain drying technology, cold chain facilities in major rural markets, and livestock market sheds.

5.2 Component 2: Support to Smallholder livelihoods consist of two subcomponents as well. Subcomponent 2.1 (Strengthening resilience in crop and livestock value chains (VC)), will support: (i) pluralistic approach of crop and livestock extension services; (ii) improved animal health, through training and equipping community animal health workers; (iii) promotion of improved inputs and CSA technologies through training and demonstrations;(iv) access to productive inputs; (v) build the capacity of farmers on PHM, market linkages, and diversified production for nutrition-sensitive cooking techniques; and (vi) targeted support to disadvantaged HHs in crop and livestock production. Subcomponent 2.2 (Entrepreneurship for VC development), will support the development

of the entrepreneurial skills of youth and women in agricultural and related services, with a focus on increased incomes and job creation. The activities under this subcomponent include: (i) studies to inform agribusiness development in programme districts; (ii) support entrepreneurship development through capacity development; (iii) support access of youth and women to financial services for business development along the priority VCs. Finally, subcomponent 2.3 is an emergency subcomponent which can be activated in case of a natural disaster or social emergency. Emergency activities include (i) productivity enhancement and (ii) emergency small scale infrastructure rehabilitation.

- 5.2 Component 3: Programme Coordination and Capacity Building, will support: (i) programme coordination; (ii) capacity needs assessment and capacity building; (iii) financial management; (iv) M&E; and (v) evidence-based policy development.

II. Implementation Arrangements

6. *Lead Programme Agency.* The Ministry of Agriculture and Irrigation (MoAI) is the Lead Implementation Agency for the Project.

7. *Programme Oversight Committee.* A Programme Steering Committee (PSC) under the Ministry of Agriculture and Irrigation (MoAI), the Lead Implementation Agency, will provide oversight and guidance to the implementation of the RLRP nationally. Specifically, the PSC will approve the annual work plan and budget (AWPB) and review the reports and audit of the RLRP. A State Programme Steering Committee (SPSC) will be established in each participating FMS to provide oversight and guidance to the implementation of the RLRP at the state level.

8. *Programme Management Unit.* The National Programme Coordination Unit (NPCU), reporting to the MoAI, will be responsible for: (a) managing the procurement of goods, works and services for the implementation of all programme activities; (b) developing the AWPB; (c) undertaking the M&E and KMC of programme activities; and (d) reporting on implementation progress and results to IFAD and MoAI. The NPCU shall comprise of competitively recruited staff. A lean State Programme Coordination Unit (SPCU) will be responsible for the day-to-day implementation of the programme at the FMS level. Reporting administratively to the Minister of the MoAI and technically to the NPCU.

9. *Monitoring and Evaluation and Knowledge Management.* The Monitoring and Evaluation System ("MES") will be developed on an approved and validated M&E Plan. It will focus on monitoring the indicators of the logical framework and addressing evaluation needs during programme implementation. Parallel to the construction of the MES, information will be gathered to establish the baseline situation of potential programme beneficiaries prior to implementation. The knowledge management (KM), learning, and communication activities will adhere to the guidelines outlined in the Knowledge Management and Communication (KMC) Plan. This tool will play a critical role throughout the activity planning process as an integral component of the programme monitoring and evaluation framework.

10. Most of the innovations from past and ongoing projects in Somalia are digital technologies that were a response to the multiple shocks the country went through in recent years. Candidate innovations include: (i) the e-FOP platform from FSSFS, (ii) the Biometric Registration Identification and management system from FSSFS and (iii) the use of pictorial evaluation tools from PET. The RLRP will adapt these innovations for scaling up, as the fragility situation still persists in Somalia, while exploring opportunities to identify innovations that may come up during implementation.

11. *Programme Implementation Manual (PIM).* Based on the draft PIM developed during design (Annex 8 of the Project Design Report), the NPCU shall finalize the PIM, submit it for approval to the PSC and to the Fund for no-objection. The PIM will comprise of three parts: (i) the administrative, accounting, financial and procurement; (ii) the operations/implementation; and (iii) the monitoring and evaluation (M&E). When so approved, a copy of the PIM shall be provided by the NPCU to the Fund. The PIM may be amended when necessary to introduce

clarifications in procedures, eliminating constraints for implementation and/or facilitating access of producers to the programme services subject to the Fund's no-objection.

12. *Implementation readiness and start-up plans.* In the early stages of implementation, the following activities will take place to ensure implementation readiness: (i) recruitment of the key staff; (ii) refinement of the 18-month draft AWPB and PP; and (iii) procurement of goods and services required for programme start-up. With the programme staff in place, a start-up workshop will be organised with all stakeholders and implementation partners at the federal, FMS and district levels, to: acquaint the participants with the implementation modalities of the RLRP and the IFAD guidelines and procedures; refine the draft PIM; and, enrol in and train relevant RLRP staff on IFAD corporate systems, such as the Online Project Procurement End-to-End System (OPEN) which promotes transparency, competition and value for money.

13. *Supervision, midterm review and completion plans.* Supervision and implementation support missions will be organised jointly by the FGS and IFAD to address implementation related issues and review progress. An early implementation support mission will be mobilised within the first three months of the programme effectiveness to cover any gaps in the PIM and PDR. In the early stages of implementation, IFAD will aim at conducting annually two supervision and implementation support missions, one remote and one in person.

14. *Financial Management*

- (a) Accounting and Financial Reporting. The accounting hub of RLRP will be the MoAI (with the NPCU as its Secretariat). RLRP will rely on the government Somalia Financial Management Information System (SFMIS) which will be configured to process payments directly from the Designated Account (DA) as well as to ensure accounting of all expenditures by sources of financing, components and categories. Therefore, on one hand the SFMIS is a payment processing platform while on the other hand it will function as the programme accounting software. In line with government regulations and practices, the RLRP will adopt the International Public Sector Accounting Standards - Cash Basis. The NPCU will be responsible for the preparation of quarterly and annual consolidated financial reports as well as monthly management accounts. The quarterly reports will be submitted to IFAD 45 days after the end of each reporting period. Unaudited financial reports will also be submitted to IFAD within 4 months from the end of the fiscal year.
- (b) Budgeting: The SFMIS also has a budgeting tool. The programme AWPB will always be part of that of the MoAI budget, but clearly coded with filter features. The annual budget will be approved within the government budget system through the budget law. The national budgeting window opens in September with another window only opening up the following June. The first budget for RLRP will therefore be captured in the June 2024 budgeting. After approval, the budget is then posted by the Budget Department of the MoF. SFMIS can automatically generate budget follow-up reports and block payments on activities that have exceeded their budget allocations.
- (c) Internal controls. RLRP will dispose of a solid internal control system, which will be ensured by a strict segregation of duties among project staff and by the additional layer of checks and controls embedded in the SFMIS system. In the transaction processing and approval cycle, passed through the SFMIS, a key role will be played by the office of the Accountant General who will perform additional checks and validate each transaction before they are sent for payment at the Central Bank. All physical supporting documents will be held at the NPCU, archived and stored appropriately as defined in the PIM. During the start-up of the programme, IFAD will also explore the possibility of including the RLRP in the work plan of the internal control unit of the MoAI.
- (d) External Audit: The Supreme Audit Office of Somalia has the statutory responsibility to audit all Government projects such as the RLSP. At their discretion, and in consultation with IFAD, the Supreme audit office can appoint private audit firms to

carry out the audit. IFAD will review the audit Terms of Reference and provide no-objection prior to commencement of the audit. The auditing standards applied will be the international standards on auditing. The audit calendar and other processes are detailed in the PIM.

- (e) Procurement. The Programme Steering Committee (PSC) will approve the AWPB and review the reports and audit of the RLRP. The NPCU under the MoAI will be responsible for: (a) managing the procurement of goods, works and services and contract implementation for all programme activities; (b) developing the AWPB, and undertaking the M&E and KMC of programme activities; and (c) reporting on implementation progress and results to IFAD and MoAI. The procurement of goods, works and services of RLRP shall be carried out in accordance with the provisions of the IFAD Procurement Guidelines. The Programme will periodically review the application of related procurement laws, regulations and procedures; and, the adequacy and performance of the procurement plan (PP) including its information disclosure. The procurement activities will be conducted in a manner ensuring consistency, fairness, value for money, competition and efficiency. Particular attention will be provided and resources directed to implementing procurement provisions and building procurement capacities during the start-up period.
- (f) An 18-month initial Procurement Plan has been developed at design, referencing the AWPB for the same period, and thereafter will be prepared and updated consistently. The PP will have information on the types and methods of procurement. As an added risk mitigation measure, procurement will be categorised as either prior or post review. In the prior review category, a no-objection from IFAD has to be obtained through the IFAD procurement system for each phase of a bid, starting from Expression of Interest to Evaluation to Contract Signing. The thresholds on procurement value will be determined according to the procurement risk assessment of the implementing agency. It will further be ensured that in all procurements, the methods proposed in the PP will be followed.
- (g) Negotiations will not be permitted for Goods and Works tenders. Negotiations will only be permitted for consulting services as per national procurement rules. Supervision of Works contracts will be done inter-departmentally. Procurement will be conducted by the implementing agencies according to the level of authority structured for the RLRP. A detailed list of common items will be prepared for procurement through the NPCU. All the implementing agencies are required to have the relevant experience and training in the procurement function. Once the new IFAD procurement system is implemented, the required training of staff will be proposed at the appropriate time.
- (h) Governance. The Public Procurement, Concessions and Disposal Act of 2015 of Somalia, has no Standard Bidding Documents (SBDs), and some key procurement information is not published on the MoF website, <https://mof.gov.so/public-procurement>. In the absence of an independent assessment, e.g. Public Expenditure and Financial Accountability, to justify the application of the procurement methods, the RLRP will use the IFAD Project Procurement Guidelines and Handbook and SBDs. Procurement opportunities will be advertised on 'somalijobs.net', in a widely circulated newspaper, and on the 'Relief Web' (reliefweb.int), and the United Nations Development Business for International Competitive Bidding. Procurement will be monitored through IFAD's project contracts management and monitoring systems, supported by information from TPIPs, and community-watch arrangements to increase confidence. Considering Somalia's Corruption Perception Index ranking of 180th (of 180 countries assessed) in 2022, the RLRP shall apply: the Debriefing, Protest and Appeal mechanisms of the IFAD Procurement Handbook; and integrate the Revised IFAD Policy on Combating Fraud and Corruption, the corruption reporting hotline, and IFAD's contact details for reporting corruption, in all bidding documents.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	IFAD Grant (allocated in USD)	Percentage net of taxes, contributions from Government, FMS and beneficiaries
I. Works	2 180 000	100%
II. Trainings and capacity building	1 370 000	100%
III. Consultancies	2 520 000	100%
IV. Goods services and inputs	2 000 000	100%
V. Salaries and operating costs	2 370 000	100%
Unallocated	1 160 000	
Total	11 600 000	

(b) The terms used in the Table above are defined as follows:

- (i) Category III. Consultancies also includes expenditures related to studies and technical assistance.
- (ii) Category IV. Goods Services and Inputs, also includes expenditures related to equipment and materials.
- (iii) Category V. Salaries and allowances, also includes expenditures related to office operating costs.

2. *Disbursement arrangements*

Start-up Costs. Withdrawals in respect of expenditures for start-up costs (in Trainings, Salaries and Allowances and Consultancies Categories) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 162,000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. Planning, *Monitoring and Evaluation*. The Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement].
4. *Gender*. The Recipient shall ensure that gender is taken into account in the implementation of the Programme as follows:
 - a. A dedicated staff will be recruited for gender and social inclusion aspects;
 - b. A strategy and programme-type action plan will be established at project start-up;
 - c. Budget has been allocated for specific gender- and youth-related activities;
 - d. Quotas have been set for women (50%) and youth (40%) as a percentage of beneficiaries, and all collected and analysed data will be disaggregated by sex and gender;
 - e. Information campaigns and outreach events targeting women and youth will be carried out during programme implementation;
 - f. Female and young trainers will be mobilized;
 - g. Gender parity in the NPCU/SPCU will be encouraged.
 - h. Responsibility for gender mainstreaming will be included in the terms of reference of all key programme staff and service providers; and
 - i. In all its activities, compliance with IFAD's policy on preventing and combating sexual harassment, exploitation and abuse will be sought. This will be reflected in the terms of reference of all programme staff and service providers.
5. Indigenous People Concerns. The Recipient shall ensure that the concerns of IPs are given due *consideration* in implementing the Programme and, to this end, shall ensure that:
 - (a) the Programme is carried out in accordance with the applicable provisions of the relevant IP national legislation;

- (b) indigenous people are adequately and fairly represented in all local planning for programme activities;
- (c) IP rights are duly respected;
- (d) IP communities, participate in policy dialogue and local governance;
- (e) The terms of Declarations, Covenants and/or Conventions ratified by the Recipient on the subject are respected¹; and
- (f) The Programme will not involve encroachment on traditional territories used or occupied by indigenous communities.

6. *Land tenure security.* The Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

7. *Anticorruption Measures.* The Recipient shall comply with IFAD Policy on Preventing Fraud and *Corruption* in its Activities and Operations.

8. *Sexual Harassment, Sexual Exploitation and Abuse.* The Recipient and the Programme Parties shall ensure that the Programme is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

9. *Use of Programme Vehicles and Other Equipment.* The Recipient shall ensure that:

- (a) all vehicles and other equipment procured under the Programme Coordination and Capacity Building Component Programme are allocated to the National Programme Coordination Unit for programme implementation;
- (b) The types of vehicles [and other equipment] procured under the Programme are appropriate to the needs of the Programme; and
- (c) All vehicles [and other equipment] transferred to or procured under the Programme are dedicated solely to programme use.

10. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Programme.

11. The key personnel of the National Programme Coordination Unit (NPCU), to be competitively recruited are: (i) National Programme Coordinator (NPC), (ii) Financial Controller (FC), (iii) Programme Accountant, (iv) Procurement Specialist, (v) Agro-pastoral Value Chains and Rural Development Specialist, (vi) Gender and Social Inclusion Specialist, (vii) Environment and Climate Specialist to be sourced from the MoECC, and (viii) M&E Specialist. With the exception of the NPC, each specialist at the NPCU will have a suitably qualified seconded public servant attached to him/her, whose capacity will be built by the specialist to take up the specialist's position on the basis of a satisfactory assessment of performance from the MTR. Other specialist skills required at the NPCU will be recruited as consultants on specific terms of reference and assignment duration. All recruitment and secondment to the NPCU shall be subject to IFAD no-objection. .

¹ Refer to ILO 169, 1989 when ratified.

12. A lean State Programme Coordination Unit (SPCU) will be responsible for the day-to-day implementation of the programme at the FMS level. Reporting administratively to the Minister of the MoAI and technically to the NPCU, the SPCU will comprise: (i) State Programme Coordinator (SPC); (ii) Account Assistant; (iii) Agro-pastoral Value Chains and Rural Development Officer; and (iv) M&E Officer.

13. In order to assist in the implementation of the Programme, the NPCU/SPCU unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Programme Personnel shall be seconded to the NPCU/SPCU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Programme Personnel is subject to IFAD's prior review [as is the dismissal of Key Programme Personnel]. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Programme's circumstances.

II. SECAP Provisions

14. The Recipient shall carry out the preparation, design, construction, implementation, and operation of the Programme in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

15. For projects/programmes presenting high or substantial social, environmental and climate risks, the Recipient shall carry out the implementation of the Programme in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

16. The Recipient shall not amend, vary or waive any provision of the ESCMs and Management Plan(s), unless agreed in writing by the Fund and if the Recipient has complied with the same requirements as applicable to the original adoption of the ESCMs and Management Plan(s).

17. The Recipient shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all

programme affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

18. The Recipient shall cause the Lead Programme Agency to comply at all times while carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

19. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with programme stakeholders and interested parties in an accessible place in the programme-affected area, in a form and language understandable to programme-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

20. The Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

21. The Recipient will ensure that a programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Programme's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Programme for people who may be unduly and adversely affected or potentially harmed if the Programme fails to meet the SECAP standards and related policies. The programme-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

22. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labour issues or to adjacent populations during programme implementation that, with respect to the relevant IFAD Programme:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

23. In the occurrence of such event, the Recipient shall:

- (i) Notify IFAD promptly;
- (ii) Provide information on such risks, impacts and accidents;
- (iii) Consult with programme-affected parties on how to mitigate the risks and impacts;
- (iv) Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- (v) Adjust, as appropriate, the programme-level grievance mechanism according to the SECAP requirements; and

- (vi) Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

24. **Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labour and community), health and safety (ESHS) issues that occur in loan or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

25. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

26. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- (i) Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- (ii) Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Programme and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- (iii) Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

27. The Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Programme.

28. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING

(as amended December 2022)¹

ARTICLE I - APPLICATION

Section 1.01. Application of General Conditions

These General Conditions apply to all Financing Agreements. They apply to other agreements only if the agreement expressly so provides.

ARTICLE II - DEFINITIONS

Section 2.01. General Definitions

The following terms have the following meanings wherever used in these General Conditions:

"Agreement" means a Financing Agreement or other agreement subject to these General Conditions.

"Annual Workplan and Budget" or "AWPB" means the annual workplan and budget for carrying out a Project during a particular Project Year.

"Borrower" means the party designated as such in an Agreement.

"Coercive practice" means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

"Collusive practice" means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

"Cooperating Institution" means an institution designated as such in a Financing Agreement as responsible for the administration of the Financing and/or the supervision of the implementation of the Project.

"Cooperation Agreement" means an agreement or agreements between the Fund and a Cooperating Institution by which a Cooperating Institution agrees to act as such.

"Corrupt practice" means offering, giving, receiving or soliciting, directly or indirectly, anything of value to improperly influence the actions of another party.

"Currency" of a Member State or a territory means the currency that is legal tender for the payment of public and private debts in such Member State or territory.

"Denomination Currency" means, with respect to a Loan or Grant, the currency (which may also be the SDR) in which such Loan or Grant is denominated, as specified in the Financing Agreement.

¹ These General Conditions for Agricultural Development Financing were adopted by IFAD's Executive Board on 29 April 2009. Sections 2.01, 4.08(a) and 5.01 were amended by decision of the Executive Board on 17 September 2010. Section 5.01 was further amended in 2013 further to GC Resolution 178/XXXVI. In April 2014, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2014/111/R.11. In December 2018, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2018/125/R.39. In December 2020, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2020/131/R.27/Rev.1. In December 2022, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2022/137/R.41 and EB 2022/137/R.41/Add.1.



"Designated Account" means an account designated for advance withdrawals by the Borrower/Recipient in accordance with Section 4.03(d).

"Eligible Expenditure" means an expenditure that complies with Section 4.07.

"Euro" or "EUR" each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

"Financing" means a Loan, a Grant, or a combination thereof.

"Financing Agreement" means a financing agreement pursuant to which the Fund agrees to extend Financing to the Borrower/Recipient in relation to a Project or Programme.

"Financing Closing Date" means the date on which the right of the Borrower/Recipient to request withdrawals from the Loan Account and/or Grant Account ends, which is six (6) months after the Project Completion Date or such later date as the Fund may designate by notice to the Borrower/Recipient.

"Fiscal Year" means the twelve-month period designated as such in an Agreement.

"Fraudulent practice" means any action or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

"Freely convertible currency" means any currency so designated by the Fund at any time.

"Fund" means the International Fund for Agricultural Development.

"Grant" means a grant extended to a Recipient pursuant to a Financing Agreement or other Agreement.

"Grant Account" means the account in the books of the Fund opened in the name of the Recipient to which the amount of the Grant is credited.

"Guarantee Agreement" means an agreement between a Member State and the Fund by which such Member State guarantees the performance of another Agreement.

"Guarantor" means any Member State designated as such in a Guarantee Agreement.

"IFAD Procurement Guidelines" means the *Procurement Guidelines* approved by the Fund's Executive Board in December 2004 (for Financing approved by the Fund's Executive Board prior to September 2010) or the *Project Procurement Guidelines* approved by the Fund's Executive Board in September 2010 (for Financing approved by the Fund's Executive Board after September 2010) or the Project Procurement Guidelines approved by the Fund's Executive Board in December 2019 (for Financing approved by the Fund's Executive Board after December 2019) as such guidelines may be amended, from time to time, by the Fund.

"IFAD Reference Interest Rate" means the rate determined periodically by the Fund as its reference rate for the computation of interest on its Loans.

"Lead Project Agency" means the entity designated as such in an Agreement, which has overall responsibility for the execution of a Project.

"Loan" means a loan extended by the Fund to the Borrower pursuant to a Financing Agreement.

"Loan Account" means the account in the books of the Fund opened in the name of the Borrower to which the amount of a Loan is credited.

"Loan Service Payment" means any payment required or permitted to be made by the Borrower or the Guarantor to the Fund under a Financing Agreement, including (but not limited to) any payment of the principal of, or interest or service charge on any Loan.

"Loan Service Payment Currency" means the freely convertible currency defined as such in a Financing Agreement.

"Member State" means any member state of the Fund.

"Obstructive practice" means: (i) deliberately destroying, falsifying, altering or concealing evidence that may be material to an investigation by the Fund, or making false statements to investigators in order to materially impede an investigation by the Fund into allegations of corrupt, fraudulent, coercive or collusive practices; and/or (ii) threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to an investigation by the Fund or from pursuing such investigation; and/or (iii) the commission of any acts intended to materially impede the exercise of the Fund's contractual rights of audit, inspection and access to information.

"Pound sterling" or "GBP" means the currency of the United Kingdom of Great Britain and Northern Ireland.

"Procurement Plan" means the Borrower/Recipient's Procurement Plan covering the initial eighteen (18) month period of Project implementation, as the same shall be updated to cover succeeding twelve (12) month periods.

"Project Procurement Arrangements" or "PPA" means the operational document set out unilaterally by the Fund which contains instructions on the execution of project procurement operations with respect to the acquisition of goods, works and services under a Financing Agreement. It may be unilaterally amended by the Fund from time to time based on the current overall Project Procurement Risk Matrix (PRM).

"Prohibited Practice" means any corrupt, fraudulent, collusive, coercive or obstructive practice engaged in connection with an IFAD-financed and/or managed operation or activity.

"Project" means the agricultural development project or programme described in an Agreement and financed, in whole or in part, by the Financing.

"Project Account" means an account for Project operations as described in Section 7.02(b).

"Project Agreement" means any agreement between the Fund and any Project Party relating to the implementation of all or any part of a Project.

"Project Completion Date" means the date specified in an Agreement on which the implementation of the Project is to be completed, or such later date as the Fund may designate by notice to the Borrower/Recipient.

"Project Implementation Period" means the period during which the Project is to be carried out, beginning on the date of entry into force of the Agreement and ending on the Project Completion Date.

"Project Member State" means the Member State in which the Project is carried out.

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"Project Party" means each entity responsible for the implementation of the Project or any part thereof. The term "Project Party" includes (but is not limited to) the Lead Project Agency and any entity designated as a Project Party in an Agreement.

"Project Year" means (i) the period beginning on the date of entry into force of an Agreement and ending on the last day of the then-current Fiscal Year, and (ii) each period thereafter beginning on the first day of the Fiscal Year and ending on the last day thereof, provided, however, that if the date of entry into force of the Agreement falls after the midpoint of the Fiscal Year, Project Year 1 shall continue through the following Fiscal Year.

"Recipient" means the party designated as such in an Agreement.

"Special Drawing Rights" or "SDR" mean special drawing rights as valued from time to time by the International Monetary Fund in accordance with its Articles of Agreement.

"Subsidiary Agreement" means any agreement or arrangement by which (i) the whole or part of the proceeds of the Financing are made available to a Project Party and/or (ii) a Project Party undertakes to carry out the Project, in whole or in part.

"Target Population" means the group of people intended to benefit from a Project.

"Taxes" means all imposts, levies, fees, tariffs and duties of any kind imposed, levied, collected, withheld or assessed by the Project Member State or any political subdivision thereof at any time.

"US dollar" or "USD" means the currency of the United States of America.

"Value Date" means, in respect of any withdrawal from the Loan Account, the date on which such withdrawal is deemed made in accordance with Section 4.05 and, in respect of any Loan Service Payment, the date on which such Loan Service Payment is deemed made in accordance with Section 5.04.

"Yen" or "JPY" means the currency of Japan.

Section 2.02. Use of Terms

As used in these General Conditions and any Agreement, except as the context otherwise requires, terms in the singular include the plural, terms in the plural include the singular, and masculine pronouns include the feminine.

Section 2.03. References and Headings

Unless otherwise indicated, references in these General Conditions to Articles or Sections refer to Articles or Sections of these General Conditions. The headings of the Articles and Sections and in the Table of Contents of these General Conditions are given for convenience of reference only and do not form an integral part of these General Conditions.

ARTICLE III - THE COOPERATING INSTITUTION

Section 3.01. Appointment of the Cooperating Institution

A Financing Agreement may provide that a Cooperating Institution will be appointed to administer the Financing and supervise the Project.

Section 3.02. Responsibilities of the Cooperating Institution

If appointed, the Cooperating Institution shall be responsible for:

- (a) facilitating Project implementation by assisting the Borrower/Recipient and the Project Parties in interpreting and complying with the Financing Agreement;
- (b) reviewing the Borrower/Recipient's withdrawal applications to determine the amounts which the Borrower/Recipient is entitled to withdraw from the Loan and/or Grant Account;
- (c) reviewing and approving on a no-objection basis the procurement of goods, civil works and services for the Project financed by the Financing;
- (d) monitoring compliance with the Financing Agreement, bringing any substantial non-compliance to the attention of the Fund and recommending remedies therefor; and
- (e) carrying out such other functions to administer the Financing and supervise the Project as may be set forth in the Cooperation Agreement.

Section 3.03. Cooperation Agreement

If a Cooperating Institution is appointed, the Fund shall enter into a Cooperation Agreement with the Cooperating Institution setting forth the terms and conditions of its appointment.

Section 3.04. Actions by the Cooperating Institution

Any action by the Cooperating Institution in accordance with a Cooperation Agreement shall be regarded and treated by the Borrower/Recipient, the Guarantor and the Project Parties as an action taken by the Fund.

Section 3.05. Cooperation by the Borrower/Recipient and the Project Parties

The Borrower/Recipient, the Guarantor and the Project Parties shall take all necessary or appropriate steps to enable the Cooperating Institution to carry out its responsibilities smoothly and effectively.

ARTICLE IV - LOAN ACCOUNT AND WITHDRAWALS

Section 4.01. Loan and Grant Accounts

Upon the entry into force of a Financing Agreement, the Fund shall open a Loan Account and/or a Grant Account denominated in the Denomination Currency in the name of the Borrower/Recipient and credit the principal amount of the Loan and/or the amount of the Grant, respectively thereto.

Section 4.02. Withdrawals from the Loan and Grant Accounts

- (a) Between the date of entry into force of the Agreement and the Financing Closing Date, the Borrower/Recipient may request withdrawals from the Loan Account and/or Grant Account of amounts paid or to be paid for Eligible Expenditures. The Fund shall notify the Borrower/Recipient of the minimum amount for withdrawals.
- (b) No withdrawal shall be made from the Loan and/or Grant Accounts until the first AWPB has been approved by the Fund and the Fund has determined that all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled. The Financing Agreement may also establish additional specific conditions precedent to withdrawal applicable to particular categories or activities. Withdrawals to meet the costs of starting up the

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Project may be made from the date of entry into force of the Agreement, subject to any limits established in the Financing Agreement.

Section 4.03. Applications for Withdrawal

- (a) When the Borrower/Recipient wishes to request a withdrawal from the Loan and/or Grant Accounts, the Borrower/Recipient shall deliver to the Fund an application in the form specified therefor by the Fund, together with such documents and other evidence in support of such application as the Fund shall reasonably request.
- (b) The Borrower/Recipient shall furnish to the Fund satisfactory evidence of the authority of the person or persons authorised to sign such applications and the authenticated specimen signature of each such person.
- (c) Each such application, and the accompanying documents and other evidence, must be sufficient to satisfy the Fund that the Borrower/Recipient is entitled to such withdrawal.
- (d) If the Borrower/Recipient requests a withdrawal from the Loan and/or Grant Accounts for amounts to be paid thereafter for Eligible Expenditures, the Fund may, before transferring such amount to the Borrower/Recipient, require that the Borrower/Recipient provide evidence satisfactory to the Fund showing that previous withdrawals have been properly spent for Eligible Expenditures. The Fund may place reasonable limits on the amount that the Borrower/Recipient may withdraw in advance or the overall balance of such advance withdrawals, and may require that such amounts be held in a freely convertible currency and/or be held in an account designated for that purpose in a bank acceptable to the Fund. Nothing stated in these General Conditions concerning acceptability of a bank shall be construed as a waiver of any right, power or remedy available to the Fund otherwise.

Section 4.04. Transfer by the Fund

Upon receipt of an authenticated and satisfactory application for withdrawal from the Borrower/Recipient, the Fund shall transfer to the account specified by the Borrower/Recipient the amount specified therein.

Section 4.05. Value Dates of Withdrawals

A withdrawal shall be deemed made as of the day on which the relevant financial institution debits the account of the Fund chosen for the purpose of disbursing such withdrawal.

Section 4.06. Allocations and Reallocations of Financing Proceeds

- (a) A Financing Agreement may allocate the amount of the Financing to categories of Eligible Expenditures and specify the percentages of such Eligible Expenditures to be financed by the Financing.
- (b) The Fund shall monitor the uses of the Financing in order to determine when the allocation to a category has been depleted or is about to be depleted.
- (c) If the Fund determines that the amount of the Financing allocated in the Financing Agreement to a category of Eligible Expenditures is or will be insufficient, the Fund may, by notice to the Borrower/Recipient:
 - (i) reallocate to such category amounts of the Financing allocated to another category to the extent required to meet the estimated shortfall; and/or

- (ii) if such reallocation will not fully meet the estimated shortfall, reduce the percentage of such Eligible Expenditures to be financed by the Financing.

Section 4.07. Eligible Expenditures

- (a) The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:
 - (i) The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and Procurement Plan and procured in conformity with the Fund's Procurement Guidelines, and the provisions of the Project Procurement Arrangements as further defined in article II, section 2.01. .
 - (ii) The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date.
 - (iii) The expenditure shall be incurred by a Project Party.
 - (iv) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category.
 - (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.
- (b) The Fund may from time to time exclude certain types of expenditure from eligibility.
- (c) Any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, shall not be eligible for financing by the Financing.
- (d) Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a Prohibited Practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.

Section 4.08. Refund of Withdrawals

If the Fund determines that any amount withdrawn from the Loan and/or Grant Accounts was used to finance an expenditure other than an Eligible Expenditure or will not be needed thereafter to finance Eligible Expenditures, the Borrower/Recipient shall promptly refund such amount to the Fund upon instruction by the Fund.

Except as the Fund shall otherwise agree, such refund shall be made in the currency used by the Fund to disburse such withdrawal. The Fund shall credit the Loan and/or Grant Accounts with the amount so refunded.

ARTICLE V - LOAN SERVICE PAYMENTS

Section 5.01. Lending Terms

- (a) Loans provided by the Fund shall be extended on the terms specified in the Financing Agreement and determined in accordance with the applicable lending policies of the Fund.
- (b) Interest and service charge shall accrue on the outstanding principal amount of the Loan and shall be generally, computed on the basis of a 360-day year of twelve (12) 30-day months. In respect of variable loans denominated in EUR, SDR and USD, interest and service charges shall accrue on an actual/360 day-count convention, unless otherwise expressly communicated by the Fund. The Fund shall provide the Borrower with a statement of interest and/or service charge due generated on the billing due dates specified in the Financing Agreement and the Borrower shall effect payment within thirty (30) days of such date.
- (c) The Fund shall publish the IFAD Reference Interest Rate applicable in each interest period.
- (d) During the grace period, interest and/or service charge shall accrue on the outstanding principal amount of the Loan and shall be payable semi-annually on the billing due dates, but no payments of principal shall be due.

Section 5.02. Repayments and Prepayments of Principal

- (a) The Borrower shall repay the aggregate principal amount of the Loan withdrawn from the Loan Account in semi-annual instalments, calculated on the basis of the total principal amount over the maturity period minus the grace period. The Fund shall inform the Borrower of the dates and amounts of the payments as soon as possible after the start of the period of maturity of the Loan. If the total principal amount of the Loan is not fully disbursed, upon cancellation of the undisbursed principal amount the schedule of repayments shall be recalculated on the basis of the amount actually disbursed minus principal repayments already received by the Fund.
- (b) The Borrower shall have the right to prepay all or any part of the principal amount of the Loan, provided that the Borrower pays all accrued and unpaid interest and/or service charges on the amount to be prepaid as of the prepayment date. All prepayments shall be credited against the remaining Loan instalments in such manner as the Borrower and the Fund shall agree.
- (c) The Fund may modify the repayment terms applicable to the principal amount of the Loan disbursed and outstanding in accordance with the applicable accelerated repayment and voluntary prepayment framework of the Fund.
- (d) Pursuant to paragraph (c) above, upon notification by the Fund to the Borrower, the Borrower shall repay twice the original amount of the remaining loan instalments of the withdrawn loan outstanding, along with any interest due.
- (e) If, at any time after the repayment terms have been modified pursuant to paragraph (c) above, the Fund determines that the Borrower's economic condition has deteriorated significantly, the Fund may, if so requested by the Borrower, further reverse the terms of repayment of the principal amount to the ones originally agreed upon in this Agreement.

Section 5.03. Manner and Place of Payment

All Loan Service Payments shall be paid to such account or accounts in such bank or other financial institution as the Fund may designate by notice to the Borrower.

Section 5.04. Value Dates of Loan Service Payments

Loan Service Payments shall be deemed made as of the day on which the designated account of the Fund is properly credited with such amount. If the amount is credited within the period indicated in Section 5.01(b), the value date of payment shall be the billing due date. If the amount is credited after the period indicated in Section 5.01(b), the value date of payment shall be the day the amount is credited.

ARTICLE VI - CURRENCY PROVISIONS

Section 6.01. Currencies for Withdrawals

- (a) Withdrawals from the Loan and/or Grant Accounts shall be made in the respective currencies in which expenditures to be financed out of the proceeds of the Financing have been paid or are payable, or in such currency or currencies as the Fund may select.
- (b) The Loan and/or Grant Accounts shall be debited by the amount withdrawn in the Denomination Currency or, if the amount so withdrawn is disbursed in another currency, its equivalent in the Denomination Currency as of the value date of withdrawal.

Section 6.02. Loan Service Payment Currency

All Loan Service Payments shall be made in the Loan Service Payment Currency specified in the Financing Agreement. The amount of any Loan Service Payment shall be converted into the Denomination Currency, if necessary, at the rate applicable on the value date of payment in accordance with the provisions of Section 6.03.

Section 6.03. Valuation of Currencies

The rate of conversion from one currency to another, or from a currency to Special Drawing Rights, shall be the published rate of the International Monetary Fund available to the Fund on the value date of payment or withdrawal, as the case may be, or such other rate as the Fund may notify to the Borrower/Recipient.

ARTICLE VII - IMPLEMENTATION OF THE PROJECT

Section 7.01. Project Implementation

- (a) The Borrower and each of the Project Parties shall carry out the Project:
 - (i) with due diligence and efficiency;
 - (ii) in conformity with appropriate administrative, engineering, financial, economic, operational, environmental, social and agricultural development practices (including rural development practices) and good governance;
 - (iii) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund;

- (iv) in accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan;
 - (v) In accordance with the policies, criteria and regulations relating to agricultural development financing laid down from time to time by the Governing Council and Executive Board of the Fund; and
 - (vi) so as to ensure the sustainability of its achievements over time.
- (b) (i) Projects shall be implemented on the basis of an AWPB and relevant Procurement Plan. The Lead Project Agency shall prepare a draft Project AWPB for each Project based, to the extent appropriate, on the draft AWPBs prepared by the various Project Parties. Each draft Project AWPB shall include, among other things, a detailed description of planned Project activities during the coming Project Year, a Procurement Plan, and the sources and uses of funds.
- (ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft Project AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year. If the Fund does not comment on the draft Project AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.
- (iii) The Lead Project Agency shall adopt the Project AWPB in the form accepted by the Fund.
- (iv) The Lead Project Agency may propose adjustments in the Project AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund.

Section 7.02. Availability of Financing Proceeds

- (a) The Borrower/Recipient shall make the proceeds of the Financing available to the Project Parties upon terms and conditions specified in the Financing Agreement or otherwise approved by the Fund for the purpose of carrying out the Project.
- (b) The Financing Agreement may provide that the Borrower/Recipient open and maintain (i) one or more Project Account(s) for Project operations in a bank acceptable to the Fund, and/or (ii) one or more Designated Account(s) to receive advances in accordance with Section 4.03(d). The Borrower/Recipient shall identify the Project Party responsible for operating such account or accounts. Unless otherwise specified in the Financing Agreement, such accounts, shall be operated in accordance with the applicable rules and regulations of the Project Party responsible therefor. Nothing stated in these General Conditions concerning acceptability of a bank shall be construed as a waiver of any right, power or remedy available to the Fund otherwise.

Section 7.03. Availability of Additional Resources

In addition to the proceeds of the Financing, the Borrower/Recipient shall make available to the Project Parties such funds, facilities, services and other resources as may be required to carry out the Project in accordance with Section 7.01.

Section 7.04. Coordination of Activities

In order to ensure that the Project is carried out in accordance with Section 7.01, the Borrower/Recipient shall ensure that the relevant activities of its ministries, departments and agencies, and those of each Project Party, are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 7.05. Project Procurement

- (a) Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of:
 - i) the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines; and
 - ii) the Project-specific PPA.
- (b) Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines and shall list all procurement activities to be implemented within the relevant period, including salaries of key project personnel but excluding operational costs. The Procurement Plan must be kept updated and upgraded by the Borrower/Recipient.
- (c) Procurement of goods, works and services financed by the IFAD Financing shall be carried out under the Lead Project agency. In the event that Project procurement activities are carried out by Project Parties, these shall be identified in Schedule 1 of the Financing Agreement. Any changes to the Project Parties in charge of Project procurement activities shall be subject to IFAD's prior agreement and processed via an amendment to the Financing Agreement.
- (d) By notice to the Borrower/Recipient, the Fund shall require that all Project Procurement documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:
 - (i) respect the Updated Social, Environmental Climate Assessment Procedures of IFAD, as amended from time to time (Updated SECAP);
 - (ii) abide by the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, and the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse and IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy, as amended from time to time;
 - iii) allow full inspection by the Fund of all bid documentation, contracts, bidder complaints and related records;
 - (iv) maintain all documents and records (including electronic records) related to a bid or contract for at least three (3) years after completion of the procurement processor contract execution; and
 - (v) fully cooperate with agents or representatives of the Fund carrying out an audit or investigation.
- (e) The Borrower/Recipient shall ensure that all Project procurement documents, contracts, memorandums of understanding, purchase orders and related payments

are registered in the procurement and contract monitoring systems currently adopted by IFAD in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the procurement and contract data is kept up to date on a continuous basis.

Section 7.06. Social, Environmental and Climate Assessment Procedures

- (a) The Borrower/Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project/Programme in accordance with the nine standards and other measures and requirements set forth in the Updated SECAP, as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower/Recipient shall not amend, vary or waive any provision of the Updated SECAP, unless agreed in writing by the Fund in the Financing Agreement and/or in the management plan(s), if any.
- (b) The Borrower/Recipient shall cause the Lead Project Agency to comply at all times while carrying out the Project/Programme with the standards, measures and requirements set forth in the updated SECAP and the management plan(s), if any.
- (c) The Borrower/Recipient will ensure that a Project/Programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project/Programme activity and potential impacts to promptly receive and resolve concerns and complaints (e.g. in respect of compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project/Programme for people who may be unduly and adversely affected or potentially harmed if the Project/Programme fails to meet the SECAP standards and related policies. The Project/Programme-level grievance mechanism shall take into account Indigenous Peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected Indigenous Peoples shall be used to the greatest extent possible.
- (d) The Borrower/Recipient shall fully cooperate with the Fund concerning such supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of the Updated SECAP and the management plan(s), if any, as the Fund may consider appropriate depending on the scale, nature and risks of the Project/Programme.

Section 7.07. Money Laundering, Terrorism Financing and Sanctions

The Borrower/Recipient and the Project Parties shall ensure their commitment to combatting and preventing money laundering, terrorism financing and related risks, and dealing with sanctioned entities in line with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy ("AML-CFT Policy") and Section 4.07(c) of these General Conditions respectively. These measures shall be aligned to the principles of the AML-CFT Policy and Section 4.07(c) of these General Conditions, as may be amended from time to time. The Fund may take appropriate measures to support compliance with the above.

Section 7.08. Fraud and Corruption

The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, as may be amended from time to time. The Fund may take appropriate measures in line with such Policy.

Section 7.09. Sexual Harassment, Sexual Exploitation and Abuse

The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time. The Fund may take appropriate measures in line with such Policy.

Section 7.10. Protection of Personal Data

The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the principles and provisions of IFAD's Personal Data Privacy Guidelines in its Activities and Operations, as may be amended from time to time. The Fund may take appropriate measures in line with such Guidelines.

Section 7.11. Use of Goods and Services

All goods, services and buildings financed by the Financing shall be used exclusively for the purposes of the Project.

Section 7.12. Maintenance

The Borrower/Recipient shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed.

Section 7.13. Insurance

- (a) The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.
- (b) The Borrower/Recipient or the Lead Project Agency shall insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice.

Section 7.14. Subsidiary Agreements

- (a) The Borrower/Recipient shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement.
- (b) The Borrower/Recipient and each Project Party shall exercise its rights under any Subsidiary Agreement to which it is party to ensure that the interests of the Borrower/Recipient and the Fund are fully protected and the Project is carried out in accordance with Section 7.01.
- (c) No provision of any Subsidiary Agreement to which the Borrower/Recipient is a party shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund.
- (d) The Borrower/Recipient shall bear any foreign exchange risk under any Subsidiary Agreement to which it is party, unless otherwise agreed by the Fund.
- (e) Any changes to the Project Parties in charge of Project procurement activities shall be subject to IFAD's prior agreement and shall be processed via an amendment to the Financing Agreement.

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Section 7.15. Performance of the Agreements

- (a) The Borrower/Recipient shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the Lead Project Agency and all other Project Parties under any Agreement. To the extent any Project Party enjoys legal personality separate from the Borrower/Recipient, any reference to an obligation of such Project Party in an Agreement shall be deemed an obligation of the Borrower/Recipient to ensure that such Project Party performs such obligation. The acceptance by any Project Party of any obligation ascribed to it in an Agreement shall not affect the responsibilities and obligations of the Borrower/Recipient.
- (b) The Borrower/Recipient shall take all necessary or appropriate action within its powers to enable and assist the Lead Project Agency and any other Project Party to perform its obligations under an Agreement. The Borrower/Recipient shall not take, and shall not permit any third party to take, any action that would interfere with such performance.

Section 7.16. Key Project Personnel

The Borrower/Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Agreement or otherwise approved by the Fund. The Borrower/Recipient or the Lead Project Agency shall employ, as required, key staff whose qualifications, experience and terms of reference are satisfactory to, and have been approved by IFAD. Key Project personnel may be seconded to the Project in the case of government officials or recruited under a fixed-term contract following the individual consultant selection method in the IFAD Procurement Handbook, or by any equivalent selection method in the applicable national procurement system that is acceptable to IFAD. The recruitment and dismissal of key Project personnel is subject to IFAD's prior review and approval. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. It is expected that any contract signed between the Borrower/Recipient and key Project personnel shall be compliant with the national labour regulations or the International Labour Standards of the International Labour Organization (whichever is more stringent) in order to satisfy the conditions of the Updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project/Programme's circumstances.

Section 7.17. Project Parties

Each Project Party shall, as required to carry out the Project in accordance with Sections 7.01 and 7.05:

- (a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises;
- (b) employ competent and experienced management and personnel and ensure that their conduct is motivated by the highest ethical standards;
- (c) operate, maintain and replace its plant, equipment and other properties; and
- (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.



Section 7.18. Allocation of Project Resources

The Borrower/Recipient and the Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods.

Section 7.19. Environmental Factors

The Borrower/Recipient and the Project Parties shall take all reasonable measures to ensure that the Project is carried out with due diligence in regard to environmental factors and in conformity with national environmental laws and any international treaties to which the Project Member State may be party. In particular, the Project Parties shall maintain appropriate pest management practices under the Project and, to that end, shall comply with the principles of the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended, and ensure that pesticides procured under the Project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class Ia) or Highly Hazardous (Class Ib) according to *The WHO Recommended Classification of Pesticides by Hazard*, as amended.

Section 7.20. Relending Rates

During the Project Implementation Period, the Borrower/Recipient and the Fund shall periodically review the interest rates applicable to any credits extended to members of the Target Population which are financed (directly or indirectly) by the Financing. These reviews shall be conducted jointly with the objective of reaching or maintaining positive interest rates over time. The Borrower/Recipient shall take any appropriate measures, consistent with its policies and the Fund's policies, to achieve that objective. Among such measures, the Borrower/Recipient and each Project Party extending such credits shall endeavour to minimise its costs. For purposes of this Section, the term "positive interest rate" means, in respect of any credit extended by any Project Party, an interest rate which, after giving effect to inflation, permits such Project Party to recover its costs and achieve sustainability.

Section 7.21. Project Completion

The Borrower/Recipient shall ensure that the Project Parties complete the implementation of the Project by the Project Completion Date. The Fund and the Borrower/Recipient shall agree on the disposition of the assets of the Project upon its completion.

ARTICLE VIII - IMPLEMENTATION REPORTING AND INFORMATION

Section 8.01. Implementation Records

The Borrower/Recipient shall ensure that the Project Parties maintain records and documents adequate to reflect their operations in implementing the Project (including, but not limited to, copies or originals of all correspondence, minutes of meetings and all documents relating to procurement) until the Project Completion Date, and shall retain such records and documents for at least ten (10) years thereafter.

Section 8.02. Monitoring of Project Implementation

The Lead Project Agency shall:

- (a) establish and thereafter maintain an appropriate information management system in accordance with the Fund's operational guidelines and Results Measurement Framework;



- (b) during the Project Implementation Period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives; and
- (c) during the Project Implementation Period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents.

Section 8.03. Progress Report and Mid-Term Reviews

- (a) The Lead Project Agency, or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the Project and achieving its objectives, (ii) problems encountered during the reporting period, (iii) steps taken or proposed to be taken to remedy these problems, and (iv) the proposed programme of activities and the progress expected during the following reporting period.
- (b) If specified in an Agreement, the Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.
- (c) The Borrower/Recipient shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing.

Section 8.04. Completion Report

As promptly as possible after the Project Completion Date but in any event no later than the Financing Closing Date, the Borrower/Recipient shall furnish to the Fund a report on the overall implementation of the Project, in such form and substance as may be specified in the Financing Agreement or as the Fund shall reasonably request. At a minimum, such report shall address (i) the costs and benefits of the Project, (ii) the achievement of its objectives, (iii) the performance by the Borrower/Recipient, the Project Parties, the Fund of their respective obligations under the Agreement, and (iv) lessons learned from the foregoing.

Section 8.05. Plans and Schedules

The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.

Section 8.06. Other Implementation Reports and Information.

In addition to the reports and information required by the foregoing provisions of this Article:

- (a) The Borrower/Recipient and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any matter relating to the Project or any Project Party.
- (b) The Borrower/Recipient and the Project Parties shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the implementation of the Project or the achievement of its objectives. In particular, the Borrower/Recipient and the Project Parties shall promptly notify the Fund of any allegations of fraud and/or corruption that are received in relation to any of the Project activities.
- (c) The Borrower/Recipient and the Project Parties shall promptly inform the Fund of any non-compliance with the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse.

ARTICLE IX - FINANCIAL REPORTING AND INFORMATION

Section 9.01. Financial Records

The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.

Section 9.02. Financial Statements

The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.

Section 9.03. Audit of Accounts

The Borrower/Recipient shall:

- (a) each Fiscal Year, have the accounts relating to the Project audited by independent auditors acceptable to the Fund in accordance with auditing standards acceptable to the Fund and the Conceptual Framework for Financial Reporting and Auditing of IFAD-financed Projects and Related Handbook ;
- (b) within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof;
- (c) if the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project. The Fund may finance the cost of such audit by withdrawal from the Loan and/or Grant Accounts.

Section 9.04. Other Financial Reports and Information

In addition to the reports and information required by the foregoing provisions of this Article:

- (a) The Borrower/Recipient and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any financial matter relating to the Financing or the Project or any Project Party.

- (b) The Borrower/Recipient and the Guarantor shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the maintenance of Loan Service Payments.
- (c) The Project Member State shall promptly furnish to the Fund all information that the Fund may reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt.

ARTICLE X - COOPERATION

Section 10.01. Cooperation, Generally

The Fund, the Cooperating Institution and each Project Party shall cooperate fully to ensure that the objectives of the Project are achieved.

Section 10.02. Exchange of Views

The Fund, the Borrower/Recipient and the Lead Project Agency shall, from time to time at the request of any one of them, exchange views on the Project, the Financing, or any Project Party.

Section 10.03. Visits, Inspections and Enquiries

The Borrower/Recipient and the Project Parties shall enable agents and representatives of the Fund from time to time to:

- (a) visit and inspect the Project, including any and all sites, works, equipment and other goods used for Project-related purposes;
- (b) examine the originals and take copies of any data, accounts, records and documents relevant to the Financing, the Project, or any Project Party; and
- (c) visit, communicate with and make enquiries of all Project personnel and any staff member of any Project Party.

Section 10.04. Audits Initiated by the Fund

The Borrower/Recipient and the Project Parties shall permit auditors designated by the Fund to audit the records and accounts relating to the Project. The Borrower/Recipient and the Project Parties shall cooperate fully with any such audit and accord the auditors the full rights and privileges of agents or representatives of the Fund under Section 10.03. With the exception of audits carried out in accordance with Section 9.03(c), the Fund shall bear the cost of such audits.

Section 10.05. Evaluations of the Project

- (a) The Borrower/Recipient and each Project Party shall facilitate all evaluations and reviews of the Project that the Fund may carry out during the Project Implementation Period and for ten (10) years thereafter.
- (b) As used in this Section, the term "facilitate", in addition to full compliance with Articles VIII, IX and this Article X in respect of such evaluations and reviews, includes providing timely logistical support by making available Project personnel and equipment and promptly taking such other action as the Fund may request in connection with such evaluations and reviews, but does not include incurring out-of-pocket expenses.

Section 10.06. Country Portfolio Reviews

The Project Member State shall permit the agents and representatives of the Fund, in consultation with the Project Member State, to enter its territory from time to time to exchange views with such persons, visit such sites, and examine such data, records and documents as the Fund may reasonably request in order to carry out a general review of all projects and programmes financed, in whole or in part, by the Fund in its territory and all financing extended by the Fund to the Project Member State. The Project Member State shall ensure that all concerned parties cooperate fully in such review.

ARTICLE XI - TAXATION

Section 11.01. Taxation

- (a) The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.
- (b) The Agreement shall be exempt from any Taxes on signature, delivery or registration.
- (c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures to be financed by the Financing which are specified in the Financing Agreement.

ARTICLE XII - REMEDIES OF THE FUND

Section 12.01. Suspension by the Fund

- (a) Whenever any of the following events has occurred and is continuing, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts:
 - (i) The Borrower has failed to make any Loan Service Payment when due, whether or not the Guarantor or any other third party has made such Loan Service Payment.
 - (ii) The Borrower/Recipient has failed to make any payment due under any other Financing Agreement, Guarantee Agreement, or other financial obligation of any kind of the Borrower/Recipient to the Fund, whether or not any third party has made such payment.
 - (iii) The Guarantor has failed to make any Loan Service Payment when due.
 - (iv) The Guarantor has failed to make any payment due under any other Financing or Guarantee Agreement between the Guarantor and the Fund, or other financial obligation of any kind of the Guarantor to the Fund.
 - (v) The Fund has determined that the Project has failed to fulfil, or is unlikely to fulfil in a timely manner, its purposes as stated in the Agreement.
 - (vi) The Fund has determined that a situation has arisen which may make it improbable that the Project can be successfully carried out or that any Project Party will be able to perform any of its obligations under any Agreement.

- (vii) The Project Member State has been suspended from membership in the Fund or ceased to be a Member State; or the Project Member State has delivered a notice of its intention to withdraw from the Fund.
- (viii) Any representation made by the Borrower/Recipient, the Guarantor, or any Project Party in any Agreement, or any statement furnished in connection therewith and relied upon by the Fund in making the Financing, is incorrect or misleading in any material respect.
- (ix) If the Borrower/Recipient is not a Member State, the Fund has determined that any material adverse change in the condition of the Borrower/Recipient has occurred.
- (x) Either the Borrower/Recipient or the Guarantor has been unable to pay its debts generally as they come due.
- (xi) Any competent authority has taken action for the dissolution of the Lead Project Agency or suspension of its operations.
- (xii) Any competent authority has taken action for the dissolution of any Project Party (other than the Lead Project Agency) or suspension of its operations, and the Fund has determined that such dissolution or suspension is likely to have a material adverse effect on the Project.
- (xiii) The Borrower/Recipient has failed to make any funds, facilities, services and other resources available to the Project Parties in accordance with Sections 7.02 or 7.03.
- (xiv) The Fund has not received any audit report or other document referred to in Article VIII (Implementation Reporting and Information) or Article IX (Financial Reporting and Information) within the time prescribed therefor in the Agreements, or the audit report is not fully satisfactory to the Fund, or the Borrower/Recipient or any other Project Party has otherwise failed to perform its obligations under Article VIII or IX.
- (xv) The Lead Project Agency or any other Project Party has failed to perform any of its obligations under a Project Agreement.
- (xvi) The Borrower/Recipient or the Lead Project Agency has failed to perform any of its obligations under any Subsidiary Agreement.
- (xvii) Any Project Party (other than the Lead Project Agency) has failed to perform any of its obligations under any Subsidiary Agreement, and the Fund has determined that such failure has had, or is likely to have, a material adverse effect on the Project.
- (xviii) Any Subsidiary Agreement or any provision thereof has been assigned, waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such assignment, waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
- (xix) The Fund has suspended, in whole or in part, the right of the Borrower/Recipient or the Guarantor to request or make withdrawals under any other Agreement with the Fund.



- (xx) The Borrower/Recipient or any Project Party has failed to perform any other obligation under the Financing Agreement or any other Agreement.
- (xxi) The Fund determines that any amount of the Financing has been used to finance an expenditure other than an Eligible Expenditure.
- (xxii) The Fund, after consultation with the Borrower/Recipient, has determined that the material benefits of the Project are not adequately reaching the Target Population, or are benefiting persons other than the Target Population to the detriment of the Target Population.
- (xxiii) The Borrower/Recipient has defaulted in the performance of any Special Covenant set forth in the relevant Agreement, and such default has continued unremedied for a period of thirty (30) days, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.
- (xxiv) At any time that the Fund determines, with respect to any amount of the Financing, that Prohibited Practices were engaged in by representatives of the Borrower/Recipient or a Project Party or by any other recipients of the proceeds of the Financing without the Borrower/Recipient having taken timely and appropriate action, satisfactory to the Fund, to address such practices when they occur.
- (xxv) The Fund, after consultation with the Borrower/Recipient, has determined that acts of sexual harassment, sexual exploitation and abuse were engaged in by representatives of the Borrower/Recipient or a Project Party or by any other recipients of the proceeds of the Financing without the Borrower/Recipient having taken timely and appropriate action, satisfactory to the Fund, to address such acts when they occur.
- (xxvi) Procurement has not been or is not being carried out in accordance with the IFAD Procurement Guidelines.
- (xxvii) Upon the occurrence or non-occurrence, as the case may be, of any event specified in the relevant Agreement as an additional ground for suspension.

Such suspension shall become effective upon dispatch of notice by the Fund to the Borrower/Recipient and the Guarantor. Such suspension shall continue until the Fund has notified the Borrower/Recipient that the Borrower/Recipient's right to request withdrawals has been restored in whole or in part.

- (b) If the audit report required by Section 9.03 has not been submitted to the Fund within six (6) months of the date on which it is due, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts shall be suspended, unless the Fund determines otherwise upon reasonable cause shown.

Section 12.02. Cancellation by the Fund

- (a) If any of the following events has occurred, the Fund may cancel in whole or in part the remaining amounts in the Loan and/or Grant Accounts:
 - (i) The right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts has been suspended under Section 12.01 with respect to any amount of the Financing for a continuous period of at least thirty (30) days.

- (ii) The Fund determines after consultation with the Borrower/Recipient that any amount of the Financing will not be required to finance the Project.
- (iii) After consultation with the Borrower/Recipient, the Fund determines, with respect to any amount of the Financing, that Prohibited Practices were engaged in by representatives of the Borrower/Recipient or any Project Party or any other recipient of the proceeds of the Financing without the Borrower/Recipient having taken timely and appropriate action, satisfactory to the Fund, to remedy the situation.
- (iv) The Fund has determined that any amount of the Financing has been used to finance an expenditure other than an Eligible Expenditure and the Borrower/Recipient has failed to promptly refund such amount to the Fund upon the Fund's instructions.
- (v) The Fund has received any notice from the Guarantor terminating its obligations under the Guarantee Agreement.
- (vi) The Mid-Term Review has recommended that the Project be terminated.
- (vii) Upon the occurrence or non-occurrence, as the case may be, of any event specified in the relevant Financing Agreement as an additional ground for cancellation.
- (viii) The Financing has not started disbursing within eighteen (18) months from entry into force of the Financing Agreement.

Such cancellation shall be effective upon dispatch of notice to the Borrower/Recipient.

- (b) Any amounts remaining in the Loan and/or Grant Accounts shall be cancelled on the Financing Closing Date, except for any unwithdrawn balances of applications for withdrawal received by the Financing Closing Date.

Section 12.03. Cancellation by the Borrower/Recipient

After consultation with the Fund and with the concurrence of the Guarantor, the Borrower/Recipient may by notice to the Fund cancel any unwithdrawn amount of the Financing. Such cancellation shall become effective upon acknowledgement thereof by the Fund.

Section 12.04. Applicability of Cancellation or Suspension

Except as expressly provided in this Article, all provisions of the Financing Agreement shall continue in full force and effect notwithstanding any cancellation or suspension.

Section 12.05. Acceleration of Maturity

If at any time any of the following events has occurred, at any subsequent time during the continuance thereof, the Fund may declare the principal amount of the Loan then outstanding, together with all accrued interest and other charges thereon, to be immediately due and payable:

- (a) any event specified in paragraphs (v) through (xii), inclusive, of Section 12.01 has occurred;
- (b) the Fund has declared the principal of any other loan to the Borrower/Recipient or the Guarantor then outstanding to be immediately due and payable;

- (c) any event specified in paragraphs (i) through (iv), inclusive, of Section 12.01 has occurred and continues for a period of thirty (30) days;
- (d) any event specified in paragraphs (xiii) through (xxvii), inclusive, of Section 12.01 has occurred and continues for a period of sixty (60) days after notice thereof has been given by the Fund to the Borrower/Recipient and the Guarantor; or
- (e) any other event specified in the Financing Agreement for the purposes of this Section has occurred and has continued for the period, if any, specified in the Financing Agreement.

Such declaration shall be effective upon dispatch of notice to the Borrower/Recipient and the Guarantor, whereupon such principal, interest and other charges shall become due and payable immediately.

Section 12.06. Other Remedies

The remedies of the Fund set forth in this Article shall not limit or otherwise prejudice any rights or remedies available to the Fund otherwise.

ARTICLE XIII - ENTRY INTO FORCE AND TERMINATION

Section 13.01. Entry into Force

An Agreement or amendment thereto shall enter into force on the date when both the Fund and the Borrower/Recipient have signed it, unless the Agreement states that it is subject to ratification, in which case the Agreement shall enter into force on the date the Fund receives an instrument of ratification.

Section 13.02. Termination before Withdrawal

The Fund may terminate the Agreement and all rights and obligations of the parties thereunder if:

- (a) before the date of first withdrawal from the Loan and/or Grant Accounts, any event of suspension specified in Section 12.01 has occurred; or
- (b) before the date of first withdrawal from the Loan and/or Grant Accounts, the Borrower/Recipient, the Guarantor or any other Project Party has taken any action inconsistent with the object and purpose of any Agreement.

Section 13.03. Termination upon Full Performance

An Agreement and all obligations of the parties thereunder shall terminate when the entire principal amount of the Loan withdrawn from the Loan Account and all interest and other charges which shall have accrued on the Loan have been paid and when all other obligations of the parties have been fully performed, or when agreed by the parties.

ARTICLE XIV - ENFORCEABILITY AND RELATED MATTERS

Section 14.01. Enforceability

The Agreement and the rights and obligations of the parties thereunder shall be valid and enforceable in accordance with their terms, regardless of any law to the contrary in the territory of the Project Member State.

Section 14.02. Failure to Exercise Rights

No delay in exercising, or failure to exercise, any right, power or remedy of any party under an Agreement shall impair any such right, power or remedy, or be construed as a waiver thereof. No action or omission of any party in respect of any default under an Agreement shall impair any right, power or remedy of such party in respect of any subsequent default.

Section 14.03. Rights and Remedies Cumulative

The rights and remedies of any party under an Agreement are cumulative and (except as otherwise expressly provided) not exclusive of any right or remedies that such party would otherwise have.

Section 14.04. Settlement of Disputes

Any dispute, controversy or claim arising out of, or in relation to, an Agreement, or the existence, interpretation, application, breach, termination, or invalidity thereof, shall be settled in accordance with the Arbitration Rules (2012) of the Permanent Court of Arbitration.

- (a) The number of arbitrators shall be one (1).
- (b) The place of arbitration shall be Rome, Italy.
- (c) The language to be used in the arbitral proceedings shall be the language of the Agreement.

Section 14.05. Privileges and Immunities

Nothing contained in these General Conditions, in the Agreement or in any document relating thereto shall be construed: (i) as a waiver, express or implied, of any of the privileges and immunities granted to IFAD under local and/or customary and conventional international law, nor as conferring any such privileges or immunities of IFAD to any third party; (ii) as the acceptance by IFAD of the applicability of the laws of any country to IFAD; or (iii) as the acceptance by IFAD of the jurisdiction of the courts of any country or of any international or arbitral courts whose jurisdiction IFAD has not recognized.

Section 14.06. Applicable Law

Any Agreement subject to these General Conditions shall be governed by, and construed in accordance with, public international law, to the exclusion of any national system of law.

ARTICLE XV - MISCELLANEOUS PROVISIONS

Section 15.01. Communications

All notices, requests and other communications given or made under an Agreement shall be in writing. Except as otherwise expressly provided in the Agreement, any such notice, request or other communication shall be deemed duly given or made when delivered by hand, mail, telegram, facsimile or email to the party to which it is given or made at such party's address specified in the particular Agreement, or at such other address as such party may designate by notice to the other parties thereto.

Section 15.02. Language of Reporting

The Borrower/Recipient and the Project Parties shall deliver all reports and information to the Fund in the language of the Agreement, or in any other language agreed by the parties.

Section 15.03. Authority to Take Action

The representative or agent so designated in any Agreement, or another person duly authorized in writing by such representative or agent, may take any action and sign any document in connection with such Agreement on behalf of such party.

Section 15.04. Evidence of Authority

Upon request by the Fund, the Borrower/Recipient, the Guarantor and any Project Party shall furnish to the Fund sufficient evidence of the authority of the person or persons referred to in Section 15.03, and the authenticated specimen signature of each such person.

Section 15.05. Modifications of the Agreement

The parties may agree from time to time to modify the terms and conditions of an Agreement or the application of the Agreement. Any amendment to an Agreement shall enter into force in accordance with the provisions of Section 13.01 hereof, unless the parties agree otherwise.

Section 15.06. Change of Entity or Representative

If a party wishes to appoint any successor to, reassigns the responsibilities of, or changes the designation or address of any of the entities specified in an Agreement, such party shall give notice thereof to the other parties. Upon acceptance by the other parties, such new entity shall constitute the entity fully responsible for carrying out the functions assigned to its predecessor under the Agreement.

Section 15.07. Signature of the Agreement

The signature of an Agreement by a party shall constitute the expression of such party's consent to be bound thereby, subject only to any ratification or authorisation required by a rule of internal law of fundamental importance and disclosed to the other party in writing before such signature.