LOAN NO. 2000001753
GRANT NO. 2000001752

FINANCING AGREEMENT

Cao Bang Bac Kan: Commercial Smallholder Support Project
(CSSP)

between the

SOCIALIST REPUBLIC OF VIET NAM

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in Rome, Italy

on 24 March 2017

FINANCING AGREEMENT

IFAD Loan Number: 2000001753
IFAD Grant Number: 2000001752

Project Title (English): Cao Bang Bac Kan: Commercial Smallholder Support Project (CSSP) (the "Project")

Project Title (Vietnamese): Du an Ho tro kinh doanh cho nong ho tinh Cao Bang va Bac Kan (CSSP).

The Socialist Republic of Viet Nam (the "Borrower/Recipient").

and

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

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

hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended 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.

3. The Fund shall provide a Loan and Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. (a) The amount of the Loan is forty two million five hundred thousand USD Dollars (USD 42 500 000).

   (b) The amount of the Grant is five hundred thousand US Dollars (USD 500 000).

2. The Loan shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25 per cent per annum and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years, and in addition a service charge of 0.75 per cent per annum, starting from the date of approval by the Executive Board.

3. The Loan Service Payment Currency shall be United States dollar (USD).

4. The first day of the applicable Fiscal Year shall be 1 January.

5. The Borrower shall repay the outstanding principal amount of the Loan in 40 equal semi-annual instalments payable on each 15 June and 15 December commencing on

15 December 2021 and ending on 15 June 2041. Interest and service charges shall also be payable on each 15 June and 15 December.

6. There shall be two Designated Accounts (DA) denominated in USD and operated by the Cao Bang and Bac Kan Provincial Project Coordination Offices (PCOs) in a bank nominated by the Borrower for receiving Loan proceeds withdrawn in advance for each Province of the Project Area. There shall be one DA denominated in USD and operated by the Ministry of Agriculture and Rural Development (MARD) in a bank nominated by the Borrower for receiving Grant proceeds withdrawn in advance. Project Accounts shall be opened and maintained by implementing agencies and participating districts in accordance with the Borrower's regulation where project activities will be implemented in local currency at the Provincial and district Treasury of the Project Areas to receive and maintain funds transferred from the Designated Accounts.

7. The Borrower/Recipient shall cover all taxes and duties incurred in Vietnam on all Project expenditures. In addition, the Borrower/Recipient shall provide counterpart financing for the Project in cash or in kind an amount of approximately USD 20.6 million to cover inter alia, Project staff salary costs, taxes and other recurrent expenditures. The counterpart funds shall be held in segregated accounts. The beneficiaries shall provide co-financing contribution in cash or in kind equivalent to approximately USD 10.7 million.

Section C

1. The Borrower/Recipient shall act through the Provincial People's Committees (PPC) of the Cao Bang and Bac Kan provinces and MARD who shall be responsible for the execution of the Project.

2. The following are designated as additional Project Parties:

(a) The line agencies responsible for the implementation of Project activities such as the Department of Planning and Investment (DDI), the Department of Agriculture and Rural Development (DARD) and the Department of Natural Resource and Environment (DoNRE) of the PPCs.

(b) The Women's Unions (WU) of the Cao Bang and Bac Kan Provinces and any other entity responsible for the implementation of the Project, as identified in this Agreement or in the Project Implementation Manual, or as may be agreed upon by the Borrower/Recipient and the Fund.

(c) The National Coordination Office (NCO) of the National Target Programme for New Rural Development (NTP-NRD) of MARD for implementation of the Grant.

3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

1. The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as additional ground for suspension of this Agreement: The Project Implementation Manual referred to in paragraph 14 of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such

waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. *Retroactive Financing*. Withdrawals not exceeding in the aggregate the equivalent of USD 300 000 for each province may be made from the Loan Account in respect of expenditures for Categories I (Equipment and material); II A (Consultancies-Loan) and III (Training) of the Allocation Table set forth in Paragraph 1 of Schedule 2 incurred before the Effective Date, but after 15 December, 2016. Such expenditures shall be considered Eligible Expenditures for all purposes of this Agreement, if otherwise eligible.

3. The following are designated as additional general conditions precedent to withdrawal:

(a) The Designated Accounts (DA) shall have been duly opened;

(b) The PPCOs have been duly established;

(c) The draft Project Implementation Manual (PIM) has been prepared by the PPCOs and the Fund has given its non-objection;

(d) The Project Steering Committees (PSC) have been duly established in both provinces;

(e) The Project Directors and Chief Financial Officers/Chief Accountants of the PPCOs have been duly appointed; and

(f) A computerized Accounting System has been installed for the Project by the PPCO.

4. The Agreement is subject to ratification by the Borrower/Recipient.

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

For the Borrower/Recipient:

Minister of Finance
Ministry of Finance
of the Socialist Republic of Viet Nam
Socialist Republic of Viet Nam

Copies to:

Provincial People's Committees of
Cao Bang and Bac Kan Provinces
Socialist Republic of Viet Nam

Ministry of Agriculture and Rural Development
of the Socialist Republic of Viet Nam
Socialist Republic of Viet Nam

For the Fund:

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

This Agreement, dated 24 March 2017, has been prepared in the English language in four original copies of equivalent legal status, one for the Fund and three for the Borrower/Recipient.

THE SOCIALIST REPUBLIC OF VIET NAM

Cao Chinh Thien
Ambassador Extraordinary
and Plenipotentiary of the
Socialist Republic of Viet Nam
to Italy

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population*. The Project target groups shall include: (a) rural poor and near poor households with land and labour, including household enterprises; (b) unskilled employed rural people; (c) rural people lacking production land but having business acumen and desire; and (d) key farmers who have the skills to promote commercial agricultural production. Women and female-headed and ethnic minority households shall be prioritised.

2. *Goal*. The goal of the Project is to contribute to sustainable poverty reduction in Cao Bang and Bac Kan provinces.

3. *Objective.* The development objective is to sustainably improve income and reduced climate vulnerability of poor and near-poor farm households in targeted project communes.

4. *Components*. The Project shall consist of the four following Components.

4.1. **Component 1. Provincial Participatory Planning Institutionalised**. The objective of this component is to ensure that provincial socio-economic development planning is legislated, holistic, participatory, climate-adapted and market-oriented. It has three subcomponents, which, collectively, underpin the market-oriented SEDP planning process.

Sub-component 1.1: Strategic investment plans.

During the first year of the project, this subcomponent shall support the Provincial Project Coordination Offices underpinned by international technical assistance, to conduct financial and economic analysis of key commodity and associated value chains in both provinces to be incorporated in Provincial, district and communal MOP-SEDPs.

Sub-component 1.2: Climate change adaptation planning.

This sub component shall support the: (a) updating the Provincial climate change (CC) action plans; (b) awareness raising of climate change risks at commune, district and provincial levels to improve resilience and (c) the building of capacities for climate change adaptation (CCA) integration into the MOP-SEDP process.

Sub-component 1.3: Dissemination of climate-informed market-oriented socio-economic development plans.

This sub-component shall support the actual roll out of the climate adapted MO-SEDP through: (a) strengthened public sector market economy skills; and (b) focused support for the actual scaling of the instrument. At commune and district level, initially in Project districts and then across the provinces, the Project shall facilitate the integration of commodity-based value chain (VC) development, sub-component (1.1) and CCA plans sub-component (1.2) through a participatory process. This process shall engage relevant entities at the village, commune and district levels and in the course of project implementation be inclusive of all public funding sources, including CSSP funds and NTP-NRD funds. Women's representation in Market-oriented participatory socio-economic development planning (MOP-SEDP) planning shall be mandated.

4.2. **Component 2. A greener agriculture future**. This component shall support the Government's "green growth" action plan in Cao Bang and Bac Kan provinces for the implementation of national green growth strategy through the promotion of

climate change adaption technologies which simultaneously provide mitigation benefits. It has two subcomponents:

Sub-component 2.1: Forest land and forest allocation

In Bac Kan province this subcomponent shall support the equitable ownership and efficient use of production forest in all communes in Bac Kạn Project districts through the issuing forest land and forest use rights, certification and rehabilitation that directly contribute to carbon sequestration. The project will facilitate the transfer of land and use rights certificates for about 17,000 ha of forests to poor households. Certificates will be issued jointly to both wife and husband.

Sub-component 2.2: Common Interest Groups (CIGs) for climate adaptation.

This subcomponent shall support the establishment or the strengthening around 1900 CIGs to implement profitable climate change adaptation technologies and practices within a value chain framework, with co-benefits for climate change mitigation. Within this context forage production shall be integrated into farming systems, with co-benefits for soil fertility and stability. A competitive grant programme for CIGs with a requirement of at least 40 percent female membership will underpin the adaption CCA technologies such as a forestation, irrigation management including SRI rice, climate-resistant crop varieties forage production, and organic agriculture.

4.3. **Component 3. Profitable farms and rural households linked to finance and markets.** This component shall ensure increased public and private investment in sustainable, profitable commodity production and value addition. It comprises three subcomponents:

Sub-component 3.1: Community infrastructure.

Public infrastructure investment grants shall be made available for investments by communes that provide public benefits essential to targeted commodity chain development and/or climate change or disaster proofing. This activity shall be integrated into the NTP-NRD agriculture infrastructure investment process, the funding for which will be a government contribution to the project. In this context a youth targeted vocational training programme will be supported for employment generation.

Sub-component 3.2: Rural financial services.

To effectively contribute to increased financial inclusion in the rural communes of the project area, support shall be provided for newly established Women's Development Funds (WDFs) in both Cao Bang and Bac Kan. This shall include capacity building for the WDFs, the establishment of new Women savings and credit groups (SCGs) and seed capital for lending operations. Support shall also be provided for the preparation of WDFs to become fully sustainable microfinance institutions in accordance with State Bank regulations.

Sub-component 3.3 Agribusiness Promotion Investment Fund (APIF).

Through the establishment of an Agribusiness Investment Fund (APIF) the project shall catalyze private sector agro-enterprise investments in both provinces by co-financing investments that improve enterprise competitiveness and linkages to smallholder farmers, thereby generating incremental markets for raw materials, value addition and employment. Co-investments shall be awarded on a competitive basis for *inter alia* equipment, transportation and marketing, environmental management, staff training and technical advisory services to farmers. The financing to companies from APIF from the IFAD loan shall comply with the Borrower/Recipient's regulations.

4.4. **Component 4. Project Management.** The Project shall support the establishment of PPCOs as well as the organization and management structure as outlined in Section II below.

4.5. **Grant NTP-NRD 2.** *NTP-NRD NCO.* A grant shall be provided to the NCO for the NTP-NRD in the MARD. The grant shall support (i) the piloting of the integration of rural value chains into the NTP-NRD leading; (ii) the preparation of guidelines for NTP-NRD phase 2, including, inter alia, participatory planning result-based M&E and PPP financing; (iii) building capacity within the NCO; and (iv) piloting the implementation of NTP-NRD2 funded initiatives.

II. Implementation Arrangements

A. Organization and Management

5. *Lead Project Agencies.*

5.1. The Borrower/Recipient shall act through the PPCs of the Cao Bang and Bac Kan provinces which shall be responsible for the execution of the loan.

5.2. The Borrower/Recipient shall act through the MARD for the execution of the grant. The grant shall be implemented by the NTP-NRD NCO in the MARD.

6. *Project Steering Committees (PSCs).*

6.1. *Establishment and composition.* A PSC shall be established in each province of Cao Bang and Bac Kan by the PPCs. The PSCs shall include Directors or Vice-Directors of concerned line-departments and chairpersons of mass organizations and representatives of provincial enterprise associations. It shall be led by the Chairperson or Vice-chairperson of the PPCs.

6.2 *Responsibilities.* The PSCs shall be responsible for the strategic management of the Project, the appointment of the Project Directors (PD) and Deputy Directors, the approval of the PIMs and annual work plan and budget as well as other decisions related to the Project coordination, orientation and mobilization of resources. The PSCs shall meet at least twice a year and as often as required.

7. *Provincial Coordination Offices (PPCOs).*

7.1. *Establishment.* PPCOs shall be established in the provinces of Cao Bang and Bac Kan by the PPCs. The PPCOs shall assist the PSCs in the coordination of the provincial agencies and in the management of financial resources. The PPCOs shall report directly to the PSCs and act as an advisory body to the PPCs and act as secretariat of the PSCs.

7.2. *Composition.* The PPCOs shall include a PD who shall have the authority to sign contracts and other agreements and a Chief Financial Officer/Chief accountant. The Borrower/Recipient and the Fund shall agree on other key positions of the PCO. Qualified staff shall be selected according to the Borrower/Recipient's applicable procedures acceptable to the Fund. Termination of the contract of the Project Director and his/her replacement shall be subject to the Fund's no-objection.

7.3. *Responsibilities.* The PPCOs shall be responsible for the following tasks:

(a) ensure coherence of the Project approaches and strategies as well as the coordination and synergy amongst Project parties;

(b) mobilize resources;

(c) the procurement and contracting for Project activities;

(d) financial reporting and preparation of annual work plans and budget inclusive of the procurement plan;

(e) preparation of the Project Implementation Manual (PIM);

(f) M&E system and other functions of the operational and financial management of the Project;

(g) management of APIF Facility in accordance with the criteria defined in the PIM;

(h) approval of the community infrastructure proposals in accordance with the criteria defined in the PIM, and

(i) knowledge-sharing and policy development interventions in collaboration with co-implementing agencies.

8. *Project management at District and Commune levels.* At the District level, the District People's Committee will be responsible for coordination of the Project activities and integration with the organization structures and mandates of the line agencies and mass organizations. At Commune level the Commune's People Committee shall be accountable for the Project implementation.

9. *Inter Provincial Coordination.* Inter provincial meetings between the PPCOs shall be held each semester to enable coordination and cooperation on Climate Change adaptation policies and investments, identification of shared technical assistance providers, inter-provincial value chain planning and implementation, mutual training among similar staff positions.

B. Implementation of Components.

10. **Component 1. Provincial Participatory Planning Institutionalised.**

10.1. The activities in relation to planning for sustainable market-led development shall be implemented by the respective line agencies, DPI and DARD, DONRE supported by the PPCOs, private or public academic/training institutions and national and international expertise where necessary. Technical experts and service providers shall be contracted in accordance with this Agreement. The PPCOs shall implement the knowledge and dissemination activities. In all cases the PPCOs shall enter into a Memorandum of Understanding with the respective line agencies outlining roles, responsibilities and deliverables prior to implementation.

10.2. Market-oriented socio-economic development planning activities shall be implemented at village, commune and district levels by respectively, Village Development Boards, Commune People's Committee and District Management Boards as well as private enterprises.

11. **Component 2. A greener agriculture future.** This component shall be implemented by DARD, DONRE and district authorities supported by the PPCO as far forest land allocation in Bac Kan. The establishment of common interest groups eligible for co-financing will be implemented by Commune and District level entities adequately supported the Farmer and Women Unions and PPCOs in accordance with procedures outlined in the PIM. The CIG establishment and forage activities shall be the responsibility DARD and PPCOs.

12. **Component 3. Profitable farms linked to finance and markets.**

12.1. Project Public and collective good infrastructure investment schemes shall, with technical assistance support where required, be identified and prioritized by Village Development Boards /communes and incorporated into the medium-term commune MOP-SEDP and verified by the district line agencies. In accordance with the modalities described in the PIM, the PPCOs shall approve each proposal including the procurement method.

12.2. The implementation responsibility for: (a) the establishment of new savings and credit groups; (b) the transformation the WDF into registered MFIs, and (c) the associated institutional strengthening shall rest with the Women Unions with the

support of technical assistance under the overall direction of the PPCOs. The PPCOs shall enter into a memorandum of understanding with the Women Union at Province level in the form specified in the PIM. The memorandum of understanding shall specify, inter alia, the channelling of Project funds, the terms and conditions applicable to the financing operations.

12.3. The PPCOs shall implement the APIF competitive funding for companies or cooperative societies in accordance with the criteria defined in the PIM. Each proposal shall be accompanied with an acceptable business model and financial analysis. Selected proposals shall be approved by the PPC. Initially all Investments shall be subject to no-objection by the Fund. The PPCO shall enter into a co-financing agreement with each eligible beneficiary in accordance with guidelines contained in the PIM. Training activities foreseen under the APIF component shall be implemented by technical experts and service providers contracted in accordance with this Agreement.

C. Additional Implementation Arrangements

13. *Project Reviews*. The Borrower/Recipient, the PPCs, Government Aid Coordination Agencies (GACA) and the Fund shall jointly conduct the following reviews: a comprehensive mid-term review during the third Project Year and a Project Completion Review. The Terms of Reference and time of the reviews shall be agreed by all parties.

14. *Project Implementation Manual*. The Borrower/Recipient shall require the PPCOs to prepare a consolidated draft Project Implementation Manual (PIM) and submit to the Fund for its comments and no objection. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The PPCs shall forward the draft PIM to the Fund for comments and no-objection. The draft PIM shall include, among other things:

(a) Terms of reference and implementation responsibilities of Project staff, consultants and other service providers;

(b) A model memorandum of understanding to be concluded with each project party such as the Women Union and line agencies, which shall provide inter alia; the role and implementation responsibilities of the project party, the channelling of project funds and the reporting of information related to the implementation of the project activities;

(c) The eligibility and selection criteria for the proposals to be financed under the infrastructure investment development and a competitive small grants manual which shall form an integral part of the PIM;

(d) The eligibility and selection criteria for the establishment of common interest groups;

(e) The eligibility and selection criteria for access by the Women Unions to project financing;

(f) The eligibility and selection criteria as well as the operational modalities of the APIF facility;

(g) Project operational, financial and procurement procedures, an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures; and

(h) M&E system and procedures.

Schedule 2

Allocation Table

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

	Category	Loan Amount Allocated (expressed in USD) Cao Bang	Loan Amount Allocated (expressed in USD) Bac Kan	Grant Amount Allocated (expressed in USD)	% of Eligible Expenditures to be Financed, net of taxes, Government and Beneficiary' contribution
I.	Equipment and materials	610 000	590 000		100%
IIA.	Consultancies-Loan	1 270 000	1 140 000		100%
IIB.	Consultancies-Grant	-	-	500 000	100%
III.	Training	750 000	840 000		100%
IV.	Grants & Subsidies	14 470 000	15 200 000		100%
V.	Credit, Guarantee Funds	2 020 000	1 350 000		100%
Unallocated		2 130 000	2 130 000		
	TOTAL	**21 250 000**	**21 250 000**	**500 000**	

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

"Equipment & Materials" under Category II, includes eligible expenditures incurred related to: office rehabilitation, equipment/material and M&E for social Fund offices at district level under the sub-component 3.2.

"Consultancies-Loan" means eligible expenditures incurred related to technical assistance and research and studies.

"Consultancies-Grant" means eligible expenditures incurred related to surveys, studies management, coordination and support for NTP-NRD 2 implemented by Ministry of Agriculture and Rural Development.

"Training" means eligible expenditure incurred related to capacity building for implementing agencies (Provincial implementing agencies, districts, communes, Women Development Funds).

"Grant & Subsidies" means eligible expenditure incurred related to (i) civil works about USD 10.6 million for each province; (ii) CIG co-financing about USD 3.4 million for each province (iii) APIF about USD 1.5 million for each province and (iv) about USD1.45 million is allocated for forest land allocation in Bac Kan province.

"Credit Guarantee Funds" means on-lending through Women Development Funds.

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING

(as amended April 2014)[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, which includes the Procurement Plan.

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

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[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 to Sections 1.01, 2.01, 4.01, 4.09, 5.01, 5.02, 5.04, 6.01, 6.02, 6.03, 7.02, 7.03, 8.02, 11.02, 14.04, 14.05, 15.05. These General Conditions, as amended, apply to all Financing Agreements for projects and programmes approved by the Executive Board during and subsequent to its 112th session in September 2014.

"Designated Account" means an account designated for advance withdrawals by the Borrower/Recipient in accordance with Section 4.04(d).

"Eligible Expenditure" means an expenditure that complies with Section 4.08.

"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 Project Financing Agreement or Programme Financing Agreement, pursuant to which the Fund agrees to extend Financing to the Borrower/Recipient.

"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) as such guidelines may be amended 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.

"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" 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.

"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 4.06 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 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. Special Commitments

Upon the Borrower/Recipient's request, the Fund may agree to make an irrevocable commitment to pay amounts necessary to guarantee a Letter of Credit used to finance Eligible Expenditures (a "Special Commitment") on such terms and conditions as the Borrower/Recipient and the Fund may agree.

Section 4.04. Applications for Withdrawal, or Special Commitment

(a) When the Borrower/Recipient wishes to request a withdrawal from the Loan and/or Grant Accounts or a Special Commitment, 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 or Special Commitment.

(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.

Section 4.05. 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 4.06. 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 4.07. 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 4.08. 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 procured in conformity with the Fund's Procurement Guidelines.

(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 coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.

Section 4.09. 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 computed on the basis of a 360-day year of twelve (12) 30-day months. 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.

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 account of the Fund designated therefor 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 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 Annual Workplan and Budget (AWPB). 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 4.04(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.

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. Procurement

(a) Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.

(b) By notice to the Borrower/Recipient, the Fund may require that all bidding 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) allow full inspection by the Fund of all bid documentation and related records;

(ii) maintain all documents and records related to the bid or contract for three years after completion of the bid or contract; and

(iii) cooperate with agents or representatives of the Fund carrying out an audit or investigation.

Section 7.06. 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 7.07. 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 7.08. 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 7.09. 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.

Section 7.10. 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 7.11. 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. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The Borrower/Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate.

Section 7.12. Project Parties

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

(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;

(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 7.13. 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 7.14. 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 7.15. 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 7.16. 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.

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 in accordance with auditing standards acceptable to the Fund and the *IFAD Guidelines on Project Audits* by independent auditors acceptable to the Fund;

(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) The Fund has given notice to the Borrower/Recipient that credible allegations of coercive, collusive, corrupt or fraudulent practices in connection with the Project have come to the attention of the Fund, and the Borrower/Recipient has failed to take timely and appropriate action to address the matters to the satisfaction of the Fund.

(xxv) Procurement has not been or is not being carried out in accordance with the IFAD Procurement Guidelines.

(xxvi) 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.

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 that coercive, collusive, corrupt or fraudulent practices were engaged in by representatives of the Borrower/Recipient or any Project Party in respect of any expenditures incurred during the procurement or the carrying out of any contract financed by the Financing, and that the Borrower/Recipient has failed to take timely and appropriate action 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.

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 and any amounts subject to undischarged Special Commitments, which shall be cancelled upon the full discharge of such Special Commitments.

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, except for amounts subject to Special Commitment. Such cancellation shall become effective upon acknowledgement thereof by the Fund.

Section 12.04. Applicability of Cancellation or Suspension

(a) No cancellation or suspension shall apply to amounts subject to any Special Commitment made by the Fund, unless such Special Commitment expressly provides otherwise.

(b) 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) though (xxvi), 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. Applicable Law

Any agreements subject to these General Conditions shall be governed by, and construed in accordance with, public international 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.