IFAD LOAN NO. 2000000433
ASAP GRANT NO. 2000000434

FINANCING AGREEMENT

Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD)

between the

SOCIALIST REPUBLIC OF VIET NAM

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

and the

ADAPTATION FOR SMALLHOLDER AGRICULTURE PROGRAMME TRUST FUND

Signed in Rome, Italy

on 28 March 2014

FINANCING AGREEMENT

IFAD Loan Number: 2000000433

ASAP Grant Number: 2000000434

Project Title: Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (the "Project")

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

and

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

and

The Adaptation for Smallholder Agriculture Programme Trust Fund (the "ASAP Trust Fund")

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

WHEREAS the Executive Board of IFAD at its 105th session approved the establishment of a trust fund for the Adaptation for Smallholder Agriculture Programme (ASAP Trust Fund) whose resources shall be used exclusively for the purpose of financing in the form of grants, components of IFAD projects/programmes to increase the resilience of smallholder farmers to climate change and further approved that IFAD be the Administrator of the ASAP Trust Fund, acting through its President;

WHEREAS, on the basis of the above and other considerations, IFAD and the ASAP Trust Fund have agreed to extend a loan and a grant to the Borrower/Recipient for the purpose of financing the Project, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, 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 amended by the Executive Board at its 108th session (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. The term "Loan" in the General Conditions shall apply equally to the IFAD Loan and the Grant.

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (all of which are collectively referred to as 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 IFAD Loan is fourteen million three hundred and fifty thousand Special Drawing Rights (14 350 000 SDR).

(b) The amount of the ASAP Grant is seven million eight hundred and twenty thousand Special Drawing Rights (7 820 000 SDR).

2. The Loan is provided on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.

3. The Loan Service Payment Currency for the Loan shall be US dollar.

4. The Borrower/Recipient shall repay the outstanding principal amount of the IFAD Loan in 59 equal semi-annual instalments of SDR 239 167 payable on each 15 June and 15 December, commencing on 15 December 2023 and ending on 15 December 2052, and one final instalment in the amount of SDR 239 147 payable on 15 June 2053. The service charge shall also be payable on each 15 June and 15 December.

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

6. Withdrawals from the IFAD Loan and Grant Accounts shall be made in conformity with the procedures established by the Fund in accordance with Section 4.04 of the General Conditions.

7. (a) For each Province of the Project Area, there shall be two (2) designated accounts (DAs) (collectively referred to as the "Designated Accounts"), opened and operated by the Ministry of Finance (MOF) of the Borrower/Recipient in accordance with Section 4.04 (d) of the General Conditions in a bank acceptable to the Fund, for receiving and holding the IFAD Loan and Grant proceeds in USD. All accounts shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower/Recipient and accepted by the Fund.

(b) Project Accounts shall be opened and maintained by the respective Project Coordination Units (PCUs) in local currency at the Provincial Treasuries of the Project Area to receive and maintain financing transferred from the DAs for Project eligible expenditures.

8. The Borrower/Recipient shall cause the Lead Implementing Agencies to provide counterpart financing for the Project. The counterpart financing to be provided shall amount to approximately three million seven hundred and eighty thousand United States dollars (USD 3.78 million) for each Province. Government's funds shall be channelled into a separate account. For each Province the beneficiaries' contribution shall amount to approximately three million eight hundred and eighty thousand United States dollars (USD 3.88 million).

9. Procurement of goods, works and consulting services financed by the Financing shall be carried out in accordance with the provisions of the Fund's "Procurement Guidelines" approved by the Fund's Executive Board in September 2010, (the "Procurement Guidelines").

Section C

1. The Borrower/Recipient designates the respective Provincial People's Committee (PPC) of the Ben Tre and Tra Vinh Provinces who shall be the Lead Implementing Agencies responsible for the execution of the Project in each Province.

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 (DPI), the Department of Agriculture and Rural Development (DARD) and the Department of Natural Resource and Environment (DONRE) of the respective PPCs;

(b) The Women's Union of the Ben Tre and Tra Vinh Provinces; and

(c) Any other entity responsible for the implementation of the Project, as identified in this Agreement or in the Project Implementation Manual (PIM), or as may be agreed upon by the Borrower/Recipient and the Fund.

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

Section D

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 PIM referred to in paragraph 3, Section II.C 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. The following are designated as additional general conditions precedent to withdrawal:

(a) The PCUs shall have been duly established;

(b) A draft PIM for each Province shall have been prepared by each PCU and the Fund has given its non-objection;

(c) The Project Steering Committees (PSCs) shall have been duly established in Tra Vinh and Ben Tre Provinces;

(d) The Project Directors and Chief Financial Officer/Chief Accountants of each PCU shall have been duly appointed;

(e) The PPCs shall have confirmed the allocation of adequate counterpart funds for the first Project Year to the Fund;

(f) The DAs shall have been duly opened and the authorized signatories shall have been submitted to the Fund; and

(g) A computerized Accounting System has been installed for the Project by the PCUs.

3. No disbursement shall be made in respect of expenditures under the Category V (Credit, Guaranteed Funds), until the draft written arrangement with the Women's Union of each Province of the Project Area referred to in paragraph 2.1, Section II.B of Schedule 1 hereto has been sent to the Fund and the Fund has provided its non-objection.

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

For the Borrower/Recipient:

Minister for Finance
Ministry of Finance
of the Socialist Republic of Viet Nam
28, Tran Hung Dao Street
Hoan Kiem District, Hanoi
Socialist Republic of Viet Nam

Copy to:

Provincial People's Committee of Ben Tre
Ben Tre Province
Socialist Republic of Viet Nam

Provincial People's Committee of Tra Vinh
Tra Vinh Province
Socialist Republic of Viet Nam

For the Fund:

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

For the ASAP Trust Fund:

The President of the International Fund for Agricultural Development
in its capacity as Trustee of the Adaptation for Smallholder
Agriculture Programme Trust Fund
International Fund for Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy

This Agreement, dated 28 March 2014, has been prepared in the English language in nine (9) original copies, three (3) for the Fund and six (6) for the Borrower/Recipient.

THE SOCIALIST REPUBLIC OF VIET NAM

Nguyen Hoang Long
Ambassador Extraordinary and Plenipotentiary
of the Socialist Republic of Viet Nam to Italy

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

ADAPTATION FOR SMALLHOLDER AGRICULTURE PROGRAMME TRUST FUND

Kanayo F. Nwanze
President of the International Fund for Agricultural Development in its capacity as Trustee of the Adaptation for Smallholder Agriculture Programme Trust Fund

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit rural poor and near poor households without land or other productive assets, poor and near poor households with land or aquaculture resources, and ethnic minority households. Amongst the target population, the Project shall prioritize women-headed households, including the Khmer ethnic minority groups. The Project shall also benefit small and medium-sized rural traders and value chain entrepreneurs. The Project shall be carried out in the Provinces of Ben Tre and Tra Vinh of the Borrower's/Recipient's territory (the "Project Area").

2. *Goal.* The Goal of the Project is the achievement of sustainable livelihoods for the rural poor in a changing environment.

3. *Objectives.* The objective of the Project is to strengthen adaptive capacity of the Target Population to better contend with climate change.

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

4.1. **Component 1 Building Adaptive Capacity.** The objective of this Component is to support the development of an agricultural and rural development sector climate change adaptation management framework for participating communities, institutions and provinces. It will be achieved through the following two sub-components:

Sub-component 1.1. Climate change knowledge enhancement

This sub-component shall consist of the following activities: (a) Building an evidence base for adaptation; (b) Water quality monitoring and reporting; and (c) Knowledge management and dissemination.

(a) Building an evidence base for adaptation. The Project will support: the identification of a core set of climate adaptation research topics through Participatory Action Research (PAR) and through an applied research programme deployed along a salinity gradient; the development of PAR processes to monitor, evaluate and promote appropriate endogenous adaptation responses being practiced by farmers and aquaculture producers; the promotion of resilience building measures identified by communities and sub-sector experts and the evaluation of climate adaptation technologies and approaches that show potential for scaling-up.

(b) Water quality monitoring and reporting. The Project will support: the development of a real-time salinity monitoring and forecasting system comprising of a network of automated salinity monitoring stations and a network of Common Interest Groups; a study to complete the design of the salinity monitoring system including the development of a multifunctional data platform; the establishment of the multifunctional data platform equipped for data storage and the processing of data and dissemination.

(c) Knowledge management and dissemination. Activities related to knowledge management and dissemination include: the development of a knowledge sharing programme; the formation and operation of an inter-provincial thematic ad hoc group on climate change adaptation; the organization of inter-provincial end-user/stakeholder groups for specific production models and research; the systematization of knowledge outputs in formats readily accessible to different audiences; training of trainers including common interest group leaders for the replication and scaling-up of successful technologies and approaches and the dissemination of results through farmer-to-farmer extension through trained community interest groups leaders, learning events, field visits and study tours and presentations of results at national and regional conferences and events.

Sub-component 1.2. Climate-informed planning

This sub-component shall be achieved through: (a) Community-based adaptation and disaster risk management planning; and (b) Climate-informed socio-economic development plan (SEDP) and policy development.

(a) Community-based adaptation and disaster risk management planning. Activities funded by the Project shall include: capacity-building of community and institutions on gender-equitable community-based adaptation and disaster risk management planning; preparation of vulnerability assessments and land-use planning using geospatial data system to support commune and district level plan development of community-based adaptation and disaster risk management and raise awareness of expected climate change impacts among local communities. The Project will also support capacity-building on managing and implementing community-based adaptation and disaster risk mitigation.

(b) Climate-informed socio-economic development plan (SEDP) and policy development. The Project will support the following activities: integration of climate-adapted farming systems and value chain development planning into an enhanced, climate-informed market-oriented SEDP for each Province of the Project Area; capacity-building at commune, district and provincial levels for climate-informed SEDP planning and integration of climate change concerns into Provincial five-year SEDPs.

4.2. **Component 2 Investing in Sustainable Livelihoods**. The objective of this Component is the scaling-up of the results of the community-based adaptation research and development in the agricultural and rural development sector generated under Component 1. The focus shall be on financing household and community adaptation needs and adaptation investments in public goods, identified by commune and district authorities in their SEDPs. Component 2 shall comprise the two following sub-components:

Sub-component 2.1. Rural finance for resilient livelihoods

This sub-component shall be achieved through the following activities: (a) Establishment of new Savings and Credit Groups (SCG); (b) Transformation of credit networks into Microfinance Institutions (MFI); and (c) Leveraging capital for adaptation and value chain investment.

(a) Establishment of new Savings and Credit Groups (SCG). The Project shall support the establishment of new women's SCGs. SCG membership will focus on poor and near-poor households with particular emphasis on the inclusion of the women-headed and ethnic minority households.

(b) Transformation of credit networks into Microfinance Institutions (MFI). The Project will support the transformation of SCGs networks into MFIs that are registered, sustainable, provincially-based through a comprehensive support package for the provincial Women's Union and their associated Women Social Funds. The Project will finance international and national technical assistance for business planning, on the job training, capacity-building, a loan management system, required equipment, as well as, additional capital for each new MFI. Further funding shall be subject to a review acceptable to the Fund.

(c) Leveraging capital for adaptation and value chain investment. Activities financed by the Project shall include: the organization of Provincial Agro-Finance workshops to bring key local and regional financiers, agro-enterprises, donors, and producers' representatives together to share information on various types of financing options for value chain participants in the Province.

Sub-component 2.2. Investing in climate change adaptation

This sub-component shall be achieved through the following activities: (a) Community infrastructure for climate change adaptation; (b) Co-financing for climate change adaptation; and (c) Public-Private Partnership (PPP) Facility.

(a) Community infrastructure for climate change adaptation. The Project shall support the establishment of a fund for the financing of community-based small-scale infrastructure investments for climate change adaptation such as, potable water supply, sanitation and waste management, salinity management structures such as small bridges, disaster-secure access roads and water use efficient irrigation. Infrastructure investment proposals shall be identified and prioritized during the annual commune SEDP process. The PIM shall define the operational modalities of the fund and the eligibility criteria.

(b) Co-financing for climate change adaptation shall support households to invest in production systems adapted to climate change impacts such as inter alia; energy efficient farm equipment and renewable energy technologies that sustainably increase household incomes to meet the costs of shifting from annual to perennial cropping systems or other climate resilient livelihoods.

(c) The Project shall support a facility for the co-financing of investments by private businesses in support of climate-sensitive value chain development and rural employment generation. The PCU-managed facility shall support private sector investments by co-financing investments in high-quality input supply for, and raw material marketing/processing of, products from adaptive farming systems, resulting in increased income and job opportunities amongst poor and near-poor households. A capacity-building programme for increasing off-farm labour opportunities shall be financed by the Project. The PIM shall define the operational modalities and eligibility criteria of the PPP Facility.

4.3. **Component 3 Project Management.** The Project shall support the establishment of PCUs at provincial level as well as the organization and management structure as outlined in Section II below.

II. Implementation Arrangements

A. Organization and Management

1. *Lead Implementing Project Agencies*

The respective PPC of the Ben Tre and Tra Vinh Provinces shall be responsible for the execution of the Project in each Province. The PPCs shall appoint the Project Directors and Deputy Directors and shall approve the PIM and annual work plan and budget.

2. *Project Steering Committees (PSCs)*

2.1. *Establishment and composition.* A PSC shall be established in each Province of the Project Area by the respective PPCs. Each PSC shall include Directors or Vice-Directors of concerned line-departments and chairpersons of mass organizations and representatives from the private sector.

2.2. *Responsibilities.* Each PSC shall be responsible for the strategic management of the Project, and shall provide advice on overall coordination, orientation and mobilization of resources. Key decisions under the PPCs' authority shall be endorsed by PSCs before submission to the PPCs. The PSC shall meet at least once a year and as often as required and the PCU Project Director shall act as secretary of the PSC.

3. *Project Coordination Units (PCUs)*

3.1. *Establishment.* A PCU shall be established in each Province of the Project Area by each respective PPC. The PCU shall assist the PSC in coordination of the provincial agencies and in management of Project financial resources.

3.2. *Composition.* Each PCU shall include a Project Director who shall have the authority to sign contracts and other agreements, a Deputy Director and a Chief Financial Officer/Chief Accountant. Qualified staff shall be selected according to the Borrower's/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 non-objection.

3.3. *Responsibilities.* The PCU shall report directly to the PPC and 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 PIM; (f) Monitoring and Evaluation (M&E) system and other functions of the operational and financial management of the Project; (g) management of the PPP Facility in accordance with the criteria defined in the PIM; (h) approval of the community infrastructure proposals under sub-component 2.2 (a) in accordance with the criteria defined in the PIM.

4. *Climate Change Coordination Office (CCCO) and Provincial Climate Change Steering Committee (PCCSC)*

Responsibilities. The CCCO established in the Ben Tre Province shall be strengthened and one CCCO shall be established in the Tra Vinh Province by the Tra Vinh PPC. The CCCOs shall act as secretariats to the PCCSC and shall be responsible for climate change planning and policy development for equipping the PPC to engage in evidence based policy discussions at both Mekong Delta and national levels.

B. Implementation of Components

1. Component 1: Building Adaptive Capacity

The activities in relation to the building of an evidence base for adaptation shall be implemented by the DARD and Tra Vinh University with the support of the regional research institute and international expertise where necessary. Technical experts and service providers shall be contracted in accordance with this Agreement for the implementation of the study for salinity monitoring. The PCUs shall implement the knowledge and dissemination activities. The implementation of the climate-informed socio-economic development planning and policy development activities shall be the responsibility of respective line agencies (DPI, DARD and DONRE), and supported by the national Community-Based Disaster Risk Mitigation programme as well as Non-Governmental Organizations (NGOs) retained by the PCUs. In all cases the PCUs shall enter into a Memorandum of Understanding with the respective line agencies outlining roles, responsibilities and deliverables prior to implementation.

2. Component 2: Investment in Sustainable Livelihoods

2.1. In both Provinces of the Project Area, the implementation responsibility for the establishment of new savings and credit groups shall rest with the Women's Union through their Social Funds with the support of technical assistance under the overall direction of the PCUs. To this end, each PCU shall enter into a written arrangement/agreement with the Women's Union in the form specified in the PIM.

2.2. *Community infrastructure for climate change adaptation and disaster risk reduction.* Community infrastructure investments proposals shall be selected by Communes People's Committees through the annual SEDP process with the support of the PCUs, district line agencies and technical assistance if required. In accordance with the modalities described in the PIM, the PCU shall approve each proposal including the procurement method.

2.3. *Co-financing for climate change adaptation.* The PCUs shall have the responsibility for the implementation of the activities under the co-financing for climate change adaptation in accordance with the eligibility and competitive selection criteria detailed in the PIM. The PCU shall enter into a grant agreement with each beneficiary in accordance with the small grant agreement model contained in the PIM.

2.4. *Public-Private Partnership (PPP) Facility.* The PCUs shall have the responsibility to implement the Facility 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 PSC and PPC of the concerned Province. The PCU shall enter into a grant agreement with each beneficiary in accordance with the small grant agreement model contained in the PIM.

3. **Component 3: Project Management**

The implementation of the Project activities shall rest with the PCUs guided by the PSCs and the PPCs. This shall include inter alia entering into arrangements with Women's Unions, line agencies and contracting partners as appropriate.

C. Additional Implementation Arrangements

1. *Inter-provincial coordination.* Inter-provincial meetings shall be held as required to enable cooperation of 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 and exchange visits/workshops for regional replication and up-scaling.

2. *Project reviews.* The Borrower/Recipient, the PPCs and the Fund shall jointly conduct the following reviews: two reviews of Project implementation and achievements, 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.

3. *Project Implementation Manual (PIM).* The Borrower/Recipient shall request the PCUs to prepare a consolidated draft PIM acceptable to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. 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 written arrangement and/or agreement to be concluded with each Project Party 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) Criteria and indicators for the transformation of the two Social Funds into MFIs, performance appraisal of the Project professional staff;

(d) The eligibility and selection criteria for the proposals to be financed under the Public Infrastructure Investment grants shall be detailed in a competitive small grants manual which shall form an integral part of the PIM;

(e) The eligibility and selection criteria for the proposals to be financed under the co-financing for climate change adaptation shall be detailed in an operations manual for co-financing for climate change adaptation which shall form an integral part of the PIM;

(f) The eligibility and selection criteria as well as the operational modalities of the PPP Facility;

(g) Project operational, financial and procurement procedures, including a small grant agreement model, an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures; and

(h) M&E system and procedures.

3.1. *Approval and Adoption.* The PPCs shall cause the PCU to forward the draft PIM to the Fund for comments and non-objection. The PPCs shall adopt the PIM, substantially in the form approved by the Fund, and the PPCs shall promptly provide copies thereof to the Fund.

Schedule 2

Allocation Table

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

Category		Loan Amount Allocated (expressed in SDR) Ben Tre	Grant Amount Allocated (expressed in SDR) Ben Tre	Loan Amount Allocated (expressed in SDR) Tra Vinh	Grant Amount Allocated (expressed in SDR) Tra Vinh	Percentage of total expenditures
I.	Works	1 330 000		1 340 000		100% net of taxes, Government and beneficiaries' contributions
II.	Equipment and Material	260 000	300 000	260 000	300 000	100% net of taxes
III.	Consultancies	430 000	1 010 000	430 000	1 010 000	100% net of taxes
IV.	Training	800 000	1 610 000	870 000	1 610 000	100% net of taxes
V.	Credit, Guarantee Funds	1 050 000		1 050 000		100% net of taxes
VI.A.	Grants and Subsidies A	1 010 000	440 000	1 020 000	440 000	70% for IFAD Loan and 30% for IFAD Grant of total cost net of taxes and beneficiaries' contributions
VI.B.	Grants and Subsidies B	580 000		590 000		100% net of beneficiaries' contribution
VII.	Operating Costs	380 000	140 000	350 000	140 000	100% net of taxes
VIII.	Salaries and Allowances	560 000	-	640 000	30 000	40% of total cost
Unallocated		700 000	390 000	700 000	400 000	
TOTAL		**7 100 000**	**3 890 000**	**7 250 000**	**3 930 000**	**22 170 000**

(b) "Works" under Category I, shall mean eligible expenditures incurred related to:

(i) Infrastructure works in Component 2. IFAD Loan will finance 100% net of taxes, government and beneficiaries' contribution. Beneficiaries shall contribute about 10% in kind or in cash, and the Borrower/Recipient shall contribute 40% of the total construction costs of public infrastructure works respectively.

(ii) IFAD Loan will finance 100% net of taxes (approximately thirty-one thousand United States dollars (USD 31 000) for each Province) for the PCU office rehabilitation, equipment/material and M&E under Component 3.

(iii) Design and supervision of infrastructure works. IFAD Loan will finance 100% net of taxes (approximately USD 0.8 million in total) for design and supervision of infrastructure works.

(iv) Construction works for establishing shrimp seed evaluation and certification centre under Component 2 shall be financed by IFAD Loan 100%.

"Equipment and Material" under Category II, shall mean eligible expenditures incurred related to:

(i) Equipment and material in Component 1 which shall be financed by ASAP Grant 100% net of taxes.

(ii) Equipment and material under Component 2 and Component 3 which shall be financed by IFAD Loan 100% net of taxes.

(iii) One (1) four-wheel drive vehicle in each Province in the amount of approximately SDR 20 000 for each Province which shall be financed by IFAD Loan 100% net of taxes.

"Consultancies" under Category III, shall mean eligible expenditures incurred related to:

(i) Technical assistance, research and studies in Component 1 and M&E under Component 3 which shall be financed by the ASAP Grant.

(ii) Except for "Consultancies" financed by the ASAP Grant, all other technical assistance, research and studies shall be financed by the IFAD Loan.

"Training" under Category IV, shall mean eligible expenditures incurred related to:

(i) Training, workshops under Component 1 and on M&E under Component 3 which shall be financed by the ASAP Grant.

(ii) All other trainings, workshops activities shall be financed by the IFAD Loan.

"Credit, Guarantee Funds" under Category V, shall mean eligible expenditures incurred related to microcredit support to Project beneficiaries through SCGs and Investment Capital for MFIs under sub-component 2.1 "Rural finance for resilient livelihoods" financed by IFAD Loan.

"Grants and Subsidies A" under Category VI.A, shall mean eligible expenditures incurred related to Co-financing for climate change adaptation under sub-component 2.2, "Investing in climate change adaptation" financed by IFAD Loan and Grant.

"Grants and Subsidies B" under Category VI.B, shall mean eligible expenditures incurred related to investment in support of climate smart value chain development and rural employment generation under PPP Facility, under sub-component 2.2 financed by IFAD Loan.

"Operating Costs" under Category VII, shall mean eligible expenditures incurred at all levels for recurrent operating and maintenance costs in relation to the Project such as unities, vehicle maintenance, office supplies and audit fees. Except for Climate change knowledge enhancement under Component 1 and Support to the operation of the Ben Tre and Tra Vinh CCCOs under Component 2 which shall be financed by the ASAP Grant, all other operating costs shall be financed by the IFAD Loan.

"Salaries and Allowances" under Category VIII, shall mean eligible expenditures related to salaries and allowances for staffing of the Tra Vinh CCCO under Component 1 which shall be financed by the ASAP Grant (40% of the total cost). 40% of other salaries and allowances for Tra Vinh, except for staffing of the Tra Vinh CCCO, will be financed by the IFAD Loan. Salaries and allowances under Category III for Ben Tre will be financed by IFAD Loan.

(c) *Start-up costs.* Withdrawals in respect of expenditures for start-up costs in Categories II, III, IV, VII and VIII incurred before the satisfaction of the conditions precedent to withdrawal shall not exceed an aggregate amount of approximately one hundred and twenty thousand United States dollars (USD 120 000).

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING
(as amended September 2010[1])

ARTICLE I - APPLICATION

SECTION 1.01. Application of General Conditions.

(a) These General Conditions apply to all Financing Agreements (as such term is defined in Section 2.01). They apply to other agreements only if an agreement expressly so provides.

(b) If a particular provision of these General Conditions does not apply to an Agreement, the Agreement must provide explicitly that it does not apply.

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.

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

"Euro" or "EUR" mean the currency of the European Monetary Union.

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

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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. These General Conditions, as amended, apply to all Financing Agreements for projects and programmes approved by the Executive Board during and subsequent to its ninety-seventh session in September 2009.

"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.[2]

"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.

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[2] Amended September 2010.

"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.

"SDR Equivalent" means, with respect to any amount expressed in any currency at the time of determination, the equivalent of such amount in SDR, as determined by the Fund in accordance with Article 5.2(b) of the *Agreement Establishing IFAD*.

"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 or in the territory of the Project Member State 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 in the name of the Borrower/Recipient and credit the principal amounts of the Loan and 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.[3]

(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.

[3] Amended September 2010.

If the Fund determines that any amount withdrawn from the Loan and/or Grant Accounts was not used for the purposes indicated 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 by the SDR Equivalent of the amount so refunded.

ARTICLE V - LOAN SERVICE PAYMENTS

SECTION 5.01. Lending Terms.[4]

Loans provided by the Fund shall be given on highly concessional, intermediate or ordinary terms, as specified in the Financing Agreement:

(a) Highly Concessional Terms: Loans granted on highly concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

(b) Hardened Terms: Loans granted on hardened terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty (20) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

(c) Intermediate Terms: Loans granted on intermediate terms shall be subject to interest on the principal amount of the Loan outstanding at a rate of one half of the IFAD Reference Interest Rate payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty (20) years, including a grace period of five (5) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with section 4.02(b).

(d) Ordinary Terms: Loans granted on ordinary terms shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of fifteen (15) to eighteen (18) years, including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with section 4.02(b).

(e) 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 30-day months. The Fund shall provide the Borrower with a statement of interest and service charge due at least four (4) weeks prior to the date upon which payment is to be made.

(f) The Fund shall publish the IFAD Reference Interest Rate applicable in each interest period.

(g) During the grace period, interest and service charge shall accrue on the outstanding principal amount of the Loan and shall be payable semi-annually, 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 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.

[4] Amended September 2010.

(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 service charges on the amount to be prepaid which are due as of the prepayment date. All prepayments shall be credited first against any outstanding interest and service charge and then against the remaining Loan instalments.

(c) Any partial cancellation of the Loan shall be applied pro rata to any remaining payment instalments of the principal amount of the Loan. The Fund shall notify the Borrower of such application, specifying the dates and amounts of the remaining instalments after giving effect thereto.

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 relevant financial institution credits the account of the Fund designated therefor.

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 SDR Equivalent of the amount withdrawn determined as of the value date of withdrawal. If the currency of withdrawal has been purchased by the Fund with another currency, the Loan and/or Grant Accounts shall be debited by the SDR Equivalent of the amount of such other currency.

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 the equivalent in Loan Service Payment Currency, as of the due date, of the SDR amount of such Loan Service Payment, as determined by the Fund in accordance with Article 5, Section 2(b) of the *Agreement Establishing IFAD*.

SECTION 6.03. Valuation of Currencies.

Whenever it is necessary to determine the value of one currency in terms of another, the Fund shall determine such value in accordance with Article 5, Section 2(b) of the *Agreement Establishing IFAD*.

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 one or more Project Accounts for Project operations in a bank acceptable to the Fund, and shall identify the Project Party responsible for operating such account or accounts. The operation of such accounts, unless otherwise specified in the Financing Agreement, shall be performed in accordance with the applicable rules and regulations of the Project Party responsible therefor.

SECTION 7.03. Availability of Additional Resources.

(a) 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.

(b) In addition to the proceeds of the Financing, the Financing Agreement may provide that the Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.

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 Organisation 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 *Guide for Project Monitoring and Evaluation* with which it shall continuously monitor the Project;

(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 Fund's *Guidelines on Project Audits (for Borrowers' Use)* 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.

SECTION 11.02. Tax Refunds.

If the Fund determines at any time that any amount of Financing proceeds have been used to pay Taxes that it has determined to be excessive, discriminatory or otherwise unreasonable, it may require the Borrower/Recipient, by written notice, to refund such amount promptly to the Fund. Upon receipt thereof, the Fund shall credit the Loan and/or Grant Accounts in the amount of such refund.

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. Arbitration.

(a) The parties to an Agreement shall endeavour to settle through amicable means any controversy between them in respect of such Agreement.

(b) Failing the settlement of a controversy through amicable means, the controversy shall be submitted to arbitration for settlement. The parties to the arbitration shall be the parties to the Agreement in controversy, except that the Guarantor may intervene or be interpleaded in any controversy that may affect its rights or obligations under the Guarantee Agreement.

(c) The Arbitral Tribunal shall consist of a single arbitrator appointed by agreement of the parties or, if they do not agree within three (3) months after proceedings are instituted under paragraph (d) below, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If the arbitrator shall resign, die or become unable to act, a successor arbitrator shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceedings may be instituted under this Section upon notice by the party instituting such proceedings to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration.

(e) The arbitration proceedings shall take place at such time and place as shall be fixed by the arbitrator.

(f) Subject to the provisions of this Section and except if the parties shall otherwise agree, the arbitrator shall decide all questions relating to his competence and shall determine the procedure for the arbitration proceedings.

(g) The arbitrator shall afford to all parties a fair hearing and shall render his award in writing. Such award may be rendered by default. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties. Each party shall abide by and comply with any such award rendered by the arbitrator in accordance with the provisions of this Section.

(h) The parties shall fix the amount of the remuneration of the arbitrator and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the arbitration proceedings begin, the arbitrator shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the arbitrator shall be divided between and borne equally by the Fund on the one side and the other parties on the other side. Any question concerning the division of the arbitrator's costs among the parties or the procedure for payment of such costs shall be determined by the arbitrator.

(i) The provisions for arbitration set forth in this Section shall be instead of any other procedure for the settlement of controversies between the parties, and any claim by either party against the other party arising thereunder.

(j) If the award has not been complied with within thirty (30) days after the counterparts of the award have been delivered to the parties, any party may enter judgement upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party. Such party may enforce such judgement by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award.

(k) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 15.01. The parties may waive any and all other requirements for the service of any such notice or process.

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, cable,

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 (including, but not limited to, the terms and conditions of these General Conditions as applied thereto) 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.