LOAN NO. 647-VN
GRANT NO. 728-VN

PROGRAMME FINANCING AGREEMENT

(*Decentralised Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces*)

between the

SOCIALIST REPUBLIC OF VIET NAM

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 15 February 2005

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PROGRAMME FINANCING AGREEMENT

PROGRAMME FINANCING AGREEMENT dated 15 February 2005 between the SOCIALIST REPUBLIC OF VIET NAM (the "Borrower") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (the "Fund").

WHEREAS (A) the Borrower has requested a loan (the "Loan") and a grant (the "Grant" and, together with the Loan, the "Financing") from the Fund for the purpose of financing the Decentralised Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces, described in Schedule 1 to this Agreement (the "Programme");

(B) the Government of the Kingdom of Norway (the "GoN") intends to forgive debt owed to it by the Borrower, in an aggregate amount equivalent to approximately USD 5 000 000, for the purposes of using such proceeds to assist in the financing of the Programme (the "Norwegian Debt Swap"), on such terms and conditions as shall be set forth in an agreement to be entered into between the Borrower and the GoN (the "Debt Swap Agreement");

(C) the Loan and the Grant will be administered by the Cooperating Institution to be appointed by the Fund; and

WHEREAS, on the basis of the above and other considerations, the Fund has agreed to extend the Loan and the Grant to the Borrower on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Provisions

SECTION 1.01. *General Conditions.* The Fund's General Conditions for Agricultural Development Financing dated 2 December 1998 (the "General Conditions") are annexed to this Agreement, and all provisions thereof (whether or not expressly mentioned herein) are made an integral part hereof. If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall govern, but no provision hereof shall limit the generality of any provision of the General Conditions.

SECTION 1.02. *Definitions.* (a) Wherever used in this Agreement, unless the context otherwise requires, the terms defined in the General Conditions and the Preamble to this Agreement shall have the respective meanings set forth therein as clarified in (c), below. All references to person(s) in this agreement shall include both genders and their use shall be considered synonymous with the terms "he" and "she".

(b) As used in this Agreement, the following terms shall have the following meanings:

"AWPB" means each annual work plan and budget for carrying out the Programme during a particular Programme Year, as described in Section 3.02.

"AWPB-HG" means the AWPB specific and relating to the HG Project.

"AWPB-QB" means the AWPB specific and relating to the QB Project.

"Capacity-Building LDB" means local development budget, to be maintained by each

Programme Commune to finance activities related to capacity building to be implemented in such Programme Commune under the Capacity Building for Decentralised Development Component, described in paragraph 12 of Schedule 3.

"CF" means Community Facilitator, as described in paragraph 9.1.2 of Schedule 3.

"CMEC" means Credit and Micro-enterprise Coordinator.

"Contracted Service Provider" means each service provider, either public or private sector, contracted by the HG Project, as described in paragraph 7.2 of Schedule 3.

"Cooperating Institution" means the entity designated as such in Section 1.05.

"CPC" means Commune People's Committee.

"CPMU" means commune programme management unit described in paragraph 9.1.1 of Schedule 3.

"CSG" means credit and savings group, as described in paragraph 13 of Schedule 3.

"DCF" means District Community Facilitator, described in paragraph 8.2 of Schedule 3.

"DOFI" means the Department of Fisheries of QB Province.

"DPC" means District People's Committee.

"DPMU" means district programme management unit described in paragraph 8.1 of Schedule 3.

"Fiscal Year" means each period beginning 1 January and ending 31 December.

"Grant Bank Account" means each account described in Section 2.04.

"HG Project" means those Programme activities that shall be implemented in Ha Giang Province in accordance with this Agreement, as described in Schedule 1.

"Lead Programme Agency - HG" means the PPC of HG.

"Lead Programme Agency - QB" means the PPC of QB.

"Loan Closing Date" means the date six months after the Programme Completion Date, or such later date as the Fund may designate by notice to the Borrower and the Lead Programme Agencies. The term "Loan Closing Date" shall be deemed to refer to both the Loan and the Grant.

"Loan Service Payment Currency" means the currency specified in Section 2.08.

"MOF" means the Ministry of Finance of the Borrower.

"MTR" means mid-term review, described in Section 4.03.

"PPC" means the Provincial People's Committee in each of HG and QB, referred to in paragraph 2 of Schedule 3.

"PPMU" means each of the provincial project management units referred to in paragraph 4 of Schedule 3.

"PPSC" means each of the provincial project steering committees described in paragraph 3 of Schedule 3.

"PRA" means participatory rural appraisal.

"Programme Commune" means each commune within a Programme District selected to participate under the Programme, in which the Programme shall be implemented.

"Programme Completion Date" means the sixth anniversary of the Effective Date, or such later date as the Fund may designate by notice to the Borrower and the Lead Programme Agencies.

"Programme Party" includes (but is not limited to) each of the Lead Programme Agencies, the DPCs and DPMUs in the Programme Districts, the CPCs and CPMUs in the Programme Communes, the VMGs/SMBs in the Programme Villages, IAs, Activity Managers, and Contracted Service Providers.

"Programme Villages" means each village within a Programme Commune in which the Programme shall be implemented in accordance with this Agreement.

"Programme Year" means (i) the period beginning on Effective Date and ending on the next following 31 December, and (ii) each period thereafter beginning on 1 January and ending on the earlier of 31 December or the Programme Completion Date.

"Project Account" means each account for Programme operations under the Projects referred to in Section 3.03.

"QB Project" means those Programme activities that shall be implemented in Quang Binh Province in accordance with this Agreement, as described in Schedule 1.

"SMB" means self management board, the village-level representative institution in QB.

"SME" means small-medium enterprise.

"Special Account" means each account described in Section 2.03.

"Target Group" shall have the meaning ascribed to such term in paragraph 3 of Schedule 1.

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

"VBSP" means Vietnam Bank for Social Policy.

"VIDB" means the village infrastructure development budget, to be maintained by each Programme Commune to finance activities related to community-identified infrastructure priorities under the Small Scale Infrastructure Development Component, described in paragraph 15 of Schedule 3.

"VMG" means village management group, the village-level representative institution in HG.

"VND" or "dong" means the currency of the Borrower.

"WU" means Women's Union.

(c) Without limiting the terms or generality of Section 2.02 of the General Conditions, the term "Loan Document" shall also be deemed to refer to such documents relating to the Grant.

SECTION 1.03. *References and Headings*. Unless otherwise indicated, references in this Agreement to Articles, Sections or Schedules refer to Articles, Sections or Schedules of this Agreement. The descriptive headings of such Articles, Sections and Schedules are given for convenience of reference only and do not form an integral part of this Agreement.

SECTION 1.04. *Obligations of the Borrower and the Programme Parties*. The Borrower shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the Lead Programme Agencies and all other Programme Parties under this Agreement. To the extent any Programme Party enjoys legal personality separate from the Borrower, any reference to an obligation of such Programme Party in this Agreement shall be deemed an obligation of the Borrower to ensure that such Programme Party performs such obligation. The acceptance by any Programme Party of any obligation ascribed to it in this Agreement shall not affect the responsibilities and obligations of the Borrower hereunder.

SECTION 1.05. *Appointment of the Cooperating Institution*. The Fund intends to appoint the United Nations Office for Project Services (UNOPS) as the Cooperating Institution, with the responsibilities set forth in Article III of the General Conditions, to administer the Loan and the Grant and supervise the Programme in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.

ARTICLE II

The Financing

SECTION 2.01. *The Financing*. The Fund agrees to extend a Loan to the Borrower in the principal amount of Sixteen Million One Hundred Thousand Special Drawing Rights (SDR 16 100 000) and a Grant in the amount of Four Hundred and Thirty thousand Special Drawing Rights (SDR 430 000), for the purpose of financing the Programme.

SECTION 2.02. *Accounts and Withdrawals*. The Fund shall open a Loan Account and a Grant Account in the name of the Borrower and credit the principal amount of the Loan and the Grant, respectively, thereto. The Borrower may request withdrawals from the Loan Account and Grant Account from time to time between the Effective Date and the Loan Closing Date in various currencies in respect of Eligible Expenditures and otherwise in accordance with Schedule 2 (Allocation and Withdrawal of Loan and Grant Proceeds) hereof, and Article IV (Loan Account and Withdrawals) and Section 6.02 (Currencies for Withdrawals) of the General Conditions.

SECTION 2.03. *Special Accounts*. (a) The Borrower, through MOF, shall open and thereafter maintain in the Bank for Foreign Trade of Viet Nam (VIETCOMBANK), or another bank approved by the Fund, the following two Special Accounts, each denominated in USD, for the purpose of financing the Programme under the respective Project: (i) the HG Special Account, for the purposes of financing the HG Project (the "HG Special Account"); and (ii) the QB Special Account, for the purposes of financing the QB Project (the "QB Special Account, and when referred to collectively with the HG Special Account, the "Special Accounts"). The Special Accounts shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

(b) After the Special Accounts have been duly opened, upon the Borrower's request, the Fund shall make one or more withdrawals from the Loan Account on behalf of the Borrower of up to: (i) USD 1 200 000 in the aggregate, with respect to the HG Special Account (the "HG Authorised Allocation"); and (ii) USD 1 200 000 in the aggregate, with respect to the QB Special Account (the "QB Authorised Allocation") (the HG Authorised Allocation and the QB Authorised Allocation, when referred to collectively, shall be referred to as the "Authorised Allocations"). The Borrower shall

deposit the amount of the respective Authorised Allocation in the respective Special Account. The Fund shall replenish the Special Accounts from time to time upon request, in accordance with Section 4.08 of the General Conditions (Special Account), in such minimum amounts as the Fund, or the Cooperating Institution on behalf of the Fund, may specify by notice to the Borrower.

(c) The Special Accounts shall be operated by MOF in accordance with Section 4.08 of the General Conditions.

SECTION 2.04. *Grant Bank Accounts.* (a) The Borrower, through MOF, shall open and thereafter maintain in the Bank for Foreign Trade of Viet Nam (VIETCOMBANK), or another bank approved by the Fund, the following two accounts, each denominated in USD for the purpose of receiving Grant proceeds to finance the Programme under the respective Project: (i) the HG Grant Bank Account, for the purposes of financing the HG Project (the "HG Grant Bank Account"); and (ii) the QB Grant Bank Account, for the purposes of financing the QB Project (the "QB Grant Bank Account", and when referred to collectively with the HG Grant Bank Account, the "Grant Bank Accounts"). The Grant Bank Accounts shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

(b) As from the Effective Date, the Borrower may request withdrawals from the respective Grant Bank Accounts yearly in advance during the Programme Implementation Period. The amounts so requested shall not exceed the amount of expenditures which are included in the respective AWPB for the Project for the relevant Programme Year to be financed from the Grant. Replenishment and use of Grant proceeds from the relevant Grant Bank Accounts shall be on the basis of the respective AWPBs. The Borrower shall make payments out of or use the proceeds of the respective Grant Bank Account exclusively for Eligible Expenditures under the relevant Project.

(c) The Grant Bank Accounts shall be operated by MOF.

SECTION 2.05. *Use of Proceeds.* The Borrower shall ensure that the proceeds of the Loan and the Grant exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions. Without limiting the generality of the foregoing, it is agreed and understood that it is the policy of the Fund that Loan and Grant proceeds not be used to pay Taxes, including (but not limited to) any Taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Loan or the Grant.

Section 2.06. *Service Charge.* The Borrower shall pay to the Fund a service charge at the rate of 0.75% per annum on the amount of the Loan outstanding from time to time, payable semi-annually on each 1 June and 1 December in the Loan Service Payment Currency.

SECTION 2.07. *Repayments of Principal.* The Borrower shall repay the outstanding principal amount of the Loan in 59 equal semi-annual instalments of SDR 268 334, payable on each 1 June and 1 December, commencing on 1 June 2015 and ending on 1 June 2044, and one final instalment of SDR 268 294, payable on 1 December 2044, in the Loan Service Payment Currency.

SECTION 2.08. *Loan Service Payment Currency.* The currency of the United States of America shall be the Loan Service Payment Currency for purposes of this Agreement.

ARTICLE III

The Programme

SECTION 3.01. *Programme Implementation.* The Borrower declares its commitment to the goals and purposes of the Programme as stated in Schedule 1 and, in furtherance of such goals and

purposes, the Borrower shall ensure that the Lead Programme Agencies and each of the other Programme Parties shall carry out the Programme:

(a) with due diligence and efficiency;

(b) in conformity with all appropriate administrative, engineering, financial, economic, operational, environmental, agricultural development practices (including rural development practices) and good governance;

(c) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower and the Cooperating Institution;

(d) substantially in accordance with the AWPBs;

(e) in a highly decentralised and community-driven manner;

(g) otherwise in accordance with this Agreement (in particular, Schedules 3 and 3A hereto), the Programme Agreement and any other Loan Document; and

(h) so as to ensure the sustainability of its achievements over time.

SECTION 3.02. *Annual Work Plans and Budgets*. (a) Each PPMU shall prepare a draft consolidated annual work plan and budget (AWPB) for each Programme Year with respect to their respective Projects (collectively, "AWPBs"; individually, the "AWPB-HG" and the "AWPB-QB"). The draft AWPBs shall include, among other things, a detailed description of planned Programme activities during the coming Programme Year, and the sources and uses of funds therefor, based on the respective work plans and budgets prepared by each of the Programme Parties.

(b) Each PPMU shall submit the draft AWPB for their respective Project to the relevant PPSC for its approval. When so approved, each PPMU shall submit the relevant draft AWPB to the Fund and the Cooperating Institution, for their respective comments and approval, no later than 135 days before the beginning of the relevant Programme Year (i.e., 15 August). If neither the Fund nor the Cooperating Institution comment on the draft AWPB within 30 days after receipt, the respective AWPB shall be deemed approved.

(c) Each PPSC shall adopt the respective AWPB substantially in the form approved by the Fund and the Cooperating Institution, and the responsible PPMU shall provide copies thereof to the Fund and the Cooperating Institution, prior to the commencement of the relevant Programme Year.

(d) If required, the PPMU may propose adjustments in the respective AWPB during the relevant Programme Year, which shall become effective upon approval by the respective PPSC, the Cooperating Institution and the Fund.

SECTION 3.03. *Project Accounts*. The following accounts shall be opened under the Programme:

(a) the PPMU-HG shall open and thereafter maintain in the Provincial State Treasury, or another bank proposed by the Borrower and accepted by the Fund, and operate, a current account, with sub-accounts, denominated in VND for Programme operations related to the HG Project, including receiving Loan and Grant proceeds from the HG Special Account and HG Grant Bank Account, respectively, and making payments for HG Project operations in accordance with the AWPB-HG (the "HG Project Account").

(b) the PPMU-QB shall open and thereafter maintain in the Provincial State Treasury, or another bank proposed by the Borrower and accepted by the Fund, and operate, a current account with sub-accounts, denominated in VND for Programme operations related to the QB Project, including receiving Loan and Grant proceeds from the QB Special Account and QB Grant Bank Account, respectively, and making payments for QB Project operations in accordance with the AWPB-QB (the "QB Project Account").

SECTION 3.04. *Availability of Loan and Grant Proceeds.* The Borrower shall make the proceeds of the Loan and Grant available to the Lead Programme Agencies in accordance with the respective AWPBs and its customary national procedures for development assistance to carry out the Programme.

SECTION 3.05. *Availability of Additional Resources.* (a) Without limiting the generality of Section 7.03 of the General Conditions, the Borrower shall ensure that in addition to the proceeds of the Financing, counterpart funds in an aggregate amount of USD 6 051 000 or its equivalent shall be made available by the Lead Programme Agencies during the Programme Implementation Period for the purposes of carrying out the Programme. Each Lead Programme Agency shall make budgetary allocations in the respective Programme Province's budget for each Fiscal Year equal to the counterpart funds called for in the respective AWPB for the relevant Programme Year, and make such allocations available to the respective Project Account quarterly in advance.

(b) Without limiting the generality of paragraph (a) above, the Borrower shall ensure that the proceeds of the Debt Swap are made available to Programme, through the respective Project Accounts, quarterly in advance in accordance with the AWPBs.

SECTION 3.06. *Channelling of Programme Resources.* Each PPMU shall transfer available funds and other Programme resources to the relevant CPMU Account held in the District State Treasuries for each Programme Communes' Capacity-Building LDB and VIDB, in accordance with the relevant AWPB and the Borrower's customary national procedures and regulations for making funding available to communes.

SECTION 3.07. *Procurement.* All procurement financed by the proceeds of the Loan and Grant shall be carried out in accordance with Schedule 4.

SECTION 3.08. *Programme Completion Date.* The Programme Parties shall complete the implementation of the Programme on or before the Programme Completion Date.

ARTICLE IV

Implementation Reporting and Information

SECTION 4.01. *Monitoring.* As soon as practicable but in no event later than three (3) months after the Effective Date, each PPMU shall establish, with respect to their respective Project, and thereafter maintain an appropriate information management system to enable them to continuously monitor the Programme in accordance with the Fund's "Guidelines for Programme Monitoring and Evaluation", paragraph 2 of Schedule 3A and Section 8.02 (Monitoring of Programme Implementation) of the General Conditions, based on indicators agreed by the Borrower and the Fund.

SECTION 4.02. *Progress Reports*. The PPMU-HG, with respect to the HG Project, and the PPMU-QB, with respect to the QB Project, shall submit to the Fund and the Cooperating Institution quarterly and consolidated annual progress reports on Programme implementation for their respective Project, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than two (2) months after the end of each quarterly period and within three (3) months after the end of each Fiscal Year during the Programme Implementation Period.

SECTION 4.03. *Mid-Term Review*. (a) The Fund, GoN and the Cooperating Institution, jointly with the Borrower and the: (i) Lead Programme Agency-HG with respect to the HG Project; and (ii) Lead Programme Agency-QB with respect to the QB Project, shall carry out separate reviews of Programme implementation with respect to each Project no later than 36 months after the Effective Date (the "Mid-Term Reviews"), based on terms of reference prepared by: (i) the PPMU-HG with respect to the HG Project; and (ii) the PPMU-QB with respect to the QB Project. The terms of reference for each Mid-Term Review shall be approved by the Fund and the Cooperating Institution. Among other things, the Mid-Term Reviews shall consider the achievement of Programme objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.

(b) The Borrower shall ensure that the recommendations resulting from the Mid-Term Reviews are implemented within a reasonable time thereafter and to the satisfaction of the Fund. It is agreed and understood that such recommendations may result in modifications to the Loan Documents.

SECTION 4.04. *Completion Reports*. The PPMU-HG and the PPMU-QB shall each submit to the Fund and the Cooperating Institution the completion report with respect to the HG Project and the QB Project, respectively, under the Programme required by Section 8.04 (Completion Report) of the General Conditions no later than six months after the Programme Completion Date. In addition to those matters specified in said Section 8.04, the completion report shall detail: (i) the concrete steps taken by the programme to assure the sustainability of the Programme's achievements over time; (ii) the extent to which benefits of the Programme have reached the Target Group; and (iii) the impact of the Programme on the livelihoods of the Target Group.

SECTION 4.05. *Evaluations*. The Borrower and each Programme Party shall facilitate all evaluations and reviews of the Programme that the Fund may carry out during the Programme Implementation Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Programme) of the General Conditions.

ARTICLE V

Financial Reporting and Information

SECTION 5.01. *Financial Statements*. The PPMU-HG and the PPMU-QB shall prepare quarterly and consolidated annual financial statements of the operations, resources and expenditures related to their respective Projects under the Programme, as required by Section 9.02 (Financial Statements) of the General Conditions, and shall deliver such quarterly and consolidated annual financial statements to the Fund and the Cooperating Institution within two (2) months after the end of each such quarter and within three (3) months after the end of each Fiscal Year.

SECTION 5.02. *Audit Reports*. (a) As soon as practicable after the Effective Date, the Borrower, through each Lead Programme Agency, shall appoint, with the prior approval of the Fund, independent auditors selected by the respective PPMU in accordance with the procedures and criteria set forth in the Fund's "Guidelines on Project Audits (for Borrowers' Use)" (2003, as may be amended from time to time) to audit the financial statements relating to the respective Project under the Programme for the first two Fiscal Years. Thereafter throughout the entire Programme Implementation

Period, as soon as practicable during each successive Fiscal Year each Lead Programme Agency shall either confirm the appointment of the same independent auditors or shall follow the same procedure to appoint new independent auditors for such Fiscal Year.

(b) The Lead Programme Agencies shall have the financial statements relating to the Programme audited each Fiscal Year by such auditors with respect to the relevant Project under the Programme in accordance with the International Standards on Auditing and the Fund's "Guidelines on Project Audits (for Borrowers' Use)" (2003, as may be amended from time to time) (individually, the "HG Audit" and the "QB Audit", and generally the "Audit Report"; collectively, the "Audit Reports"). In accordance with Section 9.03 (Audit of Accounts) of the General Conditions, each respective Audit Report shall include, *inter alia*: (i) an opinion on the certified statements of expenditure as described in paragraph 4 of Schedule 2 and the operation/utilisation of the respective Special Account and Grant Bank Account; and (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. The PPMU-HG and PPMU-QB shall deliver the HG Audit and the QB Audit, respectively, to the Fund and the Cooperating Institution within six months of the end of each such Fiscal Year. The Lead Programme Agency-HG and Lead Programme Agency QB shall submit to the Fund and Cooperating Institution the reply to the management letter of the auditors with respect to the HG Audit and the QB Audit, respectively, within one month of receipt thereof.

ARTICLE VI

Remedies of the Fund

SECTION 6.01. *Suspension.* (a) The Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account and/or Grant Account in accordance with Section 12.01 of the General Conditions upon the occurrence of any of the events set forth therein or any of the events set forth below:

(i) The right of the Borrower to receive funding under the terms of the Debt Swap Agreement has been suspended, cancelled or terminated, in whole or in part, and the Fund has determined that such action or reason for taking action by GoN is or may be detrimental to the achievement of the goal or purposes of the Programme, or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.

(ii) The Fund has given notice to the Borrower that credible allegations of corrupt or fraudulent practices in connection with the Programme have come to the attention of the Fund and the Borrower has failed to investigate the matter fully and promptly to the satisfaction of the Fund; or thereafter, based on the conclusions of the aforesaid investigation and any other information available to it, the Fund, in consultation with the Borrower, determines that such practices have occurred, and the Borrower has failed to take timely and appropriate action to remedy the matter to the satisfaction of the Fund.

(b) The Fund shall suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account and/or Grant Account if the Audit Report-HG and/or the Audit Report-QB required by Section 5.02 has/have not been satisfactory completed within twelve (12) months after the end of the Fiscal Year, notwithstanding the provisions of Section 6.04.

SECTION 6.02. *Cancellation.* The Fund may terminate the right of the Borrower to request withdrawals from the Loan Account and/or Grant Account in accordance with Section 12.02 of the General Conditions, upon the occurrence of any of the events set forth therein.

SECTION 6.03. *Acceleration*. The Fund may declare the outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, immediately due and payable in accordance with Section 12.05 of the General Conditions, upon the occurrence of any of the events set forth therein.

SECTION 6.04. *Audits*. If the Borrower, through the PPMUs, does not timely furnish any of the audit reports required by Section 5.02, and the Fund, after consultation with the Borrower, determines that the Borrower is unlikely to do so within a reasonable period thereafter, the Fund, or the Cooperating Institution on behalf of the Fund, may engage independent auditors of its choice to audit the accounts relating to the Programme. For such purpose, the Borrower and the Programme Parties shall make their financial and other records available to such auditors promptly upon request, accord them full rights and privileges as agents of the Fund under Section 10.03 (Visits, Inspections and Enquiries) of the General Conditions and otherwise cooperate fully with such audit. The Fund shall make the audit report available to the concerned Lead Programme Agency(ies) promptly upon its completion. The Fund shall finance the cost of such audit by withdrawal from the Loan Account on behalf of the Borrower, and the Borrower hereby authorises the Fund to finance the cost of such audit by withdrawal from the Loan Account on behalf of the Borrower.

SECTION 6.05. *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 under the General Conditions or otherwise.

ARTICLE VII

Effectiveness

SECTION 7.01. *Conditions Precedent to Effectiveness*. This Agreement shall become effective in accordance with Article XIII of the General Conditions (Effectiveness and Termination) subject to the fulfilment of the following conditions precedent:

(a) the PPMU in each Programme Province, with terms of reference approved by the Fund, shall have been duly established and staffed in accordance with paragraph 4 of Schedule 3;

(b) the Project Directors for the PPMUs shall have been recruited/seconded and duly appointed by the respective Lead Programme Agency in accordance with paragraph 5 of Schedule 3;

(c) the Provincial Community Facilitator (PCF) for each PPMU shall have been recruited and duly appointed by the respective Lead Programme Agency in accordance with paragraph 6 of Schedule 3;

(d) the terms of reference for the recruitment of the DCFs and CFs shall have been prepared by the Lead Programme Agencies and submitted to the Fund for its review and approval;

(e) the initial budgetary allocations of counterpart funds shall have been made available to the Programme in accordance with Section 3.05(a);

(f) the Lead Programme Agencies shall have issued their respective decision necessary to ensure the proper and necessary decentralisation of its structure necessary for the implementation of the Programme consistent with this Agreement;

(g) this Agreement shall have been duly signed, and the signature and performance thereof by the Borrower shall have been duly authorised and ratified by all necessary administrative and governmental action; and

(h) a favourable legal opinion, issued by the legal counsel of the Borrower authorized to issue such opinions, in respect of the matters set forth in Section 7.02 hereof and in form and substance acceptable to the Fund, shall have been delivered by the Borrower to the Fund.

SECTION 7.02. *Legal Opinion.* The legal opinion required by Section 7.01 shall favourably address the following matters:

(a) the conditions precedent specified in paragraphs (f) and (g) of Section 7.01 have been fulfilled; and

(b) this Agreement is legally binding upon the Borrower in accordance with its terms regardless of any law to the contrary in its territory, and supported by the full faith and credit of the Borrower.

SECTION 7.03. *Deadline for Effectiveness.* If this Agreement does not become effective within 90 days after the date hereof or such later date as the Fund may designate, the Fund may terminate this Agreement and the other Loan Documents as provided in Section 13.03 of the General Conditions.

ARTICLE VIII

Miscellaneous

SECTION 8.01. *Representative.* The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 15.03 of the General Conditions.

SECTION 8.02. *Status of this Agreement.* The Borrower and the Fund agree that this Agreement constitutes an international treaty for all purposes under international law.

SECTION 8.03. *Communications.* Except as otherwise expressly provided in the Loan Documents or requested by the Fund, the Borrower shall address all communications relating to this Agreement to both the Fund and the Cooperating Institution, except for:

(a) withdrawal applications (Section 4.04 of the General Conditions) and communications regarding procurement (Schedule 4 of this Agreement), which the Borrower shall address to the Cooperating Institution only; and

(b) communications regarding Loan Service Payments (Sections 2.05, 2.06 and 2.07 of this Agreement; Articles V and VI of the General Conditions), which the Borrower shall address to the Fund only.

SECTION 8.04. *Addresses*. The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Borrower:

Ministry of Finance
8 Phan Huy Chu Street
Hanoi
Socialist Republic of Viet Nam

Facsimile Number: (844) 826 2266

Copy to:

People's Committee of Quang Binh Province
50 Ly Thuong Kiet Street
Dong Hoi
Quang Binh
Socialist Republic of Viet Nam

Facsimile Number: (8452) 822791

People's Committee of Ha Giang Province
2 Doi Can
Ha Giang Town
Ha Giang Province
Socialist Republic of Viet Nam

Facsimile Number: (8419) 866993

For the Fund:

International Fund for Agricultural Development
Via del Serafico, 107
00142 Rome
Italy

Cable Address: IFAD ROME

Facsimile Number: (3906) 504 3463

For the Cooperating Institution:

United Nations Office for Project Services
(UNOPS) - Asia Office
The UN Building
Rajadamnern Nok Avenue
Bangkok 10200

Facsimile Number: (662) 288 1013

SECTION 8.05. *Language of Communications*. All notices, requests, reports, documents and other information and communications relating to this Agreement, the Financing and the Programme (including the reports required by Articles IV and V) shall be in the English language.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have signed this Agreement in Rome, Italy, as of the date first above written.

THE SOCIALIST REPUBLIC OF VIET NAM

Authorised Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

SCHEDULE 1

Programme Description

1. *Programme Area.* The Programme shall be carried out in selected communes in five (5) rural districts in Ha Giang province ("HG") and four (4) rural districts in the Quang Binh provinces ("QB") of the Borrower's territory (the "Programme Area") (each such rural district, a "Programme District") (HG and QB each a "Programme Province").

2. *The Projects.* All activities funded hereby as described in this Schedule constitute the Programme, although specific activities and components differ between HG and QB. Those Programme activities implemented in HG under the implementation arrangements described in this Agreement shall be referred to as the "HG Project", whereas the activities implemented in QB under the implementation arrangements described in this Agreement shall be referred to as the "QB Project".

3. *Target Group.* The Programme shall primarily benefit the hunger and poverty households officially designated as such by the Borrower's Ministry of Labour Invalids and Social Affairs (MOLISA) on the basis of community-generated data through PRAs and wealth-ranking exercises, in the Programme Area. Within this larger target group, women and ethnic minorities shall also be targeted due to their relatively disadvantaged position, while in QB unemployed youth shall also be particularly targeted.

4. *Goal.* The goal of the Programme is to improve the socio-economic status of the poorest households in the Programme Area, with particular emphasis on the use of highly decentralized, community-driven development approaches.

5. *Purposes.* The purposes of the Programme are to: (i) improve food security and living standards for poorest households; (ii) develop strong grassroots institutions better able to manage community resources and better equipped to engage in the development process; (iii) improve institutionalisation of decentralised development approaches; (iv) improve the socio-economic status of women; (v) improve village-level infrastructure; and (vi) improve management of natural resources.

6. *Components.* The Programme shall consist of the following Components:

A. *The Capacity Building for Decentralised Development Component.*

(i) *Empower local communities in relation to the socio-economic development process through*:

(a) establishment of CPMUs under the CPC in all Programme Communes;

(b) establishment of VMGs in HG and SMBs in QB, in all Programme Villages; the VMGs and SMBs shall be elected, village-based organisations;

(c) comprehensive training of key provincial and district staff from the PPMU, DPMU and IAs in core areas, such as financial and administrative procedures for decentralised Programme management, participatory development approaches and user group formation and operation;

(d) comprehensive training of key CPMU staff including the CPC Chairperson, CF, Commune Infrastructure Technician (CIT), Commune Extension Worker (CEW), Commune Veterinary Worker (CVW) and Head of the WU in the above-mentioned areas (together, the "Core Group");

(e) comprehensive training of VMG and SMB members in basic aspects of development planning, financial management, construction management, construction techniques, and user group formation and operations;

(f) widespread distribution of information in Programme Communes and Villages regarding: (i) relevant government regulations; (ii) Programme processes, regulations and activities; (iii) Programme funding mechanisms and village funding entitlements; (iv) rights and responsibilities of beneficiaries; and (v) Programme management procedures;

(g) village-level PRAs/needs assessments to identify infrastructure and extension/production needs, on an annual basis; needs assessments shall be separately conducted for men and women;

(h) preparation of simple village-level resource analyses and development plans, updated annually;

(i) consolidation of village development plans into commune development plans and incorporated in the AWPBs;

(j) annual planning and six-monthly review workshops at commune level, to involve key CPMU staff and VMG/SMB members;

(k) appointment/secondment of a CF in all communes for the duration of the Programme;

(l) provision of logistical support to the CPC/CPMU in the form of equipment, materials, salary allowances and operating budget;

(m) establishment of a Capacity-Building LDB for each Programme Commune to finance additional capacity-building needs identified by grassroots organisations during the course of implementation;

(n) provision of international and national technical assistance (TA) to each Programme Province to support the decentralisation process. Key areas of TA include: conducting training needs assessment and development of training strategies and programmes; development of the necessary policy/regulatory framework for the decentralised approaches being proposed; defining a gender sensitisation strategy to impact all levels of the Programme; and refinement of community based participatory development approaches; and

(o) support for province-led policy and programme development.

(ii) *Province-led Policy and Programme Development Sub-component.* In order to further the Borrower's decentralization strategy, the Programme shall help provinces, districts and communes evolve from their coordination and implementation role into more active participation in local plan formulation, assessment of local priorities, resources and constraints, and disbursement of funds allocated for local development through:

(a) inclusive and well-rounded research for joint learning of locally relevant development and poverty reduction priorities;

(b) promotion of best practice/innovation by creating guidebooks and manuals to enhance usability, durability and replicability;

(c) generation of multimedia projection tools to showcase Programme experience to project into various national forums for policy advocacy;

(d) e-networking the above-mentioned provincial research and policy endeavours interlinking them to a much wider and varied development community; and

(e) organisation of events involving policy makers, key officials, development practitioners and researchers for assimilation and extension of Programme experiences and successes and development partnership building.

B. *The Production Support Component.* In order to provide support to enhance the productivity and income levels of the households in the Programme Area so as to improve household food security, the Programme shall support the following:

(i) *Farming Systems Development Sub-Component.* Activities under this sub-component shall be:

(a) *Seed Multiplication.* Improving the seed varieties of maize, high-yielding rice varieties and soyabean through supporting the Pho Bang Plant Breeding Centre in Ha Giang (PBPBC). **(Implemented in HG only)**

(b) *Fruit Tree Promotion.* Planting of fruit tree seedlings in the Programme Area through establishment of clonal "mother tree" orchards at Provincial level and small scale clonal "mother tree" orchards and production nurseries at commune levels.

(c) *Home Gardening.* Home gardening demonstrations, vegetable seedling nursery and supply of seeds to the Target Group.

(d) *Land Allocation.* Allocation of land with the issuance of Red Books (i.e. defining the area allocated and terms of title): approximately 2 000 ha of agricultural land to individual poor households; approximately 1 500 ha of sandy coastal land to be afforested under the Programme to poor households; and about 6 500 ha of unused or degraded forestland in upland communes to poor households. **(Implemented in QB only)**

(e) *Agro-Forestry, Afforestation and Community-based Forest Management (CBFM).* Activities include: (1) selection of culturally preferred forestry and agro-forestry species; (2) establishment of seedling nurseries of forestry, agro-forestry and forage tree/legume species; (3) promotion of tree planting on-farm, allocated barren land and allocated forest land; (4) afforestation of approximately 3 250 ha of unused/degraded upland and 1 500 ha of sandy coastal land subject to allocation of this land to individual poor households in Q; **(Implemented in QB only)**; (5) establishment of community-based forest management (CBFM) demonstrations/models in districts and communes that had a substantial area of protected forest allocated to individual households in HG. **(Implemented in HG only)**

(f) *Ecological Agriculture and High-Value Crops.* Demonstrations in vermi-composting, low-cost biogas, water harvesting, contour and slope protection, medicinal plant cultivation, pepper cultivation, use of green manure cover crops and adoption of zero tillage agricultural practices.

(g) *Input Supplier Certification.* Development of a system of certification/registration for fertiliser, agrochemical and veterinary medicine suppliers, and implementation of a system to monitor compliance with approved standards and practices. **(Implemented in QB only)**

(h) *Applied Research.* Identification of applied research needs, linked to demonstration implemented at the household level and coordination/supervision of research subcontracts designed to meet these needs. **(Implemented in QB only)**

(i) *Capacity Building and Institutional Support.* (1) development of improved farmer extension materials (where required in dual languages); (2) development/updating of extension handbooks; (3) support for mass extension programmes using television, radio and newspapers **(Implemented in HG only)**; and (4) strengthening of extension services at all levels through the provision of training, vehicles, equipment, material and operating budget.

(ii) *Livestock Development*

(a) *Breed improvement.* Distribution of high-quality male cattle, buffalo and goats in select households of the Programme Communes, and establishment of systems pertaining to keeping and rotating animals and payments for the bull service.

(b) *Pig Breeding Programme.* Establishment of specialised pig breeding households in selected commune and establishment of procedures for cost recovery at the household level. Upgrading the Duc Nin Pig Breeding Station in QB to improve the production of high-quality breeding stock.

(c) *Backyard Poultry/Duck.* Provision of the supply of chicks, low-cost technology for hatching and enhancing survival rates of chicks. Development of a fee-based poultry vaccination system and support for marketing of poultry.

(d) *Cattle/Buffalo/Pig/Goat Rearing.* Establishment of demonstrations based on commune-level identification of the potential, experience and marketing constraints. Development of activities related to support services such as forage development and feed processing activities linked to these demonstrations.

(e) *Strengthening Support Services.* Provision of training, technical assistance, vehicles and recurrent costs to the Provincial Veterinary Department of DARD and District Veterinary Station. Delivery of veterinary services at commune level through: (1) provision of training, basic veterinary tools, improved cold chain facilities, and a revolving fund for the purchase of veterinary medicines; (2) strengthening the Provincial Animal Health Laboratories in relation to core disease diagnosis functions; (3) strengthening the Provincial and District Veterinary Station to conduct disease prevention and control programmes; and (4) strengthening the Commune Veterinary Workers (CVW) network through provision of training, basic veterinary tools, revolving funds, and bicycles.

(iii) *Aquaculture Development*

(a) *Improving Availability of Quality Fish Seeds.* Upgrading the Provincial Seed Centres in both Programme Provinces and through the establishment of fry and fingerling nursing facilities and specialised fish nursing households.

(b) *Establishment of Aquaculture Demonstrations.* Establishment of demonstrations related to fish culture in ponds, rice-fish culture, cage culture, etc in both Programme Provinces. Support to community based fisheries management in QB. Establishment of a system of cost recovery.

(c) *Strengthening Support Services.* Provision of equipment, training, technical assistance and recurrent costs to the Fisheries Seed Centre, the Provincial Extension Centre (PEC) and the

District Extension Stations (DESs) in HG, and the Dai Trach Fishery Seed Centre, DOFI, and Office for Protection, Quality Control and Veterinary of Fisheries (OPQUAVEF) in QB for implementation of activities under this sub-component.

(iv) *Micro-Enterprise Development and Marketing*

(a) *Micro-Enterprise Development.* In HG, establishment of five (5) "business incubators" as a pilot, involving: conducting feasibility studies; identification of producer groups; establishment of producer groups as legal enterprise entities; training producer group members; and establishment of market linkages. In QB, support for: (i) facilitation of producer groups to establish themselves as legal enterprises, access training and establishment of linkages with the market in the form of buy-back arrangements; and (ii) support to 50 enterprises covering facilitation, equipment, training, and marketing and brand building support.

(b) *Vocational Training.* Provision of scholarships to students from poor households in remote upland areas unable to access job-oriented education.

(c) *Marketing.* Support to marketing initiatives through: (1) building of three markets in HG and two in QB in nearby towns; (2) publication of low-cost market information bulletins on a quarterly basis; (3) development of content for television programmes highlighting news crops, cultivation techniques, demand and price information; and (4) capacity development of select farmers to operate as traders.

(v) *Rural Financial Services.* The Programme shall promote and support:

(a) matching grants for CSGs;

(b) in-kind credit schemes for poorest households in remote villages/hamlets;

(c) training for: CSG members to self manage themselves in savings and loan operations; representatives of the mass organisations to assist the Target Group population to form, monitor and supervise CSGs; and VBSP district branches;

(d) technical assistance: international microfinance expert and national microfinance experts to work with the PPMU CMECs; and

(e) Vehicles and equipment to set up mobile banking units for the VBSP and documentation and stationery for the CSGs.

C. *The Small-Scale Infrastructure Development Component.* In order to improve village infrastructure, the Programme shall support the following:

(i) establishment of a Village Infrastructure Development Budget (VIDB) to finance community-identified infrastructure developments;

(ii) assessment of infrastructure needs in prioritised villages and the preparation of commune infrastructure development plans incorporating the identified village needs;

(iii) preparation of identification reports, feasibility studies, and detailed designs and cost estimates using government and private-sector service providers;

(iv) implementation of schemes by either village-base construction groups or private contractors under the supervision of the CPMU and VMGs/SMBs, with overall support from the DPMU;

(v) provision of logistical and operational support to key district technical agencies (especially DOTC, DARD and the construction Section of the DPC) in order to strengthen their capacity in relation to preparation of the pre-feasibility studies, appraisal of final designs and construction supervision;

(vi) institutional strengthening at the district, commune and village levels through the provision of appropriate training on technical and organisation aspects and participatory processes, and the provision of essential equipment and transport; and

(vii) assistance with the formation and organisation of user groups and SMBs/VMGs at the village level, together with appropriate training in management and simple accounting, construction techniques, and operation and maintenance of the village schemes.

D. *The Programme Management Component.* In order to establish effective, decentralised and responsive Programme management services, the Programme shall support the establishment and functioning of: two (2) PPMUs, one in each Programme Province; the DPMUs at Programme District level; and CPMUs at Programme Commune level. The Programme shall also finance the provision of vehicles and equipment, salary and allowances, vehicle operation and maintenance costs, travel allowances, administrative/office running expenses, staff training, various Programme coordination and review activities; and the establishment of a Programme monitoring and evaluation system.

SCHEDULE 2

Allocation and Withdrawal of Loan and Grant Proceeds

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant, the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category which percentages shall be considered net of the funding under the Debt Swap.

	Category	Loan Amount Allocated (Expressed in SDR)	Grant Amount Allocated (Expressed in SDR)	% of Eligible Expenditures to be Financed
I.	Civil Works			
	(a) for HG Project	110 000		100%
	(b) for QB Project	160 000		100%
II.	Vehicles, Equipment and Materials			
	(a) Vehicles and Equipment for HG Project	420 000		100% net of Taxes
	(b) Vehicles and Equipment for QB Project	310 000		100% net of Taxes
	(c) Materials for HG Project	1 110 000		92%
			100 000	8%
	(d) Materials for QB Project	1 150 000		92%
			100 000	8%
III.	Training, Studies and Technical Assistance			
	(a) Training and Field Studies for HG Project	920 000		91%
			80 000	9%
	(b) Training and Field Studies for QB Project	710 000		91%
			80 000	9%
	(c) Technical Assistance for the HG Project	170 000		85%
			30 000	15%
	(d) Technical Assistance for the QB Project	170 000		85%
			30 000	15%
IV.	Local Development Funds	8 020 000		100%
V.	Incremental Credit	610 000		100% of amounts disbursed by CSGs
VI.	Development Reserve Fund	820 000		100%
VII.	Operating Costs	890 000		60%
VIII.	Unallocated	530 000	10 000	
	TOTAL	**16 100 000**	**430 000**	

(b) The Fund may adjust the foregoing Table as it may deem necessary to enable it to exercise its rights under Section 6.04 (Audits). The Fund shall notify the Borrower of such adjustment, and such notice shall be deemed, *ipso facto*, to modify this Agreement.

2. *Certain Definitions*. For purposes of this Schedule, the following terms have the following meanings:

"Local Development Funds" means eligible expenditures for commune level budgets to finance activities under the Capacity-Building LDB and the VIDB.

"Development Reserve Fund" means a non-disbursing Expenditure Category whose allocation shall be reallocated between other Expenditure Categories following the MTR (see Section 4.03) subject to the terms of paragraph 6(a) below.

3. *Minimum Withdrawal Amounts*. Withdrawals from the Loan Account and Grant Account shall be made in amounts no less than USD 20 000 or its equivalent, or such other amount as the Fund may designate from time to time.

4. *Statements of Expenditure*. Withdrawals from the Loan Account and the Grant Account may be made against certified statements of expenditures in respect of: (a) all Eligible Expenditures under Category VII (Operating Costs); and (b) for all other Eligible Expenditures in such amounts as the Fund may designate from time to time by notice to the Borrower. The records evidencing such expenditures need not be submitted to the Fund, but shall be retained by the Borrower for inspection by the representatives of the Fund and the Cooperating Institution, in accordance with Sections 4.07 (Statements of Expenditure) and 10.03 (Visits, Inspections and Enquiries) of the General Conditions.

5. *Retroactive Financing*. Withdrawals not exceeding in the aggregate the equivalent of SDR 260 000 may be made from the Loan Account in respect of expenditures against Categories II and III incurred before the Effective Date but after 1 December 2004. Such expenditures shall be deemed Eligible Expenditures for all purposes of this Agreement.

6. *Conditions Precedent to Withdrawal*. (a) The amounts allocated to Category VI of the Allocation Table set forth in paragraph 1 of this Schedule (Development Reserve Fund) shall not be available for disbursement under the Programme until after satisfactory completion of the MTR described in Section 4.03, and based upon request(s) for reallocation to other Categories of the Allocation Table received from the Borrower and approved by the Fund.

(b) No withdrawals shall be made in respect of expenditures under the Incremental Credit expenditure category set forth in paragraph 1 (Category V), until the Rural Financial Services Manual, described in paragraph 13.2 of Schedule 3, shall have been prepared by the Borrower and approved by the Fund.

SCHEDULE 3

Programme Implementation

A. NATIONAL LEVEL

1. The Ministry of Finance of the Borrower (MOF), through the External Finance Department (EFD), shall be responsible for high-level coordination between the Borrower and the Fund in accordance with the Borrower's regulations. MOF and its departments shall have no direct implementation or management responsibility under the Programme; Programme management and implementation shall be completely decentralized to the Programme Provinces and lower levels.

B. ORGANISATION AND MANAGEMENT OF THE PROJECTS

2. Lead Programme Agencies

2.1. *Designation and Responsibilities.* The PPCs of each Programme Province, in their capacity as Lead Programme Agency for the Programme as it relates to their respective Project in their Programme Province, shall be responsible for implementation of the Programme under their respective Project, including: (a) recruiting/appointing Provincial Project staff (except as provided in paragraph 6.1, below) in line with criteria approved by the Fund; and (b) ensuring timely provision of counterpart funds in line with and as required by Section 3.05 of this Agreement. The Lead Programme Agencies shall each be assisted in their tasks by the relevant PPSC and the PPMU.

3. Provincial Project Steering Committee (PPSC)

3.1. *Establishment.* The Lead Programme Agency-HG and the Lead Programme Agency-QB shall each establish, through a decision issued by the relevant Lead Programme Agency, and maintain throughout the entire Programme Implementation Period, a Provincial Project Steering Committee (PPSC) in each Programme Province with responsibilities as set forth herein with respect to the relevant Project.

3.2. *Composition.* Each PPSC shall be composed of, *inter alia*, the following: the respective Project Director (Secretary); Director/Chairperson of the Provincial Treasury; Director of Department of Finance of the Programme Province; Director, Department of Planning and Investment (DPI); Director, Department of Agriculture and Rural Development (DARD); Chairperson of the WU; Director, Vietnam Bank for Social Policy (VBSP); Managers of the DPMUs; and the DOFI (in QB only). In addition, four/five (4/5) CPMU Chairpersons, one from each Programme District in the Programme Province, shall be nominated by the Deputy Managers of the DPMUs each year on a rotating basis to represent the Programme Communes in the PPSC meetings, as voting members. The PPSC-QB shall be chaired by the Chairperson of the Lead Programme Agency-QB, while the PPSC-HG shall be chaired by the Vice Chairperson of the Lead Programme Agency-HG; the Vice-Chairperson of the PPSC-QB shall be the Vice-Chairperson of the Lead Programme Agency-QB, and the Vice-Chairperson of the PPSC-HG shall be the Director, Department of Planning and Investment of the Programme Province.

3.3. *Responsibilities.* The PPSCs shall have as their key functions as an advisory body to the respective Lead Programme Agency in policy formulation, planning, coordination, supervision and monitoring the activities under their respective Project, and shall be responsible for the conduct and activities of the PPMU in their respective Project. The PPSCs shall also have the following responsibilities with respect to their Project:

(a) ensuring complementarity between their respective Project and other externally/internally financed projects/programmes and efficient use of Programme-funded financial and human resources;

(b) providing supporting policy framework and guidelines to the respective PPMU for efficient Project implementation;

(c) soliciting/proposing supportive regulations and decrees from the respective Lead Programme Agency for simplification of regulations, where needed, to assist the Programme's decentralized implementation approach in the Programme Province;

(d) reviewing and approving the AWPBs for the respective Project;

(e) interfacing between PPMU and Lead Programme Agency on matters of policy formulation, revision and implementation with a view to ensure effective implementation of the Project;

(f) ensuring effective cooperation and coordination between the PPMU, the implementing agencies of the Project in the Programme Province, the DPMUs and CPMUs, and instilling a system of accountability for performance and proper use of resources at all levels; and

(g) reviewing progress reports and ensuring timely corrective action on management and implementation issues.

3.3.1 *Recruitment of PPMU Staff.* Among other things, each PPSC shall establish a recruitment committee to conduct the recruitment through a competitive and open process, of the following key staff: the Village Infrastructure Development Engineer, the Chief Accountant, the M&E Officer, the CMEC and the Provincial Community Facilitator (PCF). All positions filled through such competitive process shall be compensated on a competitive salary package in line with MOF regulations for official development assistance (ODA)-funded projects.

4. Provincial Project Management Units (PPMUs)

4.1. *Establishment.* Before the Effective Date, the Lead Programme Agencies shall each establish a provincial project management unit (PPMU) under their respective Project. The PPMUs shall be physically located in independent offices (i.e., outside the Lead Programme Agencies) in Ha Giang (in the case of PPMU-HG) and Dong Hoi (in the case of PPMU-QB) Towns. The PPMUs shall report to the respective PPSC but shall enjoy administrative autonomy in their day-to-day operations.

4.2. *Composition.* Each PPMU shall be composed of the following with respect to the relevant Project: the Project Director; Deputy Project Director, assistant to the Director/Interpreter; Village Infrastructure Development Engineer; Production and Extension Support Coordinator; CMEC; PCF; Chief Accountant; two (2) assistant accountants; a Senior M&E Officer; two (2) junior M&E Officers; interpreter/translator; administration officer; and support staff. Most PPMU staff shall be seconded, suitably qualified personnel from provincial departments for the duration of the Programme; seconded staff shall be remunerated at standard government rates plus the standard project allowance applicable in accordance with the Borrower's applicable regulations. In the absence of suitably qualified personnel to be seconded to the Project(s), the respective PPSC shall fill required positions following an open and competitive recruitment process open to candidates from both the public and private sector.

4.3. *Responsibilities.* Each PPMU, with respect to its respective Project, shall have, *inter alia*, the following principle functions:

(a) preparing the consolidated AWPBs described in Section 3.02, based on the work plans and budgets prepared and submitted to it by the VMGs/SMBs, CPMUs, Activity Managers and DPMUs, and ensuring their inclusion in the annual national and provincial plans;

(b) ensuring effective coordination of Project activities at all levels through appropriate guidance, training and support to the planning and coordination forums;

(c) ensuring effective coordination and information sharing with other donor-funded projects through periodic reviews and workshops and sharing of training platforms;

(d) procurement in accordance with this Agreement;

(e) preparing terms of reference for the technical assistance and provision of other services, and recruitment and supervision of the technical assistance by both firms and individuals;

(f) preparing and submitting withdrawal applications from the relevant Special Account, and ensuring adequacy and timely release of funds under the Project;

(g) compliance with reporting, monitoring and administration requirements set forth in this Agreement;

(h) maintaining the relevant Project Account;

(i) preparing and submitting the relevant Project's progress reports in accordance with this Agreement; and

(j) establishing a proper participatory evaluation and impact assessment regime.

5. Project Directors (PDs)

5.1. *Appointment.* The Lead Programme Agencies shall each appoint a Project Director under their respective Projects before the Effective Date (collectively, the "Project Directors" or generally the "Project Director"; individually, the "Project Director-HG" and the "Project Director-QB"), subject to the prior approval of the Fund. The experience, background and terms of reference for the Project Directors shall be approved by the Fund.

5.2. *Tenure.* The Project Directors shall serve throughout the entire Programme Implementation Period, and may only be removed by the responsible Lead Programme Agency after prior consultation with the Fund.

5.3. *Responsibilities.* The Project Directors shall be dedicated to the Project on a full-time basis. The Project Directors shall be the head of their respective PPMUs and shall generally be responsible for directing and supervising implementation of the respective implementing agencies, districts and communes under their Projects in line with the Project's approach, operating schedule and procedures. The respective Lead Programme Agency shall issue a decision giving the Project Director the necessary and adequate executive authority to ensure the smooth functioning of the PPMU and of the Programme Parties under their respective Project. The Project Directors shall be the secretary of their respective PPSC, and shall be responsible for the interaction between the PPSC, DPC/DPMUs and CPC/CPMUs.

6. Province Community Facilitators (PCFs)

6.1. *Appointment.* Before the Effective Date, and notwithstanding paragraph 2.1 above, each PPMU shall recruit a Province Community Facilitator (collectively the "PCFs" or generally the "PCF"; individually the "PCF-HG" and the "PCF-QB") for its respective PPMU. The PCFs shall be recruited following an open and competitive process open to both public and private sector candidates.

6.2. *Role and Responsibilities.* The PCFs shall provide technical back-stopping, training and support to the CF and the DCF, and shall be the focal point for the planning and implementation of capacity-building activities at the Programme Commune and Village levels.

7. Implementing Entities

7.1. *Under the QB Project.* (a) *Implementing Agencies (IAs).* Relevant technical departments of district-level agencies, including but not limited to Department of Agriculture and Rural Development (DARD), DOFI, Department of Industry (DOI), Department of Trade and Tourism (DTT) and Department of Transport and Construction (DTC), shall implement most of the technical support related to the capacity-building, production support and small-scale infrastructure activities under the QB Project (the "Implementing Agencies" or "IAs").

(b) *Activity Managers.* Within each IA, Activity Managers from within the relevant technical departments shall coordinate implementation of the Project's activities under components and sub-components at the provincial and district levels. Two (2) coordinators shall be designated within DARD and DOFI to extend necessary technical and material resources to the Activity Managers for successful Programme implementation, and the Activity Managers shall report to the competent Coordinator.

7.2. *Under the HG Project.* Under the HG Project, the PPMU shall contract either public or private sector service providers, wherever competitively available, to implement most of the capacity building and production support activities under the Project (the "Contracted Service Providers"). The HG Project, through the relevant PPMU, shall enter into a written contract with the selected service provider, which shall stipulate all terms and conditions and relevant aspects relating to the contractual relationship and the outputs expected.

8. District Level

8.1. *District Project Management Unit (DPMU).* A DPMU shall be established in each Programme District as a pre-requisite for district participation in the Programme. The establishment of the DPMUs, along with their terms of reference, shall be notified by the responsible Lead Programme Agency. The Vice-Chairman of the DPC shall be the Manager of the DPMU, but day-to-day operations shall be the responsibility of the Deputy Manager, who shall be an officer from the district with seniority equivalent to head of district office. The Deputy Manager shall be a full-time member of the DPMU; other full-time DPMU staff shall include a DCF, District Village Infrastructure Coordinator, M&E Specialist, Secretary/Accountant and support staff. The DPMU staff shall work together with the relevant district IA staff to facilitate implementation of Project activities and provide technical support/backup to the CPC/CPMUs at commune level, and the VMGs/SMBs, as the case may be, at the village level.

8.1.1. *DPMU Staff.* All DPMU staff, with the exception of the DPMU Manager and Deputy Manager, shall be employed on performance based contracts, renewable on an annual basis.

8.2. *District Community Facilitators (DCFs).* As a condition for district participation under the Programme, the DCF for such district shall be recruited by the PPMU following an open and competitive process. The DCFs shall provide key linkage between the village/communes, the DPMUs and the district IAs or Contracted Service Providers, as the case may be, particularly in relation to the conduct of needs assessment, commune/village capacity building, participatory planning and implementation, targeting of activities and impact assessment.

9. Commune Level

9.1. At the Programme Commune level, the CPC, through the CPMU, shall be responsible for coordinating, implementing, monitoring/supervising and reporting Project activities at the commune/village level.

9.1.1 *CPMU.* The relevant Lead Programme Agency shall notify the establishment of the CPMUs, which shall be a prerequisite for commune participation under the Programme. The notification shall include detailed terms of reference of the CPMU, covering rights and responsibilities of the CPMU

vis-à-vis, *inter alia*, management of the VIDB and the Capacity-Building LDB, and with respect to implementation of decentralised approaches. The CPC Chairperson shall be the Chairperson of the CPMU, and membership of the CPMU shall include the following: Chairwoman of the Commune WU (Vice Chairperson); CF (Secretary); CEW, CIT, Commune Accountant; Secretary of the Commune Youth Union (YU); Chairperson of the Commune Farmers' Association (FA); heads of the VMG/SMB, as the case may be, in the Programme Commune. The Vice-Chairperson of the CPMU shall be selected and appointed by the CPMU Chairperson from among the membership of the CPMU. Other technical staff shall be called upon to participate in the CPMU when deemed relevant by the Chairperson of the CPMU. The CPMU shall hold monthly meetings, which shall serve as the forum for planning, coordinating and review of Project activities. Among other things, the CPMU shall be responsible for the management of the Programme Commune's Capacity-Building LDB described in paragraph 6.A(i)(m) of Schedule 1, and shall be the designated investment owner for all village infrastructure works under the VIDB.

9.1.2. *Community Facilitator*. The relevant PPMU shall recruit a qualified person to the post of CF within each CPMU as a condition for commune participation under the Programme. The CFs, although part of the CPMU, shall be guided and supervised by the competent DCF, and shall play a key role in VMG/SMB, as the case may be, operations, community mobilisation, conduct of needs assessment, village planning and liaison between the IAs and the VMGs/SMBs, as the case may be. The CFs shall also be responsible for the routine conduct of the PIA and monitoring other village-based activities, especially with respect to the CSGs.

10. Village Level

10.1. Village meetings shall be the main forum for key decision making at the village level. Representative structure at this level shall be the VMGs under the HG Project, and the SMBs under the QB Project. The VMGs/SMBs shall comprise the following membership: Village Head, Head of the WU, Village Extension Workers, village teacher and two (2) representatives from poor households (one male and one female) elected annually from each hamlet in the Programme Village. The VMGs/SMBs shall provide the main interface between the Project and the village, and specific responsibilities shall include: dissemination of knowledge about possible Project activities and opportunities, assessment and prioritization of village needs; preparation of an implementation plan to address highest priority needs; mobilisation of community contribution for implementation of the plan under the respective VIDB; implementation of approved activities; supervision of Project activities implemented in the village, targeting, assisting with PIAs, and routine reporting of progress to the relevant CPMU. The VMGs/SMBs shall meet monthly, and village meeting shall be held every quarter to review Project progress and performance of the VMG/SMB.

C. ADDITIONAL IMPLEMENTATION ARRANGEMENTS

11. *Selection criteria of Programme Communes*. Within each Programme District, the Programme shall be implemented in those communes selected for Programme intervention on the basis of the following selection criteria:

(a) with respect to HG: (i) level of poverty; (ii) isolation; and (iii) absence of other major poverty reduction projects/programmes. Forty-five communes shall be selected for Programme implementation.

(b) With respect to QB: (i) level of poverty; (ii) presence of disadvantaged ethnic minority communities; (iii) absence of other major poverty reduction projects/programmes; and (iv) assessed capacity of commune administration to implement the Programme. Forty-eight communes shall be selected for Programme implementation.

12. *Capacity-Building LDB.* The actual amount of the LDB allocated to each Commune shall be weighted to take into account the total population in the commune and the total number of villages in each commune. The following criteria shall apply to the allocation and disbursement of the Capacity-Building LDB to Programme Communes and Villages:

(i) a maximum of 30% of the Capacity-Building LDB, calculated on an annual basis, shall be used for commune-level activities;

(ii) a minimum of 30% shall be used for activities identified by women's groups, targeted specifically to women and children; and

(iii) 40% shall be available for general village-level capacity-building activities.

12.1. For training activities under the Capacity-Building LDB that are specific to a particular Commune, and that are to be conducted at commune or village level, funds shall be transferred by the responsible PPMU to the CPMU Account held in the district treasury on approval of the annual training plan by the PPMU in accordance with Section 3.06 of this Agreement. The CPMU shall then identify and contract a suitable training provider.

12.2. For training activities that are common across a number of communes, funds shall be transferred to the PPMU/DPMU/IA for organisation of a joint training activity.

13. Activities under the Rural Financial Services sub-component (paragraph 6.B(v) of Schedule 1) shall be carried out by the CMEC at the level of each PPMU and a Credit and Micro-enterprise Facilitator at the level of the DPMU in HG only, supported by a team of local and international consultants contracted under the Programme. The CMECs shall be responsible for, *inter alia*: disbursements and follow-up of financial support provided under the Programme to CSGs (matching grant financing) based on their fulfilment of the criteria set forth in paragraph 13.1, below; the implementation of the in-kind credit scheme together with the DARD; the formation and monitoring and implementation of CSGs and assistance to the CSGs to liaise with the partner bank, VBSP; establishment of an apex structure to provide financial and non-financial services to CSGs; training courses and technical assistance to CSG members (special focus on group head and treasurer/accountant), representatives of mass organisations and to VBSP district staff branches.

13.1. *Eligibility of CSG Participation.* In order for a CSG to qualify for participation under the Programme's Rural Financial Services sub-component (paragraph 6.B(v) of Schedule 1), the CSG and/or its members must have met the following criteria:

(a) the CSG shall have mobilised financial resources through members' monthly savings and deposits for a period of six (6) months;

(b) Core CSG members (group head and treasurer / accountant) shall have received training under the Programme in the six-month period referred to in (a), above; and

(c) the group head shall have registered the CSG with the commune administration.

Thereafter, once the CSG has received its first matching grant under the Programme, successive matching grants to the CSG shall be conditional upon their fulfilment of the following: (i) 100% repayment rate on loans extended by the CSG to its members under the previous tranche; (ii) institution and monitoring of compliance with acceptable good governance policies in respect of the CSG's procedures and operations; and (iii) submission of acceptable and timely financial statements and activity reports to the responsible Credit and Micro-enterprise Coordinator.

13.2. The Borrower shall prepare a Rural Financial Services Manual, to be approved by the Fund, detailing the criteria and modalities for making matching grants and in-kind credit available to CSGs and remove villages/hamlets, respectively, under the Rural Financial Services sub-component (paragraph 6.B(v) of Schedule 1).

14. Under the Small-Scale Infrastructure Development Component, activities may include, but not be limited to, construction and upgrading of (i) roads and tracks within villages and between villages and commune centres; (ii) road cross-drainage structure including culverts and small bridges; (iii) pedestrian bridges, including wooden and suspension bridges; (iv) micro-irrigation schemes; (v) domestic water supply schemes; (vi) public buildings, including village schools, community centres, and public sanitation facilities; (vii) rural electrification (power lines); and (viii) reclamation of land for paddy cultivation.

14.1. Sub-projects involving more than one village shall only be financed if all Programme Villages concerned agree to share the costs.

15. *VIDB*. A VIDB shall be established for each Programme Commune to finance infrastructure development priorities identified by the Programme Villages through Village Meeting/needs assessment exercise. The total amount allocated to each individual commune shall be weighted to take into account its total population and its distance to the district centre. The commune headquarter village(s) shall not be eligible to participate in the VIDB, and of the remaining villages in the commune only the 60% poorest villages shall be eligible for VIDB schemes.

SCHEDULE 3A

Additional Covenants

1. *Pest Management Practices.* As part of maintaining sound environmental practices as required by Section 7.15 of the General Conditions, the Programme Parties shall maintain appropriate pest management practices under the Programme and, to that end, the Borrower shall ensure that pesticides procured under the Programme do not include any pesticide either proscribed by 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 from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.

2. *Monitoring.* (a) The M&E Section of each PPMU shall be responsible for establishing and maintaining a functioning and appropriate monitoring and evaluation system. The M&E system shall incorporate the Fund's Framework for Results Impact Monitoring System (RIMS), with the main objective being to assess the impact of Programme interventions on the lives of the target poor households and women in terms of the following three identified strategic thrusts: (i) strengthening the capacity of the poor and their organizations; (ii) improving access to productive resources and technology; and (iii) improving access to financial services and markets. PIAs shall be the main tools used to assess Programme impact, and shall thus occur every August during the Programme Implementation Period so that the information derived may be used in the preparation of the following year's AWPBs; to this end, the M&E Section of the PPMUs shall develop standard formats for conducting the participatory impact assessments (PIAs).

(b) By or before three (3) months after the Effective Date, and without prejudice to (a), above, the precise monitoring indicators to be used in the Programme's M&E, shall be established.

(c) In addition to the matters set forth in (a), above, and in Section 4.03, the MTRs shall review and identify the three (3) best-performing communes under the VIDB schemes, as those communes may be considered eligible for additional financing from the VIDB in Programme Years 4 through 6.

3. *Gender Focus.* Women shall be particularly targeted for Programme benefits as part of the Programme's Target Group. Special measures in this regard shall include:

(i) At the VMG/SMB level, 50% of the members shall be women.

(ii) In all training programmes under the Programme, at least 30% of all participants shall be women and 30% of the total group shall come from the poor and very poor families.

(iii) At the village level, 30% of the Capacity-Building LDB shall be reserved to meet the capacity-building, burden-reducing and quality-of-life enhancement measures for women.

(iv) To the extent feasible, PCF, DCF and CF positions shall be filled with women candidates.

(v) Training of Programme Staff on gender issues.

(vii) Terms of reference of Programme staff shall include addressing of women's development and empowerment as a cross cutting area of concern across all activities.

4. *Independent Auditors*. Each PPMU shall select independent auditors to audit the accounts and statements under their respective Projects of the Programme as required by Section 5.02(a) on the basis of and following a competitive and open bidding exercise in accordance with the procedures set forth in Schedule 4. Such selection shall be subject to prior review and approval by the Fund and the Cooperating Institution.

5. *Staffing*. The Borrower shall ensure that Programme staff at all levels are recruited and retained on the basis of satisfactory employment contracts.

6. *Vehicles*. All vehicles procured under the Programme shall be dedicated exclusively to be used for Programme activities.

SCHEDULE 4

Procurement

PART A. GENERAL

1. Procurement of goods and civil works financed by the Loan and the Grant shall be subject to the provisions of the "Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development" (1982), as such guidelines may be amended from time to time by the Fund (hereinafter called "the Procurement Guidelines"). If any provision of the Procurement Guidelines is inconsistent with a provision of this Schedule, then the latter shall govern.

2. Procurement of consultant services financed from the proceeds of the Loan and the Grant shall be undertaken in accordance with guidelines approved by the Fund.

3. To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the Borrower shall furnish to the Cooperating Institution, for approval: (i) a list or lists of goods and services to be procured; (ii) the proposed grouping of these goods and services; and (iii) the proposed number and scope of civil works contracts to be awarded.

4. Procurement shall be undertaken only during the Programme Implementation Period.

5. No procurement shall be undertaken if it entails a payment to persons or entities, or an import of goods, prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The Fund shall inform the Borrower of any such persons, entities or import.

6. The threshold amounts specified in this Schedule 4 exclude Taxes.

PART B. PROCUREMENT OF GOODS

7. *International Competitive Bidding (ICB).* Each contract for the supply of goods estimated to cost USD 100 000 equivalent or more shall be awarded following ICB procedures set forth in the Procurement Guidelines.

8. *Local Competitive Bidding (LCB).* Each contract for the supply of goods estimated to cost more than USD 10 000 equivalent but less than USD 100 000 equivalent, shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Fund.

9. *Local Shopping.* Each contract for the supply of goods estimated to cost USD 10 000 equivalent or less, with the exception of those specified in paragraph 10, below, shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Fund.

10. *Direct Contracting.* Each contract for the supply of office operating costs may be awarded through direct contracting with the contractor or supplier on terms and conditions approved by the Fund.

PART C. PROCUREMENT OF CIVIL WORKS

11. *Local Competitive Bidding (LCB).* Each contract for the supply of civil works estimated to cost more than USD 20 000 equivalent shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Fund.

12. *Local Shopping.* Each contract for the civil works estimated to cost USD 20 000 equivalent or less, shall be awarded on the basis of evaluating and comparing bids invited from at least three contractors, in accordance with procedures approved by the Fund.

PART D. PROCUREMENT OF CONSULTANT SERVICES

13. *International Competitive Bidding (ICB).* Each contract for the supply of consultant services estimated to cost USD 100 000 equivalent or more shall be awarded following ICB procedures, in accordance with procedures approved by the Fund.

14. *Local Competitive Bidding (LCB).* Each contract for the supply of consultant services estimated to cost more than USD 10 000 equivalent but less than USD 100 000 equivalent, shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Fund.

15. *Local Shopping:* Each contract for the supply of consultant services estimated to cost USD 10 000 equivalent or less shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Fund.

PART E. PROCUREMENT UNDER THE CAPACITY-BUILDING LDB AND THE VIDB

16. *Procurement with Capacity-Building LDB and the VIDB:* All contracts for goods, civil works and consultant services required under the identified needs of Programme Villages to be financed from the Capacity-Building LDB and VIDB shall follow procedures proposed by the Lead Programme Agencies, approved by the Borrower and acceptable to the Fund.

PART F. PREFERENCE REQUIREMENTS

17. *Procurement of Goods.* In the procurement of goods following ICB procedures, goods manufactured in the territory of the Borrower and other developing Member States of the Fund shall be granted a margin of preference as provided in paragraph 3.9 of and Annex 2 to the Procurement Guidelines. All bidding documents shall clearly indicate the preference which shall be granted, the information required to establish the eligibility of a bid for such preference, and the methods and stages that shall be followed in the evaluation and comparison of bids.

18. *Procurement of Services.* In the procurement of consultant services, everything being equal, preference shall be given to consultants from developing Member States of the Fund.

PART G. REVIEW OF PROCUREMENT DECISIONS

19. The award of any contract for goods or civil works estimated to cost USD 50 000 equivalent or more shall be subject to prior review by the Cooperating Institution in accordance with the provisions of Annex 3 to the Procurement Guidelines.

20. The award of any contract for consultant services estimated to cost USD 50 000 equivalent or more shall be subject to such review procedures as the Cooperating Institution customarily employs for such contracts in similar Programmes.

21. With respect to any other contract for goods, civil works or consultant services (except where paragraph 4 of Schedule 2 applies thereto), the Borrower shall furnish two certified or conformed copies of such contract to the Cooperating Institution, together with the analysis of the respective bids and the recommendations for award, promptly after its signature and before the submission to the Cooperating Institution of the first application for withdrawal of funds from the Loan Account or Grant Account, as the case may be, in respect of such contract.

22. Before agreeing to any material modification or waiver of the terms and conditions of any contract referred to in paragraphs 19 or 20 above, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) that would increase the cost of the contract by more than 10% of the original price, the Borrower shall inform the Cooperating Institution of the proposed modification, waiver, extension or change order and the reasons therefor. The Cooperating Institution, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

ANNEX

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

GENERAL CONDITIONS

FOR

AGRICULTURAL DEVELOPMENT

FINANCING

Dated 2 December 1998

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GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING

2 December 1998

WHEREAS, the World Food Conference resolved that the International Fund for Agricultural Development (the "Fund") should be established to finance agricultural development projects and programmes in the developing countries; and

WHEREAS, the Agreement Establishing the International Fund for Agricultural Development (IFAD) provides that its objective shall be to mobilise additional resources to be made available for agricultural development in developing Member States; and

WHEREAS, said Agreement further provides that, in fulfilling its objective, the Fund shall provide financing for agricultural development projects and programmes in the form of loans and grants on such terms and conditions as the Fund deems appropriate; and

WHEREAS, the Executive Board of the Fund, at its Sixty-Fifth Session, approved and adopted these General Conditions for application as from its Sixty-Sixth Session;

NOW, THEREFORE, be it known that:

ARTICLE I

APPLICATION

SECTION 1.01. *Application of General Conditions.*

These General Conditions set forth certain terms and conditions generally applicable to agricultural development financing by the Fund. They apply to the Loan Agreement and any other Loan Document (as such terms are hereinafter defined), if and to the extent such Loan Document expressly so provides.

SECTION 1.02. *Inconsistency with Loan Documents.*

If any provision of the Loan Agreement or any other Loan Document is inconsistent with a provision of these General Conditions, the provision of such Loan Document shall govern.

ARTICLE II

DEFINITIONS

SECTION 2.01. *General Definitions.*

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

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

"Cooperating Institution" means the institution designated as such in the Loan Agreement responsible for the administration of the Loan and the supervision of the implementation of the Project.

"Cooperation Agreement" means the agreement or agreements between the Fund and the Cooperating Institution (including, but not limited to, any letter of appointment) by which the Cooperating Institution agrees to act as such with respect to the Loan and the Project.

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

"Effective Date" means the date on which the Loan Agreement and any other Loan Document to which the Fund is party becomes effective provided in Section 13.02(a).

"Eligible Expenditure" means an expenditure that complies with Section 4.10.

"external debt" means any debt payable in a currency other than the currency of the Project Member State.

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

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

"Fund" means the International Fund for Agricultural Development.

"Guarantee Agreement" means any agreement between a Member State and the Fund by which such Member State guarantees the performance of the Loan Agreement or any other Loan Document, as such agreement may be amended or otherwise modified from time to time. The term "Guarantee Agreement" includes these General Conditions, to the extent applied thereto, and all schedules, annexes and agreements supplemental to the Guarantee Agreement.

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

"Lead Project Agency" means the entity or entities designated as such in the Loan Agreement with overall responsibility for the implementation of the Project.

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

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

"Loan Agreement" means the particular project loan agreement, programme loan agreement or other agreement pursuant to which the Fund has agreed to extend a Loan to the Borrower, and to which these General Conditions have been made applicable, as such agreement may be amended or otherwise modified from time to time. The term "Loan Agreement" includes these General Conditions to the extent applied thereto, and all schedules, annexes and agreements supplemental thereto.

"Loan Closing Date" means the date specified in the Loan Agreement as the date on which the right of the Borrower to request withdrawals from the Loan Account ends.

"Loan Document" means the Loan Agreement, Project Agreement, Guarantee Agreement and other agreement or document entered into by the Fund and any Loan Party or Project Party in connection with the Loan or the Project, as the same may be amended or otherwise modified from time to time. The term "Loan Document" includes these General Conditions to the extent applied thereto, and all schedules, annexes and agreements supplemental thereto.

"Loan Party" means each entity responsible, in whole or in part, directly or indirectly, for Loan Service Payments. The term "Loan Party", as applied to any unguaranteed Loan, includes the Borrower and, as applied to any guaranteed Loan, the Borrower and the Guarantor.

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

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

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

"outstanding" means, in respect of the principal amount of the Loan, the aggregate amount withdrawn from the Loan Account upon request of the Borrower, or by the Fund on behalf of the Borrower, *less* any previous repayments, prepayments or refunds thereof.

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

"Project Agreement" means any agreement between the Fund and any Project Party relating to the implementation of all or any part of the Project, as such agreement may be amended or otherwise modified from time to time. The term "Project Agreement" includes these General Conditions to the extent applied thereto, and all schedules, annexes and agreements supplemental thereto.

"Project Completion Date" means the date specified in the Loan Agreement on which the implementation of the Project is to be completed.

"Project Implementation Period" means the period beginning on the Effective Date and ending on the Project Completion Date, during which the Project is to be carried out.

"Project Member State" means the Member State in which the Project is carried out. The term "Project Member State" normally applies to the Borrower in unguaranteed Loans and the Guarantor in guaranteed Loans.

"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 the Loan Documents.

"Special Account" means the account of the Borrower referred to in Section 4.08 for financing the Project.

"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.

"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.

"Subsidiary Agreement" means any agreement or arrangement (other than the Project Agreement) by which (i) the whole or part of the proceeds of the Loan are made available to any Project Party and/or (ii) any Project Party that undertakes to carry out the Project, in whole or in part, in either case as such agreement or arrangement may be amended or otherwise modified from time to time. The term "Subsidiary Agreement" includes (but is not limited to) any agreement or arrangement designated as such in the Loan Documents.

"Taxes" means all imposts, levies, fees, tariffs and duties of any kind imposed, levied, collected, withheld or assessed by or in the territory of any Member State at any time, including (but not limited to) value added, sales, income, property, mortgage, import and stamp taxes, but excluding tax on the overall income of Project employees who are nationals of the Project Member State.

"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.

SECTION 2.02. *Certain Definitions Applicable to Grants.*

If the Project is financed wholly or partially by a grant made by the Fund, the following terms have the following meanings whenever used in these General Conditions, if appropriate and as the context may require:

"Borrower" also includes the party designated as the "Recipient" in any grant agreement.

"Grant" means any grant extended to the Borrower pursuant to the Loan Agreement.

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

"Loan" also includes any Grant made by the Fund.

"Loan Account" also includes any Grant Account opened by the Fund in connection with the Project.

"Loan Agreement" also includes any grant agreement, financing agreement or other agreement that provides for financing by the Fund wholly or partially on a grant basis.

"Loan Party" also includes the party designated as the "Recipient" in any grant agreement.

SECTION 2.03. *Use of terms.*

As used in these General Conditions and the Loan Documents, 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 2.04. *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 the 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.*

The Fund shall appoint a suitable and competent institution acceptable to the Loan Parties to administer the Loan and supervise the Project. If for any reason a change of the Cooperating Institution becomes necessary, such a change shall be made by agreement between the Loan Parties and the Fund.

SECTION 3.02. *Responsibilities of the Cooperating Institution.*

The Cooperating Institution shall be responsible for:

(a) facilitating Project implementation by assisting the Loan Parties and the Project Parties in interpreting and complying with the Loan Documents;

(b) reviewing the Borrower's withdrawal applications to determine the amounts which the Borrower is entitled to withdraw from the Loan Account;

(c) reviewing and approving the procurement of goods, civil works and services for the Project financed by the Loan;

(d) monitoring compliance with the Loan Documents, 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 Loan and supervise the Project as may be set forth in the Cooperation Agreement.

SECTION 3.03. *Cooperation Agreement.*

The Fund shall enter into a Cooperation Agreement with the Cooperating Institution setting forth the terms and conditions of its appointment. In the event that any term of the Cooperation Agreement conflicts with Section 3.02, the terms of the Cooperation Agreement shall govern. The Fund or the Cooperating Institution shall furnish the Loan Parties with a copy of the Cooperation Agreement as soon as practicable after signature thereof, but failure to do so shall not impair or excuse the obligations of the Loan Parties or the Project Parties in respect of the Cooperating Institution under the Loan Documents.

SECTION 3.04. *Actions by the Cooperating Institution.*

Any action by the Cooperating Institution in accordance with the Cooperation Agreement shall be regarded and treated by the Loan Parties and the Project Parties as an action taken by the Fund.

SECTION 3.05. *Cooperation by the Loan Parties and the Project Parties.*

The Loan Parties 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.*

The Fund shall credit the principal amount of the Loan to the Loan Account and the amount of any Grant to the Grant Account.

SECTION 4.02. *Withdrawals from the Loan Account.*

The Borrower may from time to time request withdrawals from the Loan Account of amounts paid or amounts to be paid for Eligible Expenditures. The Loan Agreement may specify minimum amounts for withdrawals, in which case the Borrower shall finance Eligible Expenditures less than such minimum amounts by using the Special Account or its own resources.

SECTION 4.03. *Special Commitments by the Fund.*

Upon the Borrower's request, the Fund may make special commitments to pay amounts in respect of Eligible Expenditures, notwithstanding any subsequent suspension of the Borrower's right to request withdrawals, on such terms and conditions as the Borrower and the Fund may agree.

SECTION 4.04. *Applications for Withdrawal or Special Commitment.*

(a) When the Borrower wishes to request a withdrawal from the Loan Account or a special commitment, the Borrower shall deliver, by hand or mail, to the Cooperating Institution (with a copy to the Fund) an application in such form and substance as the Cooperating Institution shall reasonably request.

(b) The Borrower shall furnish to the Fund and the Cooperating Institution evidence, satisfactory to the Cooperating Institution, of the authority of the person or persons authorised to sign such applications and the authenticated specimen signature of each such person.

(c) The Borrower shall also deliver to the Cooperating Institution such documents and other evidence in support of such applications as the Cooperating Institution shall reasonably request, whether before or after the Cooperating Institution shall have permitted any withdrawal or special commitment requested in the application.

(d) Each such application, and the accompanying documents and other evidence, shall be sufficient in form and substance to satisfy the Cooperating Institution that the Borrower is entitled to a withdrawal from the Loan Account of the amount applied for, and that such amount will be used only for Eligible Expenditures.

(e) No such application shall be honoured if received by the Cooperating Institution before the Effective Date or after the Loan Closing Date.

(f) After receiving an application complying with this Section 4.04, the Cooperating Institution shall issue a payment request to the Fund for the amount which the Cooperating Institution has determined that the Borrower is entitled to withdraw.

SECTION 4.05. *Payment by the Fund.*

Upon receipt of an authenticated payment request from the Cooperating Institution, the Fund shall pay to, or to the order of, the Borrower the amount which the Fund has determined that the Borrower is entitled to withdraw.

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 chosen by the Fund for the purpose of disbursing such withdrawal.

SECTION 4.07. *Statements of Expenditure.*

(a) The Loan Agreement may provide that the Borrower may request withdrawals from the Loan Account on the basis of statements of expenditure. To the extent that the Borrower does so, the Borrower (or its designee approved by the Fund) shall retain all records evidencing such expenditures until ten years after the Loan Closing Date.

(b) If the Fund, any auditors of the Project, or the Cooperating Institution determine that any amount so withdrawn was not used for the purposes indicated in the relevant statement of expenditure, the Borrower shall promptly refund such amount to the Fund upon instructions 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 Account by the SDR Equivalent of the amount so refunded.

SECTION 4.08. *Special Account.*

(a) The Loan Agreement may provide that the Borrower open and maintain a Special Account for financing all or a part of the Project, and that the Fund make one or more withdrawals from the Loan Account on behalf of the Borrower in an aggregate amount specified as the Authorized Allocation and deposit such amount in the Special Account.

(b) The Borrower shall make payments out of the Special Account exclusively for Eligible Expenditures.

(c) The Borrower may from time to time request replenishment of the Special Account for payments made out thereof. The Fund may designate minimum amounts for replenishments, which may be expressed as a percentage of the Authorized Allocation. Prior to or at the time of such request, the Borrower shall furnish to the Cooperating Institution such evidence as the Cooperating Institution shall reasonably request showing that such payments were made for Eligible Expenditures and the respective amounts and categories thereof.

(d) After receiving such request and evidence, the Cooperating Institution shall issue a payment request to the Fund for the amount which the Cooperating Institution has determined that the Borrower is entitled for replenishment.

(e) Based on such request, the Fund on behalf of the Borrower shall withdraw from the Loan Account and deposit into the Special Account the amount which the Fund determines that the Borrower is entitled for replenishment. The Fund shall debit the respective categories of Eligible Expenditure in the respective amounts indicated in the evidence furnished by the Borrower.

(f) The Fund shall make no further deposit into the Special Account when:

(i) the balance of the Loan Account, *less* any outstanding special commitment under Section 4.03, equals the SDR Equivalent of twice the Authorised Allocation;

(ii) the Borrower has failed to furnish in a timely manner the audit reports required by Section 9.03(b);

(iii) the Fund has notified the Borrower under Section 12.01 that its right to request withdrawals from the Loan Account has been suspended; or

(iv) the Fund determines that all further withdrawals shall be made directly from the Loan Account.

(g) If at any time the Fund determines that any payment out of the Special Account, or any portion thereof, was not made in accordance with this Section, the Borrower shall, promptly upon notice from the Fund, deposit into the Special Account or, if the Fund so requests, refund to the Fund an amount equal to the amount of such payment or such portion thereof. The Fund shall make no further deposit into the Special Account until the Borrower has made such deposit or refund.

(h) If at any time the Fund determines that the balance of the Special Account is no longer required or permitted to finance payments for Eligible Expenditures, the Fund may give notice thereof to the Borrower. The Borrower shall refund to the Fund such balance within 30 days after such notice. Upon receipt thereof, the Fund shall credit the Loan Account in the amount of such refund. Except as the Fund shall otherwise agree, such refund shall be made in the currency used by the Fund for the purpose of withdrawals from the Loan Account.

SECTION 4.09. *Allocations and Reallocations of Loan Proceeds.*

(a) The Loan Documents may allocate the principal amount of the Loan to categories of Eligible Expenditures and specify the percentages of such Eligible Expenditures to be financed by the Loan.

(b) If, upon request by the Borrower, the Fund reasonably estimates that the principal amount of the Loan allocated in the Loan Documents to any category of Eligible Expenditures will be insufficient to finance such Eligible Expenditures, the Fund may, by notice to the Borrower:

(i) reallocate to such category amounts of the Loan allocated to another category not needed to meet other Eligible Expenditures, to the extent required to meet the estimated shortfall; and

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

(c) In furtherance of its policy set forth in Article XI, the Fund may, by notice to the Borrower, increase or decrease the percentage of such Eligible Expenditures to be financed by the Loan to avoid the use of Loan proceeds to pay Taxes.

SECTION 4.10. *Eligible Expenditures.*

(a) The Loan shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:

(i) The expenditure shall meet the reasonable cost (excluding Taxes) of goods, works and services required for the Project and to be financed by the Loan supplied from the territory of a Member State and procured in accordance with the procedures specified in the Loan Documents.

(ii) The expenditure shall be incurred during the Project Implementation Period, except that:

(A) expenditures to meet the costs of starting up the Project or fulfilling the conditions precedent to effectiveness of any Loan Document may be incurred before the Effective Date but after the date of the Loan Agreement; and

(B) expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Loan Closing Date.

(iii) The expenditure shall be incurred by a Project Party in a Member State.

(iv) The expenditure shall be incurred in accordance with the Loan Documents.

(b) The Fund may from time to time exclude generally certain types of expenditure from eligibility.

(c) Any payment to persons or entities, or for any import of goods, if such payment or import is 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 Loan.

ARTICLE V

LOAN SERVICE PAYMENTS

SECTION 5.01. *Interest and Other Charges.*

(a) The Borrower shall pay any interest, service charge and other charges on the principal amount of the Loan outstanding from time to time at the rate specified in the Loan Agreement. Such interest and other charges shall accrue from the respective value dates on which amounts are deemed withdrawn from the Loan Account until the respective value dates on which amounts are deemed repaid, prepaid or refunded.

(b) Interest and other charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(c) If the rate specified in the Loan Agreement is variable, the Fund shall notify the Borrower, as soon as practicable, of the interest rate charged on the Loan in each interest period.

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 by the Borrower, or by the Fund on its behalf, in instalments as specified in the Loan Agreement.

(b) The Borrower shall have the right to prepay all or any part of the principal amount of the Loan, as specified by the Borrower upon 45 days' notice to the Fund, provided that the Borrower pays all accrued and unpaid interest and other charges on the prepayment date. All prepayments shall be credited against the remaining Loan instalments in such manner as the Borrower and the Fund shall agree.

SECTION 5.03. *Manner and Place of Payment.*

(a) The Borrower shall make all Loan Service Payments in accordance with applicable laws, *provided, however,* that all Loan Service Payments shall be made without currency or other restrictions of any kind imposed by, or in the territory of, the Project Member State.

(b) All Loan Service Payments shall be paid to such account or accounts in such bank or other financial institution as the Fund may designate from time to time.

SECTION 5.04. *Values 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 designated therefor.

ARTICLE VI

CURRENCY PROVISIONS

SECTION 6.01. *Denomination of the Loan.*

The principal amount of the Loan shall be expressed in Special Drawing Rights.

SECTION 6.02. *Currencies for Withdrawals.*

(a) Withdrawals from the Loan Account shall be made in the respective currencies in which expenditures to be financed out of the proceeds of the Loan have been paid or are payable, or in such currency or currencies as the Fund may from time to time select.

(b) The Loan Account shall be debited by the SDR Equivalent of the amount withdrawn determined as of on the value date of withdrawal. If the currency of withdrawal has been purchased by the Fund with another currency, the Loan Account shall be debited by the SDR Equivalent of the amount of such other currency.

SECTION 6.03. *Loan Service Payment Currency.*

All Loan Service Payments shall be made in the Loan Service Payment Currency specified in the Loan 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 its sole discretion.

SECTION 6.04. *Valuation of Currencies.*

Whenever it is necessary for the purposes of any Loan Document to determine the value of one currency in terms of another, the Fund or the Cooperating Institution shall determine such value based on reasonable criteria. For purposes of this Section, the term "currency" includes the SDR.

SECTION 6.05. *Discontinuance of SDR as Loan Medium.*

In the event that the nature or composition of the SDR changes so as to make its continued use as a loan medium inappropriate in the view of the Fund, the Fund shall convert the principal amount of the Loan, and all other amounts expressed in SDR, into such other currency or unit of account as the Fund deems appropriate. The Fund shall promptly notify the Borrower of any such conversion. Such notice shall be deemed *ipso facto* to modify the Loan Documents accordingly.

ARTICLE VII

IMPLEMENTATION OF THE PROJECT

SECTION 7.01. *Project Implementation.*

The Lead Project Agency and each of the other Project Parties shall carry out the Project:

(a) with due diligence and efficiency;

(b) in conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance;

(c) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower and the Cooperating Institution;

(d) in accordance with the provisions of the Loan Agreement, any Project Agreement and any other Loan Document; and

(e) so as to ensure the sustainability of its achievements over time.

SECTION 7.02. *Availability of Loan Proceeds.*

The Borrower shall make the proceeds of the Loan available to the Project Parties upon terms and conditions specified in the Loan Agreement or otherwise approved by the Fund for the purpose of carrying out the Project.

SECTION 7.03. *Availability of Additional Funds.*

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

SECTION 7.04. *Coordination of Activities.*

In order to ensure that the Project is carried out in accordance with Section 7.01, each Loan Party 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.*

All goods, civil works and services financed by the Loan shall be procured and engaged in accordance with the procedures specified in the Loan Agreement.

SECTION 7.06. *Use of Goods and Services.*

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

SECTION 7.07. *Maintenance.*

Each Project Party shall at all times operate, maintain, repair and replace all facilities and civil works used in connection with the Project with due diligence as required to carry out the Project in accordance with Section 7.01.

SECTION 7.08. *Insurance.*

(a) The Borrower 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 or the Lead Project Agency shall insure the goods imported for the Project and to be financed by the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation. For such insurance, any indemnity shall be payable in a freely usable currency to replace or repair such goods.

SECTION 7.09. *Subsidiary Agreements.*

(a) No Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Loan Agreement or the Project Agreement.

(b) The Borrower and each Project Party shall exercise its rights under each Subsidiary Agreement to which it is party so that the interests of the Borrower and the Fund are fully protected and the Project is carried out in accordance with Section 7.01.

(c) No provision of any such Subsidiary Agreement shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund.

(d) The Borrower shall bear any foreign exchange risk under any Subsidiary Agreement to which it is party, unless such Subsidiary Agreement otherwise expressly provides.

SECTION 7.10. *Performance of the Project Agreement.*

The Loan Parties shall take all necessary or appropriate action within their powers to enable and assist the Lead Project Agency and any other relevant Project Party to perform its obligations under the Project Agreement. The Loan Parties shall forebear from, 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 or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Loan Documents or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Loan Documents or otherwise approved by the Fund. The Borrower shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period.

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 its assets.

SECTION 7.13. *Allocation of Project Resources.*

The Loan Parties 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. *Land Acquisition.*

The Loan Parties and the Project Parties shall take all such action as shall be necessary or appropriate to acquire, as and when needed, all such land and land rights as shall be required for carrying out the Project and shall furnish to the Fund, promptly upon its request or upon such acquisition, evidence satisfactory to the Fund that such land and land rights are available for Project-related purposes. In carrying out such acquisitions, the Loan Parties and the Project Parties shall observe all applicable national laws.

SECTION 7.15. *Environmental Factors.*

The Loan Parties 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.

SECTION 7.16. *Relending Rates.*

During the Project Implementation Period, the Project Member State and the Fund shall periodically review the interest rates applicable to any credits extended to Project beneficiaries which are financed (directly or indirectly) by the Loan. These reviews shall be conducted jointly with the objective of reaching or maintaining positive interest rates over time. The Project Member State shall take any appropriate measures, consistent with its policies and the Fund's policies, to achieve that objective. Among such measures, the Borrower 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 7.17. *Use of the Name and Insignia of the Fund.*

To the fullest extent practicable, all Project facilities and vehicles shall bear the name and insignia of the Fund and otherwise identify the Project as being financed by the Fund. Publications by any Loan Party or Project Party concerning the Project shall mention the Fund and its contribution to the Project.

SECTION 7.18. *Project Completion.*

The Project Parties shall complete the implementation of the Project by the Project Completion Date.

ARTICLE VIII

IMPLEMENTATION REPORTING AND INFORMATION

SECTION 8.01. *Implementation Records.*

The Project Parties shall maintain records and documents adequate to reflect their operations in implementing the Project (including, but not limited to, copies or originals of all correspondance, 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 years thereafter.

SECTION 8.02. *Monitoring of Project Implementation.*

The Project Party so designated in the Loan Documents shall:

(a) during the Project Implementation Period, gather all data and other relevant information (including any and all information specified in the Loan Documents or requested by the Fund from time to time) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives; and

(b) during the Project Implementation Period and for at least ten 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 Reports.*

The Project Party so designated in the Loan Documents shall furnish to the Fund and the Cooperating Institution progress reports on the Project at such intervals during the Project Implementation Period as shall be specified in the Loan Documents, in such form and substance as may be specified in the Loan Documents or as the Fund or the Cooperating Institution shall reasonably request from time to time. 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.

SECTION 8.04. *Completion Report.*

As promptly as possible after the Project Completion Date but in any event no later than the date specified in the Loan Documents, the Project Party so designated in the Loan Documents shall furnish to the Fund and the Cooperating Institution a report on the overall implementation of the Project, in such form and substance as may be specified in the Loan Documents or as the Fund or the Cooperating Institution 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 Loan Parties, the Project Parties, the Cooperating Institution and the Fund of their respective obligations under the Loan Documents, and (iv) lessons learned from the foregoing.

SECTION 8.05. *Plans and Schedules.*

The Project Parties shall furnish to the Cooperating Institution promptly upon their preparation, and to the Fund promptly upon its request, 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 Loan Parties and the Project Parties shall promptly furnish to the Fund and the Cooperating Institution such other reports and information as the Cooperating Institution or the Fund shall reasonably request on any matter relating to the Project or any Project Party.

(b) The Loan Parties and the Project Parties shall promptly inform the Fund and the Cooperating Institution of any condition that interferes with, or threatens to interfere with, the implementation of the Project or the achievement of its objectives.

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 Loan Closing Date, and shall retain such accounts and records for at least ten years thereafter.

SECTION 9.02. *Financial Statements.*

The Project Party so designated in the Loan Documents shall deliver to the Fund and the Cooperating Institution detailed financial statements of the operations, resources and expenditures related to the Project at such intervals as may be specified in the Loan Documents.

SECTION 9.03. *Audit of Accounts.*

The Project Party so designated in the Loan Documents shall:

(a) each Fiscal Year, have the accounts relating to the Project (including the Special Account and statements of expenditure) audited in accordance with appropriate auditing principles consistently applied by independent auditors specified in the Loan Documents.

(b) as soon as available after the end of each Fiscal Year but in any event not later than the date specified in the Loan Documents, furnish to the Fund and the Cooperating Institution a certified copy of the audit report. In addition to verifying Project accounts, the report shall address the adequacy of accounting and internal control systems to monitor expenditures and other financial transactions and ensure safe custody of Project assets, the adequacy of documentation maintained by the Project Party on relevant transactions, and such other matters as the Fund or the Cooperating Institution shall reasonably request. To the extent that any withdrawals of Loan proceeds during the Fiscal Year were made on the basis of statements of expenditure, the report shall include a separate opinion stating that the proceeds of the Loan withdrawn from the Loan Account on the basis of such statements of expenditure were used for the purposes for which they were provided.

SECTION 9.04. *Other Financial Reports and Information.*

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

(a) The Loan Parties and the Project Parties shall promptly furnish to the Fund and the Cooperating Institution such other reports and information as the Fund or the Cooperating Institution shall reasonably request on any financial matter relating to the Loan or the Project or any Loan Party or Project Party.

(b) The Loan Parties shall promptly inform the Fund and the Cooperating Institution 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 such information as 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, each Loan Party 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 Cooperating Institution, the Loan Parties and the Lead Project Agency shall, from time to time at the request of any one of them, exchange views on the Project, the Loan, or any Loan Party or Project Party.

SECTION 10.03. *Visits, Inspections and Enquiries.*

The Loan Parties and the Project Parties shall enable agents and representatives of the Fund and the Cooperating Institution 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 Loan, the Project, or any Loan Party or Project Party; and

(c) visit, communicate with and make enquiries of all Project personnel and any staff member of any Loan Party or Project Party.

SECTION 10.04. *Audits Initiated by the Fund.*

The Loan Parties and the Project Parties shall permit auditors designated by the Fund or the Cooperating Institution from time to time to audit the records and accounts relating to the Project. The Loan Parties and the Project Parties shall cooperate fully with such audit and accord the auditors the full rights and privileges of agents or representatives of the Fund under Section 10.03. The Fund shall bear the cost of such audits.

SECTION 10.05. *Evaluations of the Project.*

(a) The Borrower 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 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 Loan 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 Loan Documents shall be exempt from any Taxes on signature, delivery or registration.

(c) It is the policy of the Fund that Loan proceeds are not to be used to pay Taxes, including (but not limited to) any Taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Loan.

SECTION 11.02. *Tax Refunds.*

In furtherance of the policy enunciated in Section 11.01, if the Fund determines at any time that any amount of Loan proceeds have been used to pay Taxes, it may require the Borrower, by written notice, to refund such amount promptly to the Fund. Upon receipt thereof, the Fund shall credit the Loan Account in the amount of such refund.

ARTICLE XII

REMEDIES OF THE FUND

SECTION 12.01. *Suspension by the Fund.*

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 to request withdrawals from the Loan Account:

(a) 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;

(b) the Borrower has failed to make any payment due under any other loan agreement, guarantee agreement, or other financial obligation of any kind of the Borrower to the Fund, whether or not any third party has made such payment;

(c) the Guarantor has failed to make any Loan Service Payment when due;

(d) the Guarantor has failed to make any payment due under any other loan or guarantee agreement between the Guarantor and the Fund, or other financial obligation of any kind of the Guarantor to the Fund;

(e) the Fund has determined that the Project has failed, or is unlikely, to fulfill timely its purposes as stated in the Loan Documents;

(f) 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 Loan Party or Project Party will be able to perform any of its obligations under any Loan Document;

(g) 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;

(h) any representation made by any Loan Party or Project Party in any Loan Document, or any statement furnished in connection therewith and relied upon by the Fund in making the Loan, is incorrect or misleading in any material respect;

(i) if the Borrower is not a Member State, the Fund has determined that any material adverse change in the condition of the Borrower has occurred;

(j) the Borrower or the Guarantor has been unable to pay its debts generally as they come due;

(k) any competent authority has taken action for the dissolution of the Lead Project Agency or suspension of its operations;

(l) 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;

(m) the Borrower has failed to make any funds, facilities, services and other resources available to the Project Parties in accordance with Sections 7.02 (Availability of Loan Proceeds) or 7.03 (Availability of Additional Funds);

(n) 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 Loan Documents, or any Loan Party or Project Party has otherwise failed to perform its obligations under Article VIII or IX;

(o) the Lead Project Agency or any other Project Party has failed to perform any of its obligations under the Project Agreement;

(p) the Borrower or the Lead Project Agency has failed to perform any of its obligations under any Subsidiary Agreement;

(q) 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;

(r) 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;

(s) the Fund has suspended, in whole or in part, the right of any Loan Party to request or make withdrawals under any other loan agreement or other financing agreement with the Fund;

(t) any event has occurred prior to the Effective Date which would have entitled the Fund to suspend the Borrower's right to request withdrawals from the Loan Account, had the Loan Agreement been effective on the date such event occurred;

(u) any Loan Party or Project Party has failed to perform any other obligation under the Loan Agreement or any other Loan Document; or

(v) any other event so specified in the Loan Agreement has occurred.

Such suspension shall become effective upon dispatch of notice by the Fund to the Loan Parties. Such suspension shall continue until the Fund has notified the Loan Parties that the Borrower's right to request withdrawals has been restored in whole or in part. The Fund shall provide a copy of such notice to the Lead Project Agency, but failure to do so shall not affect its validity.

SECTION 12.02. *Cancellation by the Fund.*

If any of the following events has occurred, the Fund may terminate the right of the Borrower to request withdrawal of the following amounts from the Loan Account:

(a) the right of the Borrower to request withdrawals from the Loan Account has been suspended under Section 12.01 with respect to any amount of the Loan for a continuous period of at least 30 days;

(b) at any time, the Fund determines after consultation with the Borrower that any amount of the Loan will not be required to finance certain costs of the Project;

(c) at any time, after consultation with the Borrower, the Fund determines that corrupt or fraudulent practices were engaged in by representatives of any Loan Party, Project Party or beneficiary in respect of any amount of expenditures incurred during the procurement or the carrying out of any contract financed by the Loan, and that the Borrower has failed to take timely and appropriate action to remedy the situation;

(d) at any time, the Fund determines that any amount of the Loan proceeds has been used to finance an expenditure other than an Eligible Expenditure;

(e) after the Loan Closing Date, any amount of the Loan remains unwithdrawn from the Loan Account;

(f) the Fund has received any notice from the Guarantor terminating its obligations under the Guarantee Agreement with respect to any amount unwithdrawn from the Loan Account; or

(g) any other event so specified in the Loan Agreement.

Such termination shall be effective upon dispatch of notice to the Loan Parties, whereupon such amounts of the Loan shall be cancelled. The Fund shall provide a copy of such notice to the Lead Project Agency, but failure to do so shall not affect its validity.

SECTION 12.03. *Cancellation by the Borrower.*

After consultation with the Fund and with the concurrence of the Guarantor, the Borrower may by notice to the Fund cancel any unwithdrawn amount of the Loan, except for amounts subject to Special Commitment as provided in Section 4.03. Such cancellation shall become effective upon acknowledgement thereof by the Fund.

SECTION 12.04. *Applicability of Cancellation or Suspension.*

(a) Any partial cancellation of the Loan shall be applied *pro rata* to any remaining 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. Such notice shall be deemed, *ipso facto*, to modify the Loan Agreement accordingly.

(b) No cancellation or suspension shall apply to amounts subject to any special commitment made by the Fund pursuant to Section 4.03, unless such special commitment expressly provides otherwise.

(c) Except as expressly provided in this Article, all provisions of the Loan Documents 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 (e) through (l), inclusive, of Section 12.01 has occurred;

(b) the Fund has declared the principal of any other loan to any Loan Party then outstanding to be due and payable immediately;

(c) any event specified in paragraphs (a) through (d), inclusive, of Section 12.01 has occurred and continues for a period of 30 days;

(d) any event specified in paragraphs (m) though (u), inclusive, of Section 12.01 has occurred and continues for a period of 60 days after notice thereof has been given by the Fund to the Loan Parties; or

(e) any other event specified in the Loan Agreement for the purposes of this Section has occurred and continues for the period, if any, specified in the Loan Agreement.

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

ARTICLE XIII

EFFECTIVENESS AND TERMINATION

SECTION 13.01. *Conditions Precedent to Effectiveness.*

The Loan Documents shall not become effective until evidence satisfactory to the Fund has been furnished to the Fund that the conditions precedent specified therein have been fulfilled.

SECTION 13.02. *Effective Date.*

(a) The Loan Documents shall become effective on the date that the Fund dispatches notice thereof to the Loan Parties, or such other date as the Fund may designate in such notice.

(b) The Fund shall dispatch such notice promptly after its acceptance or waiver of the evidence required by Section 13.01. If any event of suspension specified in Section 12.01 has occurred, however, the Fund may postpone dispatch of such notice until such event has ceased to exist.

SECTION 13.03. *Termination before Effectiveness.*

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

(a) before the Effective Date, any event of suspension specified in Section 12.01 has occurred;

(b) before the Effective Date, any Loan Party or Project Party has taken any action inconsistent with the object and purpose of any Loan Document; or

(c) the Loan Agreement does not become effective on or before the last date specified therefor in the Loan Agreement, unless the Fund establishes a later date therefor. The Fund shall notify the Loan Parties of such later date.

SECTION 13.04. *Termination upon Full Payment.*

The Loan Documents 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 finally and undefeasibly paid.

ARTICLE XIV

ENFORCEABILITY AND RELATED MATTERS

SECTION 14.01. *Enforceability.*

(a) The Loan Documents, 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.

(b) Neither the Fund nor any Loan Party or Project Party shall be entitled in any legal proceedings to assert any claim for any reason that any provision of these General Conditions or the Loan Documents is invalid or unenforceable.

SECTION 14.02. *Failure to Exercise Rights.*

No delay in exercising, or omission to exercise, any right, power or remedy of any party under the Loan Documents 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 the Loan Documents 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 the Loan Documents 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 the Loan Documents shall endeavour to settle through amicable means any controversy between them in respect of such Loan Documents.

(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 Loan Document 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 months after proceeding 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 proceeding 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 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 services of any such notice or process.

ARTICLE XV

MISCELLANEOUS PROVISIONS

SECTION 15.01. *Communications.*

All notices, requests and other communications given or made under the Loan Documents shall be in writing. Except as otherwise expressly provided, any such notice, request or other communication shall be deemed duly given or made when delivered by hand, mail, telegram, cable, telex or facsimile to the party to which it is given or made at such party's address specified in the particular Loan Document, or at such other address as such party may designate by notice to the other parties thereto. Delivery of any such notice, request or other communication by facsimile transmission shall be followed promptly by mail delivery of the original thereof.

SECTION 15.02. *Language of Reporting.*

The Loan Parties and the Project Parties shall deliver all reports and information to the Fund and the Cooperating Institution in the language specified in the Loan Documents, or in any other language agreed by the Fund.

SECTION 15.03. *Authority to Take Action.*

The representative or agent so designated in any Loan Document, or another person duly authorized in writing by such representative or agent, may take any action and sign any document in connection with such Loan Document on behalf of any Loan Party or Project Party. Such representative, agent or other person may agree to any modification of the terms and conditions of such Loan Document on behalf of such Loan Party or Project Party by written instrument signed by him; *provided* that, in the opinion of such representative, agent or other person, such modification is reasonable in the circumstances and will not substantially increase the obligations of such Loan Party or Project Party thereunder. The Fund shall be entitled to accept the signature by such representative, agent or other person as conclusive evidence that he is of such opinion.

SECTION 15.04. *Evidence of Authority.*

Within 30 days after request by the Fund, any Loan Party or 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 Loan Documents.*

The Fund and the relevant Loan Party or Project Party may agree from time to time to modify the terms and conditions of the Loan Documents (including, but not limited to, the terms and conditions of these General Conditions as applied thereto) or the application of the Loan Documents. The Fund shall determine the form, and any conditions precedent for the effectiveness, of any such agreement in accordance with its internal regulations.

SECTION 15.06. *Change of Entity or Representative.*

If the Borrower wishes to appoint any successor to, reassigns the responsibilities of, or changes the designation or address of, any of the entities specified in the Loan Documents, the Borrower shall promptly give notice thereof to the Fund. By notice to the Borrower, the Fund may accept such new entity as constituting the entity fully responsible for carrying out the functions assigned to its predecessor under the Loan Documents. Upon such acceptance, the Loan Documents shall be deemed *ipso facto* modified accordingly.

SECTION 15.07. *Signature of the Loan Documents.*

(a) The signature of any Loan Document by a Loan Party or Project 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 Fund in writing before such Loan Document becomes effective.

(b) The Loan Documents may be signed in several counterparts, each of which shall be an original.