LOAN NO. 578-VN

PROJECT LOAN AGREEMENT

(Rural Income Diversification Project in Tuyen Quang Province)

between the

SOCIALIST REPUBLIC OF VIET NAM

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 18 February 2002

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PROJECT LOAN AGREEMENT

PROJECT LOAN AGREEMENT ("this Agreement") dated 18 February 2002 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 from the Fund for the purpose of financing the Rural Income Diversification Project in Tuyen Quang Province described in Schedule 1 to this Agreement (the "Project");

(B) the Swedish International Development Agency (SIDA) has agreed in principle to provide the Fund with Swedish Supplementary Funds (as hereinafter defined) in an amount equivalent to USD 1 500 000 to assist in financing the Project for the first Project Year;

(C) by separate agreement between the Borrower and the Fund (the "Grant Agreement"), the Fund will make such Swedish Supplementary Funds available to the Borrower as a Grant to finance technical assistance, training costs and advisory support costs for the first Project Year;

(D) the Loan 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 a loan 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 (hereinafter called 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.

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

"Activity Manager" means each of the activity managers described in paragraph C.2 of Schedule 3.

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

"Community Organizer" or "CO" means each of the community organizers described in paragraph B.1 of Schedule 3.

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

"DPCU" means the district project coordination unit described in paragraph A.3 of Schedule 3.

"Development Reserve Fund" means that portion of the Loan proceeds initially allocated to Category VII (Unallocated) in paragraph 1 of Schedule 2 and reserved for reallocation after the Mid-Term Review under paragraph 7 of said Schedule.

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

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

"Implementing Agency" means each of the government agencies and mass organizations mentioned in paragraph C.1 of Schedule 3.

"Lead Project Agency" means the Provincial People's Committee of Tuyen Quang Province of the Borrower.

"Loan Closing Date" means the date six months after the Project Completion Date, or such later date as the Fund may designate by notice to the Borrower.

"Loan Service Payment Currency" means the currency specified in Section 2.07.

"Mid-Term Review" means the review of Project implementation described in Section 4.03.

"PPCU" means the provincial project coordination unit described in paragraph A.4 of Schedule 3.

"PRA" means the methodology commonly known as 'Participatory Rural Assessment'.

"Project Account" means the account for Project operations described in Section 3.03 (b).

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

"Project Party" includes (but is not limited to) each of the Lead Project Agency, the Implementing Agencies.

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

"PPSC" means the provincial project steering committee described in paragraph A.5 of Schedule 3.

"SCG" means each of the savings and credit groups developed under the Micro-Finance and Micro-Enterprise Component of the Project.

"Subsidiary Loan Agreement" means the subsidiary loan agreement among the Ministry of Finance of the Borrower and VBP described in paragraph C.3A.3 of Schedule 3, as the same may be amended or otherwise modified from time to time only with the prior consent of the Fund.

"Swedish Supplementary Funds" means all funds made available to the Fund by the Swedish International Development Agency for the purpose of financing Project activities (including, but not limited to, technical assistance, training costs and advisory support in connection therewith), whether under the Grant Agreement or any subsequent or concurrent agreement.

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

"VBARD" means the Viet Nam Bank of Agricultural and Rural Development.

"VBP" means the Viet Nam Bank for the Poor.

"VIDF" means each of the Village Infrastructure Development Fund to be established and operated under the Village Infrastructure Development Component, as described in paragraph 4 of Schedule 1 and paragraph C.5.2 of Schedule 3.

"WLF" means the Women's Livelihood Fund under the Gender and Women's Livelihood Component as described in paragraph 4 of Schedule 1 and paragraph C.4.2 of Schedule 3.

"Women's Union" or "WU" means the Vietnam Women's Union.

SECTION 1.03. *References and Headings.* Unless otherwise indicated, references in this Agreement to Articles or Sections 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 Project Parties.* The Borrower shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the Lead Project Agency and all other Project Parties under this Agreement. To the extent any Project Party enjoys legal personality separate from the Borrower, any reference to an obligation of such Project Party in this Agreement shall be deemed an obligation of the Borrower to ensure that such Project Party performs such obligation. The acceptance by any Project 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 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 supervise the Project in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.

ARTICLE II

The Loan

SECTION 2.01. *The Loan.* The Fund agrees to extend a Loan to the Borrower in the principal amount of sixteen million four hundred thousand Special Drawing Rights (SDR 16 400 000) for the purpose of financing the Project.

SECTION 2.02. *Loan Account and Withdrawals.* The Fund shall open a Loan Account in the name of the Borrower and credit the principal amount of the Loan thereto. The Borrower may request withdrawals from the Loan 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 Proceeds) hereof, and Article IV (Loan Account and Withdrawals) and Section 6.02 (Currencies for Withdrawals) of the General Conditions.

SECTION 2.03. *Special Account.* (a) As soon as practicable but in no event later than 30 days after the Effective Date, the Borrower shall open and thereafter maintain in the Bank for Foreign Trade of Viet Nam (VIETCOMBANK) or another bank proposed by the Borrower and accepted by the Fund, a Special Account denominated in US Dollars for the purpose of financing the Project.

(b) After the Special Account has been duly opened, upon the Borrower's request, the Fund shall make one or more withdrawals of up to USD 2 000 000 in the aggregate (the "Authorized Allocation") from the Loan Account on behalf of the Borrower and deposit such amount in the Special Account. The Fund shall replenish the Special Account from time to time upon request by the Borrower, 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 Ministry of Finance of the Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions.

SECTION 2.04. *Use of Proceeds.* The Borrower shall ensure that the proceeds of the Loan are used 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 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.

SECTION 2.05. *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 2.06. *Repayments of Principal.* The Borrower shall repay the outstanding principal amount of the Loan in 59 equal semi-annual installments of SDR 273 334, payable on each 1 June and 1 December commencing on 1 June 2012 and ending on 1 June 2041, and a final installment of SDR 273 294, payable on 1 December 2041, in the Loan Service Payment Currency.

SECTION 2.07. *Loan Service Payment Currency.* The US Dollar shall be the Loan Service Payment Currency for purposes of this Agreement.

ARTICLE III

The Project

SECTION 3.01. *Project Implementation.* The Borrower declares its commitment to the goals and purposes of the Project as stated in Schedule 1 and, in furtherance of such goals and purposes, the Borrower shall ensure that 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 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) with the full participation of all stakeholders in the Project, in particular its beneficiaries;

(e) substantially in accordance with the AWPBs;

(f) with respect to incremental credit activities, substantially in accordance with the Subsidiary Loan Agreement;

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

(h) by the Project Completion Date; and

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

SECTION 3.02. *Annual Work Plans and Budgets.* (a) The PPCU shall prepare draft annual work plans and budgets (AWPBs) for each Project Year. The draft AWPBs shall include, among other things, a detailed description of planned Project activities during the coming Project Year, and the sources and uses of funds therefor. It shall outline the objectives, outputs, physical and financial inputs required, implementation modalities, responsible agencies and offices, and procurement method for each planned Project activity. The AWPBs shall also include a description of the process leading to its preparation and consolidation in accordance with paragraph (b) below. The AWPB shall be disaggregated into indicative quarterly segments for quarterly planning and progress review purposes.

(b) Except for the inputs required at the provincial and district levels, the planned Project activities included in the AWPB shall be determined by participatory needs identification using PRA methodology conducted by the Village Development Board (VDB) at village level. Development priorities identified by villages shall be consolidated into annual commune plans, which shall then be passed to the DPCU through the district Implementing Agencies for screening and feasibility assessment. Responsibility for consolidating the commune plans into district plans and the district plans into the overall project plan shall rest with the DPCUs and PPCU respectively. For all Project activities dependent on community-based needs assessment, the PPCU shall make provision for lumpsum allocations for categories of activities in the AWPB. Actual allocations shall be made on the receipt and approval of commune plans following needs assessment in the villages and technical feasibility of the identified needs.

(c) The PPCU shall submit each draft AWPB to the PPSC, the Ministry of Finance, the Fund and the Cooperating Institution, for their respective comments and approval, no later than the 15 August before the beginning of the relevant Project Year. If neither the Fund nor the Cooperating Institution comment on the draft AWPB within 30 days after receipt, the AWPB shall be deemed approved.

(d) After receiving and incorporating the comments referred to in paragraph (c) above, the PPCU shall submit a final version of the AWPB to the PPSC for final approval, no later than the 30 September before the relevant Project Year.

(e) The PPCU shall provide copies of the final version of the AWPB to the Fund and the Cooperating Institution within one month after its approval.

(f) If required, the PPCU may propose adjustments in the AWPB during the relevant Project Year, which shall become effective upon approval by the PPSC, the Cooperating Institution and the Fund.

SECTION 3.03. *Resource Account and Project Account.* (a) As soon as practicable after the date hereof but in no event later than 30 days after the Effective Date, the Provincial Treasury of Tuyen Quang Province shall open and thereafter maintain an account on its books in the name of the Project (the "Resource Account") denominated in Dong for receiving Loan proceeds from the Special Account and making payments for Project operations upon request by the PPCU. The Provincial Treasury shall be fully authorized to operate the Resource Account in accordance with the Borrower's regulations.

(b) As soon as practicable after the date hereof but in no event later than 30 days after the Effective Date, the PPCU shall open and thereafter maintain in the Provincial Treasury, or a bank in the Tuyen Quang Province proposed by the Borrower and accepted by the Fund, a current account denominated in Dong for Project operations (the "Project Account"). The PPCU shall be fully authorized to operate the Project Account in accordance with the Borrower's regulations.

SECTION 3.04. A*vailability of Loan Proceeds.* The Borrower shall make the proceeds of the Loan available to the PPCU in accordance with the AWPBs and its customary national procedures to carry out the Project. To this end, the Ministry of Finance shall transfer funds from the Special Account to the Resources Account, and the Provincial Treasury shall transfer funds from the Resources Account to the Project Account, in accordance with the Borrower's regulations.

SECTION 3.05. *Availability of Counterpart Funds.* In addition to the proceeds of the Loan, counterpart funds in an aggregate amount of approximately USD 2 665 000, and such other resources as may be required from time to time to carry out the Project in accordance with this Agreement, shall be made available timely by the Borrower to the Project Parties through the state budget.

SECTION 3.06. *Channelling of Project Resources.* Funds and other resources available for Project purposes, as called for in the AWPBs, shall be transferred to the Project Parties as follows:

(a) the Ministry of Finance shall transfer Loan proceeds for incremental credit activities to the VBP in accordance with the Subsidiary Loan Agreement;

(b) the PPCU shall transfer matching grants for the development and support of SCGs under the Micro-Finance and Micro-Enterprise Development Sub-Component directly to the relevant SCG;

(c) the PPCU shall transfer VIDF and WLF funds directly to the account of the relevant CDB maintained in the relevant District Treasury; and

(d) the PPCU shall transfer other funds for Project activities to the relevant Implementing Agency in accordance with the Borrower's regulations.

SECTION 3.07. *Procurement.* The PPCU shall ensure that all procurement financed directly or indirectly by the Loan (including, but not limited to, items financed under the VIDF and WLF) is undertaken in accordance with Schedule 4.

ARTICLE IV

Implementation Reporting and Information

SECTION 4.01. *Monitoring.* The PPCU shall establish, as soon as practicable but in no event later than nine months after the Effective Date, and thereafter maintain an appropriate information management system to enable it to continuously monitor the Project in accordance with paragraph 13 of Schedule 3A and Section 8.02 (Monitoring of Project Implementation) of the General Conditions based on indicators agreed by the Borrower and the Fund.

SECTION 4.02. *Progress Reports.* The PPCU shall submit to the Fund and the Cooperating Institution quarterly and annual progress reports on Project implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than one month after the end of each quarter and two months after the end of each Project Year.

SECTION 4.03. *Mid-Term Review.* (a) The Borrower and the Fund, with the assistance of the Cooperating Institution, shall jointly carry out a review of Project implementation no later than the third Project Year (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund and the Cooperating Institution.

(b) Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints. The Mid-Term Review shall also recommend reallocations of the Development Reserve Fund.

(c) The Borrower shall consider the recommendations resulting from the Mid-Term Review and ensure that those agreed by it and the Fund 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 Report.* The PPCU shall submit to the Fund and the Cooperating Institution the completion report, prepared on the basis of terms of reference agreed by the Borrower and the Fund, on the Project required by Section 8.04 (Completion Report) of the General Conditions no later than six months after the Project Completion Date. In addition to the matters required by said Section 8.04, the completion report shall address (i) the concrete steps taken by the Project to assure the sustainability of the Project's achievements over time; (ii) the extent to which the benefits of the Project have reached the Target Group (as such term is defined in Schedule 1); and (iii) the impact of the Project on the livelihood and gender relations of the Target Group.

SECTION 4.05. *Evaluations.* 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, as required by Section 10.05 (Evaluations of the Project) of the General Conditions.

ARTICLE V

Financial Reporting and Information

SECTION 5.01. *Financial Statements.* The PPCU shall prepare the quarterly and annual financial statements of the operations, resources and expenditures related to the Project required by Section 9.02 (Financial Statements) of the General Conditions in respect of each Fiscal Year and deliver such financial statements to the Fund and the Cooperating Institution within three months after the end of the relevant reporting period.

SECTION 5.02. *Audit Reports.* (a) As soon as practicable but in any event within 90 days after the Effective Date, the Borrower shall appoint independent auditors, selected by the Borrower in accordance with the procedures and criteria agreed by the Borrower and the Fund, for the first two Fiscal Years. Thereafter, as soon as practicable but in no event later than 90 days after the beginning of each succeeding Fiscal Year, the Borrower shall so appoint independent auditors for such Fiscal Year.

(b) The Borrower shall have the accounts relating to the Project audited each Fiscal Year by such auditors in accordance with appropriate auditing standards and deliver a certified copy of the audit report required by Section 9.03 of the General Conditions to the Fund and the Cooperating Institution within six months after the end of such Fiscal Year.

ARTICLE VI

Remedies of the Fund

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

(a) Swedish Supplementary Funds (or any portion thereof) in respect of Project Year 1 have not become available to the Fund on or before Effective Date, or for whatever reason Swedish Supplementary Funds (or any portion thereof) in respect of any subsequent Project Year has not become available to the Fund in a timely manner, and the Borrower and the Fund have not found substitute funds on terms and conditions acceptable to the Fund;

(b) the Fund has given notice to the Borrower that credible allegations of corrupt or fraudulent practices in connection with the Project have come to the attention of the Fund, and the Borrower has failed to investigate the matter fully and promptly; 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;

(c) the Fund has determined that the material benefits of the Project are not reaching the Target Group, or are benefiting persons outside the Target Group;

(d) the Fund has determined that the Project is not being carried out with the full participation of its stakeholders, in particular its Target Group in annual planning and impact assessment activities.

SECTION 6.02. *Cancellation.* The Fund may terminate the right of the Borrower to request withdrawals from the Loan 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 service charge 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 does not timely furnish any audit report 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 Project. For such purpose, the Borrower and the Project 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 Inquiries) of the General Conditions and otherwise cooperate fully with such audit. The Fund shall make the audit report available to the Borrower 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 authorizes the Fund to make such withdrawals.

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

(a) the PPCU shall have been duly established and all PPCU staff shall have been recruited in accordance with paragraph A.4 of Schedule 3;

(b) the Lead Project Agency and the Fund shall have agreed in writing on the initial Project Area for purposes of paragraph 1 of Schedule 1;

(c) 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;

(d) the Grant 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

(e) a favourable legal opinion, issued by legal counsel approved by the Fund 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 condition precedent specified in paragraphs (c) and (d) of Section 7.01 has 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 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.

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:

(1) Tuyen Quang Provincial People's Committee
Minh Xuan Ward, Tuyen Quang Town
Tuyen Quang Province
Socialist Republic of Viet Nam

Facsimile Number: (8427) 822 897

(2) Ministry of Planning and Investment
2 Hoang Van Thu Street
Hanoi, Socialist Republic of Viet Nam

Facsimile Number: (844) 823-2494

For the Fund:

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

Cable Address: IFAD ROME

Telex Number: 620330 IFAD I

Facsimile Number: (3906) 504 3463

For the Cooperating Institution:

United Nations Office for Project Services (UNOPS)
P.O. Box 676
Kuala Lumpur
Malaysia

Facsimile Number(s): +60 (3) 253 1505

SECTION 8.05. *Language of Communications*. All notices, requests, reports, documents and other information and communications relating to this Agreement, the Loan and the Project (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.

SOCIALIST REPUBLIC OF VIET NAM

Authorised Representative

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

President

SCHEDULE 1

Project Description

1. *Project Area.* The Project shall be carried out in those communes in the Na Hang, Chiem Hoa, Ham Yen, Yen Son and Son Duong districts of Tuyen Quang Province of the Borrower, including all those classified as "Zone 3" and certain of the poorest communes classified as "Zone 2" by the Committee for Ethnic Minorities and Mountainous Areas (CEMMA), agreed in writing from time to time for purposes of this paragraph by the Lead Project Agency and the Fund, acting through the director of its Asia and the Pacific Division (the "Project Area").

2. *Target Group.* The Project shall benefit poor households, and in particular poor upland ethnic minorities and women, residing in the Project Area.

3. *Goal.* The goal of the Project is to improve the socio-economic status of the Target Group by increasing their capacity and role in the decision-making process; enhancing food security; promoting diversification of rural income opportunities; and encouraging sustainable use of natural resources.

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

COMPONENT 1: FOOD SECURITY AND INCOME DIVERSIFICATION

Improvement in the food security of poor households in upland areas and promotion of the diversification of rural incomes through the following Sub-Components:

MICRO-FINANCE AND MICRO-ENTERPRISE DEVELOPMENT

- Development and support of Savings and Credit Groups (SCGs), through provision of training, matching grants and incremental credit.
- Establishment of micro-enterprises, through provision of training, incremental credit, market surveys, research and marketing support.
- Institutional strengthening of VBARD and VBP through traininig and technical assistance in credit management in connection with this Sub-Component.
- Capacity-building of WU, FA and YU through training and technical assistance in community development in connection with this Sub-Component.
- Establishment of a Micro-finance and Micro-enterprise Unit (MMU) within the Provincial VBARD to guide the micro-finance, micro-enterprise and marketing activities of the Project.

UPLAND FARMING SYSTEMS EXTENSION AND ADAPTIVE RESEARCH

- Conduct of simplified Farmers Field Schools (FFSs) as the primary method for helping project communities to improve agricultural, livestock and forestry production.
- Strengthening of extension services through provision of training and technical assistance to extension staff at Commune, District and Provincial levels and progressive farmers at village level in improved production systems.
- Adaptive research in upland areas, development of suitable models for productivity improvement in allocated forest land and establishment of an Indigenous Forest Species Nursery (IFSN) located in the Na Hang, Chiem Hoa or Ham Yen Districts.
- Establishment of District Demonstration Stations (DDSs) in Na Hang and Chiem Hoa

Districts, implementation of specialised on-farm demonstrations and upgrading the extension materials for use in upland ethnic minority areas.

LIVESTOCK IMPROVEMENT AND ANIMAL HEALTH

- Selection and distribution to farmers of improved buffalo, cattle sires and poultry breeds.
- Establishment of small-scale commercial chicken hatcheries at commune level, commercial pig breeding areas, and specialised pig-breeding households within such areas through the provision of credit and training.
- Upgrading of the fingerling hatchery in Yen Son District and establishment of a fingerling distribution centre in Na Hang District.
- Upgrading of the provincial veterinary laboratory, establishment of new veterinary stations in Son Duong, Ham Yen and Na Hang Districts; and the provision of basic equipment and transportation facilities. Establishment of a vaccine cold chain from province down to commune level through provision of cool storage equipment. Establishment of Village Animal Health Workers (VAHWs) in all Project villages; provision of basic tools and working capital.
- Training of DARD staff at all levels in livestock improvement and animal health.

FOREST LAND MANAGEMENT

- Conduct of a Forest Land Management Assessment (FLMA) to review the local regulatory framework for forest land management and development of an Action Plan.
- Development of a participatory process for Forest Land Allocation and Land Use Planning (FLA/LUP) activities in all project communes and villages and development of methods relating to improve the management of forest land.
- Provision of technical support to the Department of Land Administration (DLA) for mapping, surveying and issuing Land Use Certificates (LUCs).
- Training of FPB staff at all levels related to implementation of the FLA/LUP program and village/commune-level pilot activities.

VOCATIONAL TRAINING

- Provision of support to the Provincial Economic, Technical and Vocational Training School (PETVTS) for the upgrading of training/workshop equipment and strengthening its capacity to effectively supervise the operations of the district satellite schools.
- Establishment of District Economic, Technical and Vocational Training Schools (DETVTSs) in Na Hang, Chiem Hoa, and Ham Yen Districts.
- Provision of scholarships for eligible students from communes in the Project Area to participate in technical and vocational training.
- Training of teaching staff in improved teaching methods and in related technical areas.

COMPONENT 2: GENDER AND WOMEN'S LIVELIHOOD

Empowerment of women from poor, ethnic and upland communities by improving their access to and control over productive resources, through, *inter alia*:

- Training of Project staff to ensure that gender is mainstreamed across all Project components and activities.

- Establishment and operation of a Women's Livelihood Fund (WLF) in each Project commune to finance the self-identified needs of women.
- Institutional strengthening of WU at all levels through provision of training, equipment and materials.
- Amendment of LUCs held by all households in Tuyen Quang Province to include the names of both husband and wife.
- Design of the Project monitoring and evaluation (M&E) system to produce disaggregated data on achievement of gender mainstreaming.

COMPONENT 3: VILLAGE INFRASTRUCTURE DEVELOPMENT

Empowerment of village communities to improve their living conditions through development of small-scale infrastructure through, *inter alia*:

- Establishment and operation of a Village Infrastructure Development Fund (VIDF) in each commune in the Project Area to finance small-scale infrastructure projects as identified by local communities.
- Training for village-level institutions involved in the construction and maintenance of VIDF-financed microprojects, such as the Village Development Boards (VDBs), labour cooperatives and user groups.
- Training of COs in promotion of groups, appraisal of proposals, planning, financial management, construction management, post construction technical monitoring, and maintenance procedures. Training of district office staff of Implementing Agencies in using project design software, progress monitoring, and impact monitoring.
- Provision of equipment and vehicles to district technical staff.

COMPONENT 4: PROJECT MANAGEMENT

To establish effective, decentralised project management services, through:

- Establishment and operation of an independent project management structure comprising a Provincial Project Coordination Unit (PPCU) at provincial level and District Project Coordination Units (DPCUs) in each of the five districts in the Project Area, as described in Part A of Schedule 3.
- Construction of a new building for the PPCU office.
- Staff training and Project coordination activities.
- Establishment of an M&E system.
- Participatory Rural Appraisal (PRA) and needs assessment exercises to guide the scope of Project activities in target villages; and
- Routine conduct of Participatory Impact Assessment (PIA).

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

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

Category		Loan Amount Allocated (Expressed in SDR)	% of Eligible Expenditures to be Financed
I	Civil Works	810 000	100%
II	Vehicles, Equipment and Materials	2 220 000	100% net of taxes
III	Village Infrastructure Development Fund	7 040 000	100%
IV	Women's Livelihood Fund	1 580 000	100%
V	Incremental Credit	1 120 000	100% of amounts disbursed by VBP
VI	Incremental Operating Cost (Excluding Staff Salaries and Allowances)	600 000	60%
VII	Unallocated[1]	3 030 000	
TOTAL		16 400 000	

(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. *Incremental Operating Costs.* For purposes of this Schedule, the term "Incremental Operating Costs" means Eligible Expenditures incurred in respect of the operation and maintenance of Project vehicles, auditing costs and other costs relating to the operation of the Project offices under the Project Management Component but does not include the salaries and allowances of Project staff.

3. *Minimum Withdrawal Amounts.* Except for replenishments of the Special Account under Section 2.03 (b), withdrawals from the Loan 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 may be made against certified statements of expenditure in respect of such Eligible Expenditures 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.

[1] Includes USD 1 500 000 set aside as a Development Reserve Fund for reallocation following the Mid-Term Review in accordance with paragraph 7 of this Schedule.

5. *Retroactive Financing.* Withdrawals not exceeding in the aggregate the equivalent of USD 75 000 may be made from the Loan Account in respect of Project Pre-Implementation Expenditures incurred before the Effective Date but after 30 November 2001. Such expenditures shall be deemed Eligible Expenditures for all purposes of this Agreement. As used in this paragraph, the term "Project Pre-Implementation Expenditures" means training of PPCU and DPCU staff and Community Organizers, purchase of basic office equipment for the PPCU and DPCUs, and conduct of needs assessment exercises in villages where Project activities will commence in the first Project Year.

6. *Conditions Precedent to Incremental Credit.* No withdrawals shall be made in respect of Category 4 (Incremental Credit) until the Subsidiary Loan Agreement, as signed by the Ministry of Finance and the VBP, shall have been approved by Fund.

7. *Development Reserve Fund.* Loan proceeds allocated to the Development Reserve Fund under Category VII (Unallocated) shall be reallocated by the Fund to other Categories in accordance with Section 4.09 of the General Conditions based on recommendations made by the Mid-Term Review and agreed by the Borrower and the Fund.

SCHEDULE 3

Project Implementation

A. ORGANIZATION AND MANAGEMENT

1. Village Development Boards (VDBs)

1.1. *Formation.* Prior to the commencement of Project activities in any village, a VDB shall be expanded or formed, and thereafter maintained throughout the Project Implementation Period, the membership of which shall include the Village Head (Chairperson), Head of the WU (Vice Chair); Village Extension Worker(s) and heads of SCGs.

1.2. *Meetings.* The VDBs shall hold regular meetings monthly and may hold extraordinary meetings at the request of any of its members. All meetings shall be held at times convenient for all its members.

1.3. *Responsibilities.* VDBs will serve as the main forum for planning and review of Project activities, and will provide the interface between Project and Implementing Agency staff and the village. The principal responsibilities of the VDB shall include:

- dissemination of information on possible Project activities and opportunities;
- preparation of an implementation plan to address highest priority needs and dissemination thereof to all village households;
- mobilisation of the village contribution for implementation of the plan;
- implementation of approved activities, targeting; assisting with PIAs;
- routine reporting of progress to the CDB; and
- reporting, record keeping and other routine administrative functions.

1.4. In addition to the above responsibilities, the VDB shall undertake (i) the assessment and prioritisation of village needs using PRA methodology and (ii) the annual Participatory Impact Assessment (PIA). For such purposes, the VBD shall hold open meetings to which all households in the village shall be invited to participate. In so doing, the VDBs shall ensure that at least 50% of attendees at such meetings are women and 80% thereof are from poor households.

2. Commune People's Committees (CPCs) and Commune Development Boards (CDBs)

2.1. *Establishment of the CDBs.* Prior to the commencement of Project activities in any Commune in the Project Area, the CPC of such Commune shall form and thereafter maintain throughout the Project Implementation Period a Commune Development Board as follows: CDB membership shall include the CPC Chairperson, who shall head the CDB, the Chairwoman of the Commune WU, who shall act as vice-chair of the CDB, the relevant CO, who shall act as Secretary, the Commune Extension Worker, the Secretary of the Commune YU, the Chairperson of the Commune FA, the Commune Infrastructure Technician, a male and female representative from each VDB in the relevant Commune, and the head of the Commune Secondary School.

2.2. *Meetings of the CDBs.* The CDBs shall hold regular meetings monthly and may hold extraordinary meetings at the request of any of its members. All meetings shall be held at times convenient for all its members.

2.3. *Responsibilities.* The CPCs, acting through their respective CDBs, shall be responsible for the coordination, monitoring and reporting of Project activities at the commune level. The CDBs shall be the principal forum for planning, coordinating, reviewing and trouble-shooting Project activities. In particular, the CPBs shall be responsible for:

- guidance and assistance to the VDBs in dissemination of project information, social mobilization, need assessment and development of village development plans;
- timely consolidation of VDB plans into simple Commune Annual Plans and their submission to DPCU;
- mobilization of commune and village resources for the implementation of approved plans in line with approved phasing and methodology;
- monitoring of implementation progress, quality of activities and ensuring priority targeting of poor households; and
- regular progress reporting and participatory impact assessment reports according to the specified formats/procedures and timing.

2.4. *Existing CDBs.* In communes with existing CDBs, the CPC shall ensure that the existing CDB conforms to the foregoing paragraphs in its membership and operations.

2.5. *Project Activities.* Project activities shall commence in a particular Commune only when a CDB shall have been established (or conformed) in accordance with the foregoing paragraphs and key CDB members shall have received appropriate training.

3. District Project Coordination Units (DPCU)

3.1. *Establishment.* Prior to commencement of Project activities in any district in the Project Area, the District People's Committee shall duly establish by decision, and thereafter maintain it throughout the Project Implementation Period, a DPCU for such district. The Chairman or Vice-Chairman of the relevant District People's Committee shall head each DPCU. In addition, the DPCU shall be staffed by a full-time District Manager, who shall carry out the principal day-to-day implementation responsibilities of the DPCU, a District Community Facilitator, an M&E Officer, a Village Infrastructure Engineer and such support staff as may be required from time to time. DPCU staff shall be selected by the District People's Committee in accordance with procedures and criteria agreed by the Lead Project Agency and the Fund. The District Heads of the Implementing Agencies, along with Head of District Treasury and District Vocational Schools, shall also be members of DPCU.

3.2. *Responsibilities.* The DPCUs shall be responsible for:

- Review and consolidation of plans received from the communes in association with the concerned district agencies and submission of consolidated plans to the Activity Managers and PPCU by the notified deadline.
- Preparation and implementation of quarterly and monthly plans of activity based on the approved AWPBs.

- Ensuring implementation of project activities in a timely and efficient manner and in line with agreements reached with the CDBs and VDBs.
- Coordination of project activities at the district, commune and village level so as to ensures complementarity and efficient use of resources.
- Avoid duplication of Project activities with other projects and programmes and internalization of participatory approach introduced under the project for wider replication.
- Implementation of project monitoring and Participatory Impact Assessment activities in a coordinated manner and according to specified phasing.
- Coordinating and monitoring inputs with technical backstopping and policy support from the PPCU and provincial agencies.

4. Provincial Project Coordination Unit (PPCU)

4.1. *Establishment.* The Lead Project Agency shall duly establish by decision, and thereafter maintain throughout the Project Implementation Period, a provincial project coordination unit (PPCU) in an independent office in Tuyen Quang Town. The PPCU shall report to the PPSC but be legally and administratively autonomous in respect of its day-to-day operations.

4.2. *Staffing.* The PPCU shall be composed of the Project Director, who shall head the PPCU, an assistant to the Project Director, a Deputy Director, a Village Infrastructure Development Engineer, a Senior M&E Officer, a Chief Accountant, a Gender Mainstreaming Coordinator, a Provincial Community Development Facilitator (together known as the "PPCU Key Staff"), and such other professional and support staff as may be required. PPCU Key staff shall be recruited on a transparent and competitive basis, in accordance with procedures and merit-based criteria agreed by the Lead Project Agency and the Fund. All PPCU professional staff shall be engaged on probationary term for a period of six months, upon satisfactory completion whereof they shall be confirmed in their posts for the remainder of the Project Implementation Period. The Project Director shall be appointed in consultation with the Fund and may only be removed for cause and after consultation with the Fund.

4.3. *Responsibilities.* The PPCU shall be responsible for the day-to-day implementation of the Project and management of the Loan. To this end, the PPCU shall be responsible for:

- Preparing the consolidated AWPBs, with the participation of the Activity Managers and District Coordination Units.
- Ensure timely submission of AWPBs to the provincial and central authorities for inclusion in the annual national and provincial plans.
- Ensuring adequate coordination of the Project activities at all levels through appropriate guidance, training and support to the coordination forums at district and commune levels.
- Arranging procurement of all standardized items in bulk orders, covered under the loan funds, and assisting implementing agencies in procurement of specialized equipment and services in line with the Procurement Guidelines (as such term is defined in Schedule 4). Providing guidance and prior review for invitation of tenders and awarding of contracts under various components.

- Ensuring adequate level of project funds in the special account through timely submission of withdrawal applications and timely release of funds to all implementation levels on the basis of approved annual and quarterly plans.
- Ensuring that the project's financial management, administration and M&E activities are carried out in the spirit of loan agreement and with due regard to the guidelines given in the project documents.
- Maintaining project accounts in accordance with the requirements of the central and provincial governments, the Fund and co-financing institutions, including SIDA.
- Preparation and submission of progress reports within indicated deadlines and establishing an internal project reporting schedule and formats whereby progress reports from implementing agencies and district and commune level are submitted on uniform formats, with acceptable standard of content and within given timeframes.
- Establishing a proper evaluation and participatory impact assessment (PIA) methodology, which is institutionalized and produces quality evaluation and impact assessment reports for constant updating of project implementation strategy and future planning.
- Providing services across all implementing agencies and implementation levels in terms of training programmes, workshops, study tours, research and recruitment of technical assistance.
- Preparation and review of terms of reference and recruitment and supervision of the technical assistance form individuals and institutions.
- Identification and recruitment of any international non-governmental organizations (INGOs) or specialized institutions that may be contracted for specific services in relation to establishment of SCGs or the development of micro-enterprises.
- Assisting the provincial government in internalization of successful policies in terms of participatory planning and implementation approaches, gender mainstreaming, poverty targeting, participatory impact and needs assessment and capacity building.
- Preparing the quarterly, biannual and annual progress reports for SIDA, the Fund, the Cooperating Institution, the Ministry of Planning and Investment and the Ministry of Finance of the Borrower.

5. Provincial Project Steering Committee (PPSC)

5.1. *Establishment.* As soon as practicable, but in no event later than 30 days after the date of this Agreement, the Lead Project Agency shall duly establish by decision, and thereafter maintain throughout the Project Implementation Period, a provincial project steering committee (PPSC).

5.2. *Composition.* The PPSC shall be composed of the Chairman of the PPC, who shall act as chair, the Director of the DPI, who shall act as vice-chair, the Project Director, who shall act as Secretary, the Director or Chairperson of the Provincial Treasury, representatives of provincial offices of the Department of Finance, DARD, DTC, VBP and VBARD, and WU, the Principal of the PETVTS, the chairpersons of the five DPCs in the Project Area, and the provincial Activity Managers for the aforementioned Implementing Agencies. Five CDB Chairpersons, one from each district in the Project Area, shall be nominated by the DPCUs annually to represent their respective communes in the PPSC.

5.3. *Meetings.* The PPSC shall hold regular meetings quarterly and may hold extraordinary meetings at the request of any of its members.

5.4. *Responsibilities.* The PPSC shall assist the Lead Project Agency in the overall policy formulation, planning, coordination, supervision and monitoring of the project activities. To this end, the PPSC shall be responsible for:

- ensuring complementarity between the Project and externally and internally assisted programmes and projects, and the efficient use of Project resources;
- providing supportive policy framework and guidelines to PPCU for efficient project implementation;
- review and approval of annual work plans/budgets for the project;
- recruitment and appointment of specified project staff in line with specified criteria;
- interfacing between PPCU and PPC on matter of policy formulation, revision and implementation with a view to ensure effective implementation of the project;
- ensuring effective cooperation and coordination between the PPCU, the Implementing Agencies and their Activity Managers, DPCUs and CDBs and instilling a system of accountability for performance and proper use of resources at all levels; and
- conducting a quarterly review of the project progress and ensuring timely corrective action on management and implementation issues.

6. Lead Project Agency

6.1. *Designation.* The Provincial People's Committee of Tuyen Quang Province is designated as Lead Project Agency.

6.2. *Responsibilities.* The Lead Project Agency shall be responsible for the overall implementation, coordination and monitoring of the Project and for policy formulation in respect thereof.

B. COMMUNITY DEVELOPMENT FACILITATORS AND ORGANIZERS

1. Community Organizers (COs)

1.1. *Appointment.* As soon as practicable but in no later than 90 days after the Effective Date, the DPCU shall select COs for each commune in the Project Area from among CPC staff or, if no CPC staff is suitably qualified, recruit him or her in accordance with procedures and criteria agreed by the Lead Project Agency and the Fund.

1.2. *Responsibilities.* The Community Organizers shall:

(a) be overall responsible for the project activities and processes related to community mobilization and participation, namely establishment and operation of CDBs and VDBs, participatory need assessment through PRA, and participatory implementation of various activities; making the communities aware about the project activities, targeting requirements, options available for community's development and helping them in making informed choices;

(b) assist the relevant agencies in need assessment for specific activities under WLF and savings and credit and assist in the establishment of savings and credit groups, user groups, interest groups etc.;

(c) assist in the conduct of various training programmes under WLF, SCG activities, VIDF etc. and independently conduct training for beneficiaries and groups whenever required to do so;

(d) attend the training programmes organized by the project for the community organizers;

(e) monitor and progress of VDBs and other groups like SCG and user groups and report to CDB and District Community Facilitator at the prescribed times and formats;

(f) monitor the participation of women in such groups;

(g) monitor the responsiveness and quality of delivery of services and activities against the community identified needs and plans from the implementing agencies and act as a bridge between communities and service delivers; in doing so, safeguard the interests of the beneficiaries;

(h) ensure that the commune plans faithfully reflect the needs identified by the villages and targeting requirements of the project are properly addressed;

(i) assist in the conduct of Participatory Impact Assessment (PIA) exercises; and

(j) spend at least half of the working time with VDBs and interest groups.

2. District Community Development Facilitators (DCDFs)

2.1. *Appointment.* The head of each DPCU shall recruit a DCDF for the relevant District, on a competitive basis in accordance with procedures and criteria agreed by the Lead Project Agency and the Fund.

2.2. *Responsibilities.* The DCDFs, together with the Community Organizers, shall provide the key linkage between the villages and communes, the DPCUs and the district Implementing Agencies, particularly in relation to the implementation of participatory needs assessment, participatory planning and implementation, targeting of activities and participatory impact assessment (PIA). Each DCDF shall dedicate at least 70% of her or his working hours to activities actually conducted in the communes and villages in her or his district.

3. Provincial Community Development Facilitator

3.1. *Appointment.* The Provincial Community Facilitator shall be appointed in the manner prescribed in paragraph A.4.2 above.

3.2. *Responsibilities.* The Provincial Community Development Facilitator shall be in charge of the community participation team consisting of DCDFs and COs and, in such capacity, have the following principal responsibilities:

(a) assist the project management in selection of suitable staff for the positions of DCDF and COs;

(b) monitor and guide the work of DCDF and CO and arrange appropriate training and orientation courses for them to equip them with required skills;

(c) advise the project management on appropriate community participation approaches, capacity building of participatory institutions like VDBs and CDBs and appropriate methodology for regular monitoring of the work of these institutions;

(d) assist the project management and M&E staff in identification of appropriate indicators for the monitoring and impact assessment of project activities related to grass-root institutions, SCGs, beneficiary participation and gender aspects;

(e) spend substantial part of his time in the field, especially during the early phase of project activities, to personally guide the work of DCDFs and COs;

(f) prepare analytical reports on community participation, gender mainstreaming, targeting and institution building for the consumption of project management and inclusion in the project progress reports;

(g) monitor the efficacy of service delivery from various implementing agencies and their responsiveness to the needs identified and development plans prepared by the VDBs and CDBs.

C. IMPLEMENTATION OF PROJECT COMPONENTS

1. Implementing Agencies

1.1. The provincial and district offices of the following government agencies shall implement Project activities:

- Department of Agriculture and Rural Development (DARD)
- Forest Protection Branch (FPB)
- Department of Transport & Communication (DTC)
- Provincial Women's Union (WU)
- Vietnam Bank for the Poor (VBP)
- Vietnam Bank for Agricultural and Rural Development (VBARD)
- Provincial Economic & Technical Training Secondary School (PETVTS)

1.2. *Responsibilities.* The responsibilities of the Implementing Agencies in respect of each Component and Sub-Component of the Project are set forth in paragraphs C.3 through C.5, inclusive, below.

2. Activity Managers

2.1. *Appointment.* The Directors of relevant department of each Participating Agency shall appoint a suitably qualified Activity Manager for each Component and Sub-Component of the Project at both provincial and district levels. The Activity Managers shall have full authority and responsibility with respect to the utilisation of Project resources allocated in the relevant AWPBs to the activities to be undertaken by the relevant Implementing Agency. For such purpose, an imprest account shall be established in the relevant Treasury, in the name of the relevant Implementing Agency, into which the PPCU shall transfer said funds in accordance with the Borrower's regulations.

2.2. *Responsibilities.* Each Activity Manager shall supervise the implementation of the Component or Sub-Component for which the relevant Participating Agency is responsible. Each Activity Manager shall dedicate at least 60% of her or his working hours to activities related to Project implementation.

3. Implementation of the Food Security and Income Diversification Component

3A. The Micro-Finance and Micro-Enterprise Development Sub-Component

3A.1. *Designation of the Project Parties.* VBARD and VBP, acting through the MMU, shall have overall responsibility for activities under this Sub-Component, for which purpose VBARD and VBP shall provide a dedicated office and second 3 full-time staff to the MMU throughout the Project Implementation Period. Establishment and training of the SCGs shall primarily be the responsibility of the COs, supported by district and inter-commune VBARD and VBP staff. District WU, FA, YU and Vocational School staff shall support the implementation of this Sub-Component. VBP shall provide incremental credit for initial start-up loans to the SCGs and for onlending by SCGs to its member households for micro-enterprise development, shall be disbursed through VBP. VBP shall provide incremental credit for direct lending to households for specified input supply enterprises. The PPCU and relevant DPCU shall be responsible for providing SCGs with start up equipment and materials, initial matching grants, and operational allowances.

3A.2. *Provincial Consultative Group.* In order to ensure an effective linkage between the MMU, SCGs, mass organisations and vocational schools, a Provincial Consultative Group shall be established at provincial-level comprising MMU staff and representatives from the PETVTS, WU, FA, YU, and PPCU. Representatives from successful small-to-medium micro-enterprises shall also be included.

3A.3. *Subsidiary Loan Agreement.* The Borrower, VBP shall enter into a Subsidiary Loan Agreement, which shall set forth their respective duties in respect of the management of incremental credit under the Project. Said agreement shall provide, among other things:

(a) that VBP shall undertake to carry out its responsibilities at set forth in paragraph 3A.1 above;

(b) the modalities for transferring funds to VBP and the repayment thereof, the amortization period for which repayment shall be 20 years, with a grace period of 6 years;

(c) the interest rate spread applicable between the Borrower and VBP, which will be sufficient for VBP to cover operational costs and default risk, while still being able to on-lend to SCGs at normal VBP rates;

(d) that lending by VBP to individuals for input supply and microenterprise activities shall be made at commercial rates;

(e) that lending by VBP to the SCGs shall be made at VBP's customary subsidized rates, and relending by SCGs to their members shall be made at the prevailing market rates; and

(f) the establishment and operation of the Revolving Credit Fund, in accordance with paragraph C.3A.5 below.

3A.4. The Borrower shall submit a draft of the Subsidiary Loan Agreement to the Fund and the Cooperating Institution for their respective comments and approval before its signature and no later than six months after the Effective Date.

3A.5. Revolving Credit Fund. VBP shall establish and maintain a revolving credit fund into which all net revenues (as defined in the Subsidiary Loan Agreement) from incremental credits extended to SCGs

financed (directly or indirectly) by the Loan shall be deposited. VBP shall use said revolving fund to fund further credits to SCGs in accordance with this Agreement until all outstanding principal and interest under the Subsidiary Loan Agreement shall have been paid in full.

3B. The Upland Farming Systems Extension and Research Sub-Component

3B.1. *Designation of Project Parties.*

(a) DARD, acting through the PEC and District Extension Stations (DESs) shall have overall responsibility for all crop, livestock and plant protection extension activities. DARD shall be responsible for forestry extension activities, with appropriate support from Forest Protection Branch (FPB) for the extension of traditional silvicultural production models.

(b) The credit program for the establishment of small-scale commercial nurseries shall be administered by VBP in accordance with the Subsidiary Loan Agreement.

(c) The Indigenous Forest Species Nursery (IFSN) shall be placed administratively under DARD. Operations shall be guided by a management committee that shall include representation from other relevant agencies including the PETVTS, FPB, DARD Forestry Section and DOSTE.

(d) The District Demonstration Stations (DDSs) shall be placed administratively under the DESs. Operations shall be guided by a management committee that shall include representation from the DES, the DPCU, the FPS, the District Vocational School, FA, plus farmer representatives selected from project communes.

(e) Adaptive research funded by the Project shall be guided by a Project Research Committee comprising the NPD, CTA, and the Activity Managers and sub-Activity Managers for agriculture, livestock, forestry and aquaculture.

3C. The Livestock Improvement and Animal Health Sub-Component

3C1. *Designation of Project Parties.*

(a) The Provincial and District Input Supply Companies shall be responsible for implementation of livestock improvement activities, including the upgrading and establishment of the Yen Son hatchery and the Na Hang fingerling distribution centre. The Animal Health Division of DARD at provincial level and the District Veterinary Stations shall be responsible for implementation of all animal health-related activities.

(b) The credit program for the establishment of specialised pig breeding households and chicken hatcheries shall be administered by VBP in accordance with the Subsidiary Loan Agreement.

3D. Forest Land Management Sub-Component

3D.1. *Designation of Project Parties.*

(a) All agencies with an interest in forest land management including FPB, DARD Forestry Section, Department of Land Administration (DLA), SFEs, DPCs shall participate in the development of the Action Plan for this Sub-Component through a Forest Land Management Working Group (FLMWG) to be chaired by DARD. PPC shall provide guidance to the FLMWG in developing the Action Plan.

(b) The FPB shall be the Implementing Agency for the FLA/LUP and forest management pilot activities.

3E. The Vocational Training Sub-Component

3E.1. *Designation of Project Parties.* PETVTS shall implement this Sub-Component. Selection of students to be awarded scholarships shall be carried out by a selection panel that shall include representation from the PETVTS, DETVTS, YU, PPCU, and DPCU.

4. The Gender and Women's Livelihood Component

4.1. *Designation of Project Parties.* Gender mainstreaming across all Project activities shall be implemented by the PPCU. WU shall be responsible for the implementation of the Women's Livelihood Fund (WLF) program. Amendment of LUCs shall be the responsibility of the Provincial DLA, under contract to the PPCU.

4.2. *The Women's Livelihood Fund (WLF)*

4.2.1. *Allocation of Funding.* The PPCU shall allocate WLF funds called for in the AWPBs to each Commune in the Project Area depending on total number of households in each commune. Funds available to each commune will be allocated by the CDB among all villages in the commune on a *pro rata* basis, taking into account the number of households in each village.

4.2.2. *Activity and Targeting Criteria.* The WLF shall be used to finance the following general categories of activity in accordance with the following targeting criteria:

- Activities that will benefit groups of women within the village (or hamlet or commune), including (but not limited to) water tank repairs, extra medical support, and purchase of a labour-saving device such as a water pump. All women in a village shall be eligible to participate in, and benefit from, these activities. A maximum of 50% of the WLF for any village may be used for this type of support.
- Support to destitute households. Only MoLISA Category 4 households shall be eligible to receive this support.
- Provision of educational support to MoLISA Category 3 or 4 households, with a preference for Category 4. 70% of any expenditure in this category must be related to supporting female students.

4.2.3. *Planning and Management.* The planning and management of WLF-funded activities shall be undertaken as follows:

(i) A WLF-Village Group (WLF-VG) shall be established in each village, which shall function primarily to identify and decide activities to be funded from the WLF, to manage the implementation of such activities, and to identify training needs and technical support to be provided under the other Components of the Project. All women from the village shall have the right to attend the regular meetings of the WLF-VG. A WLF-Commune Support Group (WLF-CSG) shall be established at commune level, which shall function to support, coordinate and supervise the activities of the WLF-VGs. The WLF-CSG shall be chaired by a representative of the commune WU, and shall include 2 representatives of each WLF-VG. The WLF-VGs and WLF-SCGs shall be provided with training, basic equipment and materials, and payment of a small annual allowance to cover operating costs.

(ii) The WLF-VG shall undertake a participative needs assessment using PRA methodology on an annual basis, involving all women in the village. Identified priorities for WLF-funding shall be forwarded through the WLF-CSG to the district WU and the DPCU for review and inclusion in the AWPB for the following year. When a WLF-VG decides to spend funds on an infrastructure project, the request shall also be forwarded through the VDB and CDB to the DPCU to ensure co-ordination with other infrastructure development activities being funded from the VIDF, and so that a pre-feasibility study and design can be prepared by the relevant district Implementing Agency, if necessary. WLF funds shall be held in the CDB account. A separate ledger shall be maintained for each village, recording the funding entitlement for the village and disbursements to date. The WLF-VGs shall be regularly informed of the balance of said accounts.

(iii) Inter-village activities funded by the WLF shall only be undertaken after such activities are discussed in an open meeting with concerned village(s) and have their agreement, including on cost sharing arrangements. Villagers shall be required to contribute to any infrastructure scheme funded from the WLF by accepting a 10% reduction in salary for work done thereon. They shall also be required to make a 10% cash contribution towards the purchase of any labour-saving devices purchased.

5. <u>The Village Infrastructure Development Component</u>

5.1. *Designation of Project Parties.*

(a) The VDB shall play have overall responsibility for planning and preparatory activities. The CDB shall be responsible for overall financial management, coordination, facilitation and monitoring of implementation. Funds shall be held in a commune account under the control of the CDB, but a separate ledger shall be maintained for each village recording the funding entitlement for the village and disbursements to date. The VDBs shall be regularly informed of the balance of their accounts.

(b) The district Irrigation/Domestic Water Supply Stations, Departments of Transport and Communication, and Civil Works Groups shall be responsible for preparing appraisals, surveys, and technical designs; for construction supervision; and for training of user groups. If necessary, they shall sub-contract to design staff from the province or from other design institutes.

(c) User groups shall be formed during the planning stages for all facilities financed, so those users are fully involved during planning and implementation. These groups shall also assume responsibility for post-construction operation and maintenance. For facilities identified and used mainly by women, women's groups shall be formed and closely consulted during planning and implementation.

5.2. *Village Infrastructure Development Funds.*

5.2.1. *Allocation of Funds.* The PPCU shall allocate VIDF funds called for in the AWPBs to each commune in the Project Area depending on total number of households in a commune and distance from the district centre (to reflect the higher transport costs incurred by more remote commune). Funds available to each commune shall be allocated among all villages in the commune on a *pro rata* basis, taking into account the number of households in each village

5.2.2. *Eligible Microprojects.* The VIDFs shall finance the construction of small-scale village-level schemes, including (but not limited to) the upgrading of village-to-commune roads suitable for passage by motorcycle; construction of small road structures such as culverts and small bridges; upgrading of small irrigation schemes; paddy land reclamation; construction of village water supplies (including dug-wells, small gravity systems, and rainwater collectors); construction of buildings (including classrooms, school hostels, village halls, rural dispensaries, rural markets, and public bathrooms); and construction of commune-to-village low voltage electricity lines.

5.2.3. *Inter-village microprojects.* Up to 30% of total available funding may be pooled for the construction of inter-village schemes, subject to the approval of all villages concerned.

5.2.4. *Planning and Management.* The planning and management of the VIDFs shall be undertaken as follows:

(a) Villagers, acting through the VDB, shall be the final decision-makers as regards how their funds are used.

(b) The commune CO shall inform villages of their funding entitlement, options available, selection criteria that apply to some of the options, and the various processes that must be followed. The CO shall then facilitate a participative needs assessment using PRA methodology for each village, and shall assist with the prioritisation of identified needs. Needs identification shall be carried out separately for women (through the WLF-VG) and men. If there is any conflict in the identified priorities of women and men, then the matter shall be resolved by the VDB. It shall be mandatory for at least 80% of poor households to be included in all decisive meetings.

(c) Identified priorities shall be forwarded by the VDBs to the CDB which shall review them to ensure that all requirements have been met, and make a preliminary assessment of feasibility. Proposals shall then be forwarded to the DPCU, which shall arrange for the relevant district technical agency to carry out an appraisal and produce a feasibility report as per standard government procedure.

(d) Once the list of feasible microprojects has been finalised for a village, the village shall phase implementation of individual schemes to reflect priorities and availability of labour. The relevant technical agency shall then commence detailed surveys and designs for the approval of DPCU and PPCU. In order to reduce preparation costs, appraisals shall be carried out for several proposals from a village at the same time, by a team consisting of relevant technical people from the district. Wherever possible, standard designs shall be used.

(e) Villagers shall be required to contribute to any infrastructure scheme funded from the VIDF by accepting a 10% reduction in salary for work done thereon. If communities choose to contribute more than this, then any savings made would be available to the village for other infrastructure investments.

SCHEDULE 3A

Additional Covenants

1. *Budgetary Allocations.* The Borrower shall ensure that the budgetary allocations to the Implementing Agencies in force as of the 2001 Fiscal Year shall be maintained in real terms throughout the Project Implementation Period, before giving effect to the incremental resources provided by the Loan.

2. *Procurement and Use of Project Vehicles.* The Borrower shall ensure that:

   (a) all vehicles and other resources procured under Participatory Resource Management Project (PRMP) financed by the Fund are allocated to the PPCU, DPCUs and Implementing Agencies for the implementation of the Project;

   (b) the types of vehicles procured under the Project are appropriate to the needs of the Project; and

   (c) all vehicles and equipment transferred to the Project from PRMP, and all vehicles and equipment procured under the Project, are dedicated for Project use.

3. *Adhesion to Criteria.* The Borrower shall ensure that the Project Parties adhere to the targeting and fund-allocation criteria specified in this Agreement and those agreed by the Lead Project Agency and the Fund from time to time, without exception.

4. *Flow of Funds.* The Borrower shall ensure that, as soon as practicable but no later than the end of Project Year 1, the Lead Project Agency shall collaborate with the Ministry of Finance to introduce simplified funds disbursement and acquittal procedures in the Provincial and District Treasury Branches, acceptable to the Fund and the Cooperating Institution, suited to the decentralised transactions of the VIDF and WLF programmes.

5. *Village Infrastructure Development Funds.* The Borrower shall ensure that labour-intensive designs will be adopted for all VIDF microprojects; that poor households will be given priority access to the wage labour opportunities created in relation to the implementation of these microprojects; and that this labour will be paid at prevailing official rates for unskilled work.

6. *Additional District Irrigation Station Staff.* The Lead Project Agency shall ensure that additional staff are recruited for the District Irrigation Stations so that each such station has six staff.

7. *Savings and Credit Groups.* It is agreed and understood that the SCGs shall be permitted to set the terms and conditions of lending to their members from their own resources (including any matching grants received under the Micro-Finance and Micro-Enterprise Development Sub-Component).

8. *Management of the Indigenous Forest Species Nursery.* The Borrower shall ensure that the IFSN is placed and remains under the management of DARD.

9. *Allocation of Forest Areas.* The Borrower shall ensure that Tuyen Quang Province allocates:

(a) substantial areas of production and protection forest to individual households within a suitable regulatory framework to be developed during Project Year 1; and

(b) protection and production forests on a pilot basis for village and commune management; and that the Province develops pilots for co-management of special uses forest.

10. *Land Use Certificates.* The Borrower shall ensure that Tuyen Quang Province issues the necessary decisions and authorisations for the Department of Land Administration to amend existing LUCs and issue new LUCs in the names of both husband and wife.

11. *Training and Education.* The Borrower shall ensure that:

(a) the range of courses offered by both PETVTS and the District Vocational Schools is expanded to provide improved training opportunities for female students;

(b) the training scholarships funded by the Project will be awarded strictly in accordance with the specified eligibility criteria and assessment procedures;

(c) students awarded Project training scholarships will be given priority access to available places in the Provincial and District Vocational Schools; and

(d) training facilities of the District Schools will be available free-of-charge on a priority basis for the conduct of Project-specific training activities.

12. *Yen Son Hatchery.* That assistance provided for upgrading the Yen Son fingerling hatchery will be used solely for improving the production of fingerlings, not for increasing the commercial production of market fish for consumption.

13. *Monitoring and Evaluation.* The monitoring and evaluation system developed for the Project shall include the following elements:

- Routine monitoring of physical and financial progress involving the compilation of quarterly and annual physical and financial progress reports based on reports received from the DPCUs and Activity Managers. Monitoring indicators shall be defined for inputs and outputs in both physical and financial terms. A set of Key Monitoring Indicators to assess the outcomes of the various project components and activities shall be agreed by the Lead Project Agency and the Fund. Performance shall be assessed against these indicators and reported on an annual basis.
- Annual village-level Participatory Impact Assessment (PIA) to provide beneficiaries with a mainstream role in assessing the impact of the Project, and hence ensure that progress is evaluated in terms that are meaningful to them. The key thrust of PIA shall be to assess the project's performance in terms of planning, implementation methodology, poverty targeting, beneficiary participation, gender mainstreaming, and suitability of interventions; and its overall impact on poverty, income diversification, women, the environment, and capacity-building of village-level institutions. PIA shall be completed by the end of July each year, so that consolidated results can be fed into annual planning workshops.

- Random field evaluation of specific Project activities by Project management at both provincial and district levels to verify that prescribed Project processes are being followed, and that Project inputs are being provided in a timely and efficient manner.

14. *Environmental Concerns.* As part of maintaining sound environmental practices as required by Section 7.15 of the General Conditions, the Borrower shall ensure that:

(a) the Project Parties maintain appropriate pest management practices under the Project and, to that end, the Borrower shall ensure that pesticides procured under the Project 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; and

(b) village infrastructure microprojects implemented under the Project, particularly irrigation and wet rice development, and village tracks and bridges, are screened by the DPCU and PPCU on a case-by-case basis using criteria including the need for land clearing activities, disturbance of natural wildlife habitats and, in the case of village tracks, selection of alignments that minimise environmental damage.

15. *Gender Concerns.* The Borrower shall ensure that:

(a) in recruiting staff for the PPCU and DPCUs equally qualified female candidates shall be preferred over male candidates, so that by the Mid-Term Review, women constitute at least 50% of such staff;

(b) women constitute at least 50% of progressive farmers at the village level selected for training and technical assistance under the Upland Farming Systems and Extension and Research Sub-Component;

(c) women constitute at least 30% of Community Organizers initially and at least 50% thereof by the Mid-Term Review;

(d) in recruiting new extension agents for Project activities, equally qualified female candidates shall be preferred over male candidates;

(e) all needs assessments using PRA methodology under the Project are undertaken on a gender disaggregated basis;

(f) women are full participants in the planning, implementation and monitoring of Project activities;

(g) women participate equally with men in all training activities under the Project; and

(h) as fully and promptly as practicable, women assume management roles in the SCGs, VDBs and CDBs and, to that end, adequate investment is made in the management capacities of women.

SCHEDULE 4

Procurement

PART A. GENERAL

1. Procurement financed by the Loan shall be subject to such guidelines may be issued 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. In procurement by direct contracting, terms of reference shall be prepared for the contractor and a written contract signed before the contractor commences services.

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. Except as provided in paragraph 3 of Schedule 2, procurement shall be undertaken only during the Project 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

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

2. *Local Competitive Bidding (LCB):* Each contract for the supply of vehicles, equipment and materials estimated to cost less than USD 100 000 equivalent and more than USD 10 000 equivalent, shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Fund.

3. *Local Shopping:* Each contract for the supply of vehicles, equipment and materials estimated to cost USD 10 000 equivalent or less may be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures satisfactory to the Fund.

4. *Direct Contracting:* Each contract for the supply of office operating costs may be awarded through direct contracting with the contractor/supplier, in accordance with procedures satisfactory to the Fund.

PART C. PROCUREMENT OF CIVIL WORKS

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

2. *Local Shopping:* Each contract for the supply of civil works estimated to cost less than USD 20 000 equivalent may be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures satisfactory to the Fund.

3. *VIDF Microprojects*: Notwithstanding the provisions of paragraphs C.1 and C.2 above, civil works financed by the VIDFs may, as a matter of preference, be undertaken by cooperatives formed by Project beneficiaries for such purpose, in accordance with a contract between such cooperative and the relevant CDB.

PART D. PROCUREMENT OF CONSULTANT SERVICES

1. Each contract for specialized training or studies and local technical assistance shall be awarded in accordance with procedures satisfactory to the Fund.

2. *Local Shopping.* Each such contract estimated to cost more than USD 10 000 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers.

3. *Direct Contracting.* Each such contract estimated to cost USD 10 000 equivalent or less may be awarded through direct contracting with the consultant, in accordance with procedures satisfactory to the Fund.

PART E. PROCUREMENT DECISIONS BY PROJECT MANAGEMENT

1. The award of any contract for goods or services estimated to cost USD 10 000 equivalent or more and involving more than one Implementing Agency, shall be subject to prior review and evaluation by a Bid Evaluation Committee formed by the PPCU composed of representatives of the Provincial Treasury, the Department of Finance, three Key PPCU Staff members and representatives of the Implementing Agencies.

2. The award of any other contract by the PPCU shall be subject to review and evaluation by a committee composed of the Project Director, the Deputy Director, the Senior Accountant and the Administrative Officer of the PPCU.

3. The award of any other contract for the purchase of specialized equipment and civil works shall be delegated to the relevant Implementing Agency, which shall form its own in-house Bid Evaluation Committee including one representative of the PPCU designated by the Project Director.

PART F. REVIEW OF PROCUREMENT DECISIONS BY THE COOPERATING INSTITUTION

1. 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.

2. 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 Projects.

3. With respect to any other contract for goods, civil works or consultancy services (except where paragraph 3 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 in respect of such contract.

4. Before agreeing to any material modification or waiver of the terms and conditions of any contract referred to in paragraphs F.1 or F.2 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.

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.