

LOAN NO. 2000003228
LOAN NO. 2000003229

FINANCING AGREEMENT

***Commodity Value Chain Development Support Project – Phase II
(PADFA II)***

between the

REPUBLIC OF CAMEROON

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in Yaoundé, Cameroon and Rome, Italy

25 September 2020

FINANCING AGREEMENT

Loan No: 2000003228
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Name of the Project: Commodity Value Chain Development Support Project - Phase II (PADFA II)

The Republic of Cameroon, represented by the Minister in charge of the Economy ("the Borrower")

And

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

(Designated individually by a "Party" and collectively by the "Parties")

WHEREAS the Borrower has requested a highly concessional loan and a blend loan from the Fund for the purpose of financing of Project described in Schedule 1 of this Agreement;

WHEREAS the GEF Secretariat acting in its capacity as implementing agency of the GEF has indicated its intention to make available to the Fund, financial support on a grant basis (the "Grant") to assist the Borrower to implement the Project as described in Schedule 1 of this Agreement;

WHEREAS FAO has indicated its intention to co-finance the Project as described in Schedule 1 of this Agreement;

WHEREAS the Borrower has agreed to provide such additional support, in-cash or in-kind, as may be required for the Project;

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide to the Borrower a Highly Concessional loan and a Blend loan (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan on highly concessional terms is twenty-two million eight hundred fifty thousand Special Drawing Rights (SDR 22 850 000).
2. The amount of the Loan on blend terms is eleven million two hundred fifty-five thousand Special Drawing Rights (SDR 11 255 000).
3. The Loan granted on highly concessional terms, shall be free of interest, but shall bear a service charge of 0.75% per annum, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the loan by the Fund's Executive Board. The principal of the Loan will be repaid at four and half percent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-one (31) to forty (40).
4. The Loan granted on blend terms, shall bear a fixed interest rate of 1.25% on the outstanding principal amount and a service charge of 0.75%. The Loan shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years from the date of approval of the Loan by the Fund's Executive Board.
5. The Loan Service Payment Currency shall be in EUR.
6. The financial year begins on January 1st and ends on December 31st.
7. Payments of principal and interest and service charge shall be payable on each February 15th and August 15th.
8. The Caisse Autonome d'Amortissement ("CAA") establishes and manages on behalf of the Borrower:
 - (a) a designated account in the name of the Project, with a commercial bank of good reputation, denominated in Franc de la Communauté Financière Africaine ("FCFA") to receive the proceeds of the highly concessional Loan;
 - (b) a designated account in the name of the Project, with a commercial bank of good reputation, denominated in FCFA to receive the proceeds of the Loan on blend terms; and
 - (c) a designated account ("FCP") - with a commercial bank of good reputation, denominated in FCFA intended to receive counterpart funds, the mobilization of which will be carried out in accordance with the budgetary procedures and laws of the Borrower.

The Project Coordination and Management Unit shall manage the accounts. The Director General or the Deputy General Director of the CAA will be the co-signees.

9. The Borrower shall provide counterpart financing for the Project in the amount of eight million and seven hundred thousand US dollars (USD 8 700 000) for investment costs (for an amount of one million US dollars (USD 1 000 000)) and in the form of taxes and duties on works, goods, and Project services (for an amount of seven million and seven hundred thousand US dollars (USD 7 700 000)), according to the procedures in force in the territory of the Borrower.

Section C

1. The Lead Project Agency shall be the Ministry of agriculture and rural development (MINADER).
2. Additional Project Parties are listed in Part II of Schedule 1.
3. A mid-term review will be carried out in accordance with the provisions of paragraphs 8.03 (b) and (c) of the General Conditions. However, the parties may agree on a different date for the mid-term review of the implementation of the Project.
4. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate by notice to the Borrower.
5. The procurement of goods, works and services financed by the Agreement shall be governed by the Code and procedures applicable in the Republic of Cameroon to the extent such are consistent with the IFAD Procurement Guidelines.
6. The Borrower recognizes that, as part of IFAD's restructuring policy, it is imperative that this Agreement enter into force within 18 months of its approval by the Executive Board.

Section D

1. The Fund will administer the Financing and supervise the Project and the Borrower will implement and conduct its own administration and supervision of the Financing and the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
2. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - (a) The IFAD no objection to the PIM shall have been obtained.
 - (b) Key Project staff has been appointed as per section II.11 of Schedule 1 of this Agreement.
3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Minister for Economy, Planning and
Regional Development
BP 660 Yaoundé
Cameroon
Tel: +237 222 233 637

With a copy to:

Director General of the
"Caisse Autonome d'Amortissement"
BP 7167 Yaoundé
Cameroon
Tel: +237 222 222 226

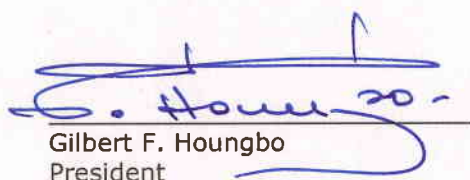
For the Fund:

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

This Agreement has been drawn up in the French language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower, and in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower. In case of discrepancy of interpretation or conflict, the French version shall prevail.


REPUBLIC OF CAMEROON
Alamine Ousmane Mey
Minister for Economy, Planning
and Regional Development

INTERNATIONAL FUND
FOR AGRICULTURAL DEVELOPMENT


Gilbert F. Houngbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target population.** The first target is made up of poor small farmers organized into one hundred and eleven cooperatives, and micro-enterprises operating upstream and downstream of the onion and rice sectors (seed producers, processors, traders, suppliers of agricultural inputs and services). The total number of people affected by the Project is estimated at 216,642 people, of which 50% are women and 30% are young people.
2. **Project intervention area.** The Project area will be the North, the Far North, the North-West and the West regions. It will intervene in 14 Departments selected in agreement with the Borrower according to some geographic targeting criteria.
3. **Purpose.** The purpose of the Project is to contribute to the reduction of poverty, and to the improvement of the food and nutritional security of the target populations.
4. **Goals.** The objective is to sustainably increase the income and resilience of family farms producing rice and onions in the Project areas.
5. **Components.** The Project contains the following components:

Components 1: Support to production (31.6 million USD, or 52.7% of total costs). It aims to sustainably improve the production, productivity and resilience to climate change through: (i) the development and opening up of production basins through the development of 2 570 hectares of lowlands and plains and the rehabilitation of 25 km of agricultural roads; and (ii) the intensification of production by setting up a sustainable mechanism for the development of the rice and onion sectors with a view to increasing the productivity and production of small producers organized in 111 cooperatives. The component is articulated around the following sub-components:

Sub-component 1.1 - Development and opening up of production basins

The activities of sub-component 1.1 will be organized around the following sections:

Section 1.1.1. Development of production basins - will ensure the promotion of reliable hydro-agricultural-AHA facilities allowing a secure water supply for rice cultivation, in lowlands and flood plains, as well as access to water for the sites of onion cultivation.

Section 1.1.2. Opening up of production basins - aims to improve access to the markets of the targeted sectors, through the rehabilitation of 25 km of agricultural tracks in several sections in areas of clusters of sites developed at the level of production basins.

Sub-component 1.2 - Intensification of production (14.2% of Project costs)

This sub-component aims to set up a sustainable development mechanism for the rice (irrigated and rain-fed) and onion sectors in order to increase productivity and, by extension, boost the production of small producers grouped into cooperatives, on a total of 23,626 hectares over the duration of PADFA II (4,226 hectares of onion and 19,400 hectares of rice).

The actions of sub-component 1.2 will be organized into three sections:

Section 1.2.1. Support for the development of the rice and onion seed program - with a view to facilitating beneficiaries' access to quality seeds and improving productivity and onion and rice production in the intervention area. A seed supply mechanism, starting from the multiplication of basic seed to the production of certified seeds of rice and onion, will be established. Complementary and transversal actions will also be implemented within the framework of GEF funding in order to strengthen the resilience of activities (awareness-raising of populations, identification of sustainable techniques for cropping systems, etc.).

Section 1.2.2. Support for access to agricultural inputs and equipment - aims to facilitate the acquisition by producers of inputs and equipments through funding only in a working capital (an average of CFAF 2.5 million / seed cooperative and CFAF 5 million / production cooperative) for the first agricultural season.

Section 1.2.3. Support for strengthening the technical capacities of producers - aims, through actions organized around demonstration plots, field school of producers, the planning and monitoring of the activities undertaken.

Component 2: Support for marketing, structuring of agricultural sectors and access to food diversity. It aims to improve the competitiveness of products through better knowledge and penetration of the market and the promotion of products, including the local promotion of products with high nutritional quality. The implementation of this component will be through four sub-components: (i) improving the storage and processing of products; (ii) improving knowledge and access to the market; (iii) structuring and strengthening of the capacities of direct actors; improving the nutritional situation.

Component 2 is structured around the following four sub-components:

Sub-component 2.1 - Improved storage and processing of products

The actions of this sub-component 2.1 will be organized in two sections:

Section 2.1.1. Proven infrastructure and processing equipments - aims to differentiate investments in material, depending on the cooperative, on the basis of a development process and a business plan. In this context, the Project will finance in particular diagnostic studies, work to bring standards up to date, par-boiling units, construction of production and conservation units, etc.

Section 2.1.2. Quality improvement - aims to raise awareness of the issues related to the quality of production of the targeted sectors through the establishment of a series of support measures for the actors of the various links of the targeted sectors such as (i) strengthening the technical, organizational and management skills of direct actors; (ii) providing standards, manuals for the use, maintenance and management of equipments and infrastructures; (iii) strengthening local mechanization support for capacity building; and finally (iv) facilitation of access to information of technologies.

Sub-component 2.2 - Improving knowledge and market access (0.8% of total Project costs). This sub-component aims for a better knowledge of the markets for products from the rice and onion sectors, for the development of marketing strategies adapted for a better inclusion of small producers grouped within cooperatives.

Sub-component 2.3 - Structuring and strengthening the capacities of stakeholders in the agricultural sectors. This sub-component aims to improve the organization of stakeholders in the sectors (cooperatives, inter-professional organizations, and private operators), particularly by encouraging collaboration between the various sectors.

The actions of sub-component 2.3 will be organized in two sections:

Section 2.3.1. Structuring and capacity building of cooperatives - aims to implement differentiated support actions grouped into four levels: (i) for former cooperatives benefiting from PADFA I; (ii) for new cooperatives; (iii) business plans; and (iv) capacity building.

Section 2.3.2. Structuring and capacity building of other actors of the value chain - aims to instigate a dynamic in the development of sectors as well as the emergence of professional associations in the other links with the help of State services.

Sub-component 2.4 - Improvement of the nutritional situation (0.5% of total costs). This sub-component aims to contribute, in a targeted manner, to the reduction in the rate of chronic malnutrition in children under five years old by promoting a reduction (i) in and (ii) underweight through the implementation of the following measures: diversification of the production, processing and local marketing of food supplements necessary for the psychomotor development of young children through the "nutritransfo centers" catalysts of processing, and increasing food knowledge and practices.

Component 3: Planning, Monitoring and Evaluation, Knowledge Management and Communication and Policy Dialogue. This component aims to ensure efficient Project execution through the establishment of a robust system for the management and reporting results. The Project will support reforms aimed at removing the main bottlenecks in the development of agricultural chains value, in particular reforms related to seeds, and private sector participation. A policy study will be carried out to take stock of the current reforms, and define the incentive measures likely to allow the private sector to play an important role in the creation of wealth and jobs in rural areas. Regarding governance, the Project will take advantage of the Delivery Unit, AVANTI, PRIME, transparency and citizen engagement initiatives, to strengthen the capacities of the Ministry of Agriculture, in order to improve the coordination of the rural sector, and the use results-based management as a holistic approach to excellence.

II. Implementation Arrangements

6. **The Lead Project Agency** is the Ministry in charge of Agriculture and Rural Development (MINADER).

7. **Project Oversight committee.** Guidance and steering will be provided by the same Steering Committee (COPIL) set up during the first phase. The COPIL will meet twice a year in ordinary sessions and will be supported by a Technical Committee (TC).

8. **Project management unit.** PADFA II will be implemented by a Project Coordination and Management Unit (UCGP) enjoying administrative and financial management autonomy. In each of the two major intervention zones, PADFA II will be coordinated by a regional branch.

9. **Strategic Partnerships.** In terms of partnerships, collaboration will be established with: (i) FAO for the implementation of the seed component; (ii) WFP for the establishment of an institutional purchasing program and capacity building of cooperatives on the concepts of quality

standards. The partnership with the umbrella organizations of producer organizations (PLANOPAC and CNOPCAM) developed in 2017 for the structuring of sectors will be continued.

10. **Key Project staff.** Staff recruitment will be carried out competitively at the national level and under procedures compatible with those of IFAD. The personnel will be involved in the Project with annual performance contracts backed by results indicators. The recruitment of Project staff and, if applicable, the decision to terminate the contracts will be subject to IFAD's prior no objection.

III. Monitoring and Evaluation

11. **Monitoring and evaluation.** A mid-term review will be organized during the third year of implementation in order to assess the results obtained and the likelihood of achieving the objectives. A completion review at the end of the Project will complete the evaluations and provide objective elements for assessing the results of the Project as well as the lessons learned that may benefit future operations on the same themes.

12. **Project Administrative Procedures Manual.** An Administrative Procedures Manual acceptable to IFAD will be prepared which will include, in particular: (i) day-to-day institutional coordination of the Project, (ii) the budget, disbursement, procurement, monitoring and evaluation, financial management procedures and reports, (iii) the procedures for recruiting key Program staff or any technical assistance, (iv) a detailed description of the program implementation modalities, and (v) any other administrative, financial or technical procedures or modalities required by the Program.

13. **Approval and Adoption.** This Draft Manual will be sent to IFAD for comment and approval and will be adopted by the Borrower as approved by IFAD. A copy will be communicated to IFAD as soon as possible. The Borrower shall carry out the Project in accordance with the Manual and shall not modify, repeal, derogate from, or permit to modify, revoke or derogate from, without the prior written consent of IFAD.

Schedule 2

Allocation Table

1. *Allocation of the two Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the highly concessional Loan and the blend Loan and the allocation of the amounts of the highly concessional Loan and the blend Loan to each Category. All eligible expenditures belonging to the categories below will be apportioned on a 67:33 pari-passu basis between the highly concessional Loan Financing and the blend Loan Financing.

Total	Amount allocated under the Loan on Highly Concessional terms (expressed in DTS)	Amount allocated under the Loan on Blend terms (expressed in DTS)	Percentage of expenditure authorized to finance Excluding GEF, beneficiary contributions and direct government contribution
I. Works	6 985 000	3 440 000	100% HT
II. Equipment and materials	2 240 000	1 100 000	100% HT
III. Training	4 725 000	2 330 000	100% HT
IV. Operating costs	5 780 000	2 845 000	100% HT
V. Credit and guarantee funds	840 000	415 000	100% HT and excluding contribution from IFRs
VI. FIPS	797 000		
Unallocated	1 483 000	1 125 00	
TOTAL	22 850 000	11 255 000	

(b) The terms used in the table below are defined as follows:

- (i) The expenses relating to category III - Training and workshops, also include expenses related to studies and technical assistance, and expenses related to the provision of services.
- (ii) The expenses relating to category IV - Operating costs, also include expenses related to Salaries and Allowances.

2. *Audit modalities.* In accordance with the Final Agreement signed in February 2018 by the Borrower and IFAD, the Project will recruit an internal auditor reporting directly to the Ministers of Economy and Agriculture and to the Country Director of IFAD and making quarterly reports and sets up an audit committee that will meet quarterly to proactively manage fiduciary risks.

3. *Procurement arrangements.* The procurement of goods, works and services financed by the Agreement will be governed by the Code and procedures in force in the Republic of Cameroon to the extent that they comply with the guidelines for the procurement of IFAD's projects. An Annual Work Plan and Budget based on PTBA -based procurement plan will be developed annually. This plan will specify, among other things, the procurement methods, the estimated costs, and the schedule.

Schedule 3

Special Covenants

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

1. Within three (3) months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. *Planning, monitoring and evaluation.* The Borrower shall ensure that: (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
3. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed at the beginning of construction of work in infrastructure and that compensation processes were consistent with international best practice and free prior and informed consent principles.
4. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken:

Environment and Social Safeguards. The Borrower shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples (2009)*, as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower shall immediately inform the Fund and prepare the necessary planning documents; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.

5. *Anti-corruption measures.* The Borrower should comply with IFAD's policy on the prevention of fraud and corruption in its activities and operations. Within six (6) months of the entry into force of the Financing Agreement, the Project will organize training for the entire Project team on IFAD's policy on fraud and corruption prevention and send the proof of training to the Finance Officer for the Republic of Cameroon at IFAD.
6. *Equality.* Any discrimination based on sex, age, ethnicity or religion will not be admissible when recruiting program staff, in accordance with the laws in force in the territory of the Borrower. However, the Borrower undertakes, on an equal basis, to favour applications from women, in particular for technical positions available under the Project.

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

8. *Use of Project Vehicles and Other Equipment.* The Borrower must ensure that:

- (a) all vehicles and other equipments purchased under the Project are assigned to the UCGP, regional offices and other executing agents for the implementation of PADFA II;
- (b) the types of vehicles and other equipment purchased under the Project are suited to the needs of the Project; and
- (c) all vehicles and other equipment transferred or purchased as part of the Project are intended exclusively for use for the Project.

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING
(as amended December 2018)¹

ARTICLE I - APPLICATION

Section 1.01. Application of General Conditions

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

ARTICLE II - DEFINITIONS

Section 2.01. General Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Fund" means the International Fund for Agricultural Development.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.02. Use of Terms

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

Section 2.03. References and Headings

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

ARTICLE III - THE COOPERATING INSTITUTION

Section 3.01. Appointment of the Cooperating Institution

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

Section 3.02. Responsibilities of the Cooperating Institution

If appointed, the Cooperating Institution shall be responsible for:

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

Section 3.03. Cooperation Agreement

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

Section 3.04. Actions by the Cooperating Institution

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

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

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

ARTICLE IV - LOAN ACCOUNT AND WITHDRAWALS

Section 4.01. Loan and Grant Accounts

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

Section 4.02. Withdrawals from the Loan and Grant Accounts

- (a) Between the date of entry into force of the Agreement and the Financing Closing Date, the Borrower/Recipient may request withdrawals from the Loan Account and/or Grant Account of amounts paid or to be paid for Eligible Expenditures. The Fund shall notify the Borrower/Recipient of the minimum amount for withdrawals.

- (b) No withdrawal shall be made from the Loan and/or Grant Accounts until the first AWPB has been approved by the Fund and the Fund has determined that all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled. The Financing Agreement may also establish additional specific conditions precedent to withdrawal applicable to particular categories or activities. Withdrawals to meet the costs of starting up the Project may be made from the date of entry into force of the Agreement, subject to any limits established in the Financing Agreement.

Section 4.03. Applications for Withdrawal

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

Section 4.04. Transfer by the Fund

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

Section 4.05. Value Dates of Withdrawals

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

Section 4.06. Allocations and Reallocations of Financing Proceeds

- (a) A Financing Agreement may allocate the amount of the Financing to categories of Eligible Expenditures and specify the percentages of such Eligible Expenditures to be financed by the Financing.
- (b) The Fund shall monitor the uses of the Financing in order to determine when the allocation to a category has been depleted or is about to be depleted.

- (c) If the Fund determines that the amount of the Financing allocated in the Financing Agreement to a category of Eligible Expenditures is or will be insufficient, the Fund may, by notice to the Borrower/Recipient:
 - (i) reallocate to such category amounts of the Financing allocated to another category to the extent required to meet the estimated shortfall; and/or
 - (ii) if such reallocation will not fully meet the estimated shortfall, reduce the percentage of such Eligible Expenditures to be financed by the Financing.

Section 4.07. Eligible Expenditures

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

Section 4.08. Refund of Withdrawals

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

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

ARTICLE V - LOAN SERVICE PAYMENTS

Section 5.01. Lending Terms

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

Section 5.02. Repayments and Prepayments of Principal

- (a) The Borrower shall repay the aggregate principal amount of the Loan withdrawn from the Loan Account in semi-annual instalments, calculated on the basis of the total principal amount over the maturity period minus the grace period. The Fund shall inform the Borrower of the dates and amounts of the payments as soon as possible after the start of the period of maturity of the Loan. If the total principal amount of the Loan is not fully disbursed, upon cancellation of the undisbursed principal amount the schedule of repayments shall be recalculated on the basis of the amount actually disbursed minus principal repayments already received by the Fund.
- (b) The Borrower shall have the right to prepay all or any part of the principal amount of the Loan, provided that the Borrower pays all accrued and unpaid interest and/or service charges on the amount to be prepaid as of the prepayment date. All prepayments shall be credited against the remaining Loan instalments in such manner as the Borrower and the Fund shall agree.

Section 5.03. Manner and Place of Payment

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

Section 5.04. Value Dates of Loan Service Payments

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

ARTICLE VI - CURRENCY PROVISIONS

Section 6.01. Currencies for Withdrawals

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

Section 6.02. Loan Service Payment Currency

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

Section 6.03. Valuation of Currencies

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

ARTICLE VII - IMPLEMENTATION OF THE PROJECT

Section 7.01. Project Implementation

- (a) The Borrower and each of the Project Parties shall carry out the Project:
 - (i) with due diligence and efficiency;
 - (ii) in conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance;
 - (iii) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund;
 - (iv) in accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan;
 - (v) in accordance with the policies, criteria and regulations relating to agricultural development financing laid down from time to time by the Governing Council and Executive Board of the Fund; and
 - (vi) so as to ensure the sustainability of its achievements over time.
- (b) (i) Projects shall be implemented on the basis of an Annual Workplan and Budget (AWPB). The Lead Project Agency shall prepare a draft Project AWPB for each Project based, to the extent appropriate, on the draft AWPBs prepared by the various Project Parties.

Each draft Project AWPB shall include, among other things, a detailed description of planned Project activities during the coming Project Year, a Procurement Plan, and the sources and uses of funds.

- (ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft Project AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year. If the Fund does not comment on the draft Project AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.
- (iii) The Lead Project Agency shall adopt the Project AWPB in the form accepted by the Fund.
- (iv) The Lead Project Agency may propose adjustments in the Project AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund.

Section 7.02. Availability of Financing Proceeds

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

Section 7.03. Availability of Additional Resources

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

Section 7.04. Coordination of Activities

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

Section 7.05. Procurement

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

- (b) By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:
 - (i) allow full inspection by the Fund of all bid documentation and related records;
 - (ii) maintain all documents and records (including electronic records) related to a bid or contract for at least three (3) years after completion of the procurement processor contract execution; and
 - (iii) fully cooperate with agents or representatives of the Fund carrying out an audit or investigation.

Section 7.06. Fraud and Corruption

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

Section 7.07. Sexual Harassment, Sexual Exploitation and Abuse

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

Section 7.08. Use of Goods and Services

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

Section 7.09. Maintenance

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

Section 7.10. Insurance

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

Section 7.11. Subsidiary Agreements

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

Section 7.12. Performance of the Agreements

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

Section 7.13. Key Project Personnel

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

Section 7.14. Project Parties

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

- (a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises;
- (b) employ competent and experienced management and personnel;

- (c) operate, maintain and replace its plant, equipment and other properties; and
- (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.

Section 7.15. Allocation of Project Resources

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

Section 7.16. Environmental Factors

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

Section 7.17. Relending Rates

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

Section 7.18. Project Completion

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

ARTICLE VIII - IMPLEMENTATION REPORTING AND INFORMATION

Section 8.01. Implementation Records

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

Section 8.02. Monitoring of Project Implementation

The Lead Project Agency shall:

- (a) establish and thereafter maintain an appropriate information management system in accordance with the Fund's operational guidelines and Results Measurement Framework;
- (b) during the Project Implementation Period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives; and
- (c) during the Project Implementation Period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents.

Section 8.03. Progress Report and Mid-Term Reviews

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

Section 8.04. Completion Report

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

Section 8.05. Plans and Schedules

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

Section 8.06. Other Implementation Reports and Information.

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

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

ARTICLE IX - FINANCIAL REPORTING AND INFORMATION

Section 9.01. Financial Records

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

Section 9.02. Financial Statements

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

Section 9.03. Audit of Accounts

The Borrower/Recipient shall:

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

Section 9.04. Other Financial Reports and Information

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

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

ARTICLE X - COOPERATION

Section 10.01. Cooperation, Generally

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

Section 10.02. Exchange of Views

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

Section 10.03. Visits, Inspections and Enquiries

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

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

Section 10.04. Audits Initiated by the Fund

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

Section 10.05. Evaluations of the Project

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

Section 10.06. Country Portfolio Reviews

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

ARTICLE XI - TAXATION

Section 11.01. Taxation

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

ARTICLE XII - REMEDIES OF THE FUND

Section 12.01. Suspension by the Fund

- (a) Whenever any of the following events has occurred and is continuing, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts:
 - (i) The Borrower has failed to make any Loan Service Payment when due, whether or not the Guarantor or any other third party has made such Loan Service Payment.
 - (ii) The Borrower/Recipient has failed to make any payment due under any other Financing Agreement, Guarantee Agreement, or other financial obligation of any kind of the Borrower/Recipient to the Fund, whether or not any third party has made such payment.

- (iii) The Guarantor has failed to make any Loan Service Payment when due.
- (iv) The Guarantor has failed to make any payment due under any other Financing or Guarantee Agreement between the Guarantor and the Fund, or other financial obligation of any kind of the Guarantor to the Fund.
- (v) The Fund has determined that the Project has failed to fulfil, or is unlikely to fulfil in a timely manner, its purposes as stated in the Agreement.
- (vi) The Fund has determined that a situation has arisen which may make it improbable that the Project can be successfully carried out or that any Project Party will be able to perform any of its obligations under any Agreement.
- (vii) The Project Member State has been suspended from membership in the Fund or ceased to be a Member State; or the Project Member State has delivered a notice of its intention to withdraw from the Fund.
- (viii) Any representation made by the Borrower/Recipient, the Guarantor, or any Project Party in any Agreement, or any statement furnished in connection therewith and relied upon by the Fund in making the Financing, is incorrect or misleading in any material respect.
- (ix) If the Borrower/Recipient is not a Member State, the Fund has determined that any material adverse change in the condition of the Borrower/Recipient has occurred.
- (x) Either the Borrower/Recipient or the Guarantor has been unable to pay its debts generally as they come due.
- (xi) Any competent authority has taken action for the dissolution of the Lead Project Agency or suspension of its operations.
- (xii) Any competent authority has taken action for the dissolution of any Project Party (other than the Lead Project Agency) or suspension of its operations, and the Fund has determined that such dissolution or suspension is likely to have a material adverse effect on the Project.
- (xiii) The Borrower/Recipient has failed to make any funds, facilities, services and other resources available to the Project Parties in accordance with Sections 7.02 or 7.03.
- (xiv) The Fund has not received any audit report or other document referred to in Article VIII (Implementation Reporting and Information) or Article IX (Financial Reporting and Information) within the time prescribed therefor in the Agreements, or the audit report is not fully satisfactory to the Fund, or the Borrower/Recipient or any other Project Party has otherwise failed to perform its obligations under Article VIII or IX.
- (xv) The Lead Project Agency or any other Project Party has failed to perform any of its obligations under a Project Agreement.
- (xvi) The Borrower/Recipient or the Lead Project Agency has failed to perform any of its obligations under any Subsidiary Agreement.

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

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

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

Section 12.02. Cancellation by the Fund

- (a) If any of the following events has occurred, the Fund may cancel in whole or in part the remaining amounts in the Loan and/or Grant Accounts:
 - (i) The right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts has been suspended under Section 12.01 with respect to any amount of the Financing for a continuous period of at least thirty (30) days.
 - (ii) The Fund determines after consultation with the Borrower/Recipient that any amount of the Financing will not be required to finance the Project.
 - (iii) After consultation with the Borrower/Recipient, the Fund determines, with respect to any amount of the Financing, that Prohibited Practices were engaged in by representatives of the Borrower/Recipient or any Project Party or any other recipient of the proceeds of the Financing without the Borrower/Recipient having taken timely and appropriate action, satisfactory to the Fund, to remedy the situation.
 - (iv) The Fund has determined that any amount of the Financing has been used to finance an expenditure other than an Eligible Expenditure and the Borrower/Recipient has failed to promptly refund such amount to the Fund upon the Fund's instructions.
 - (v) The Fund has received any notice from the Guarantor terminating its obligations under the Guarantee Agreement.
 - (vi) The Mid-Term Review has recommended that the Project be terminated.
 - (vii) Upon the occurrence or non-occurrence, as the case may be, of any event specified in the relevant Financing Agreement as an additional ground for cancellation.
 - (viii) The Financing has not started disbursing within eighteen (18) months from entry into force of the Financing Agreement.

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

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

Section 12.03. Cancellation by the Borrower/Recipient

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

Section 12.04. Applicability of Cancellation or Suspension

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

Section 12.05. Acceleration of Maturity

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

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

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

Section 12.06. Other Remedies

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

ARTICLE XIII - ENTRY INTO FORCE AND TERMINATION

Section 13.01. Entry into Force

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

Section 13.02. Termination before Withdrawal

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

- (a) before the date of first withdrawal from the Loan and/or Grant Accounts, any event of suspension specified in Section 12.01 has occurred; or

- (b) before the date of first withdrawal from the Loan and/or Grant Accounts, the Borrower/Recipient, the Guarantor or any other Project Party has taken any action inconsistent with the object and purpose of any Agreement.

Section 13.03. Termination upon Full Performance

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

ARTICLE XIV - ENFORCEABILITY AND RELATED MATTERS

Section 14.01. Enforceability

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

Section 14.02. Failure to Exercise Rights

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

Section 14.03. Rights and Remedies Cumulative

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

Section 14.04. Settlement of Disputes

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

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

Section 14.05. Applicable Law

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

ARTICLE XV - MISCELLANEOUS PROVISIONS

Section 15.01. Communications

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

Section 15.02. Language of Reporting

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

Section 15.03. Authority to Take Action

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

Section 15.04. Evidence of Authority

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

Section 15.05. Modifications of the Agreement

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

Section 15.06. Change of Entity or Representative

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

Section 15.07. Signature of the Agreement

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