



LOAN NO. 2000002587  
GRANT NO. 2000002586

## FINANCING AGREEMENT

*Agriculture Value chain Development Project (AVDP)*

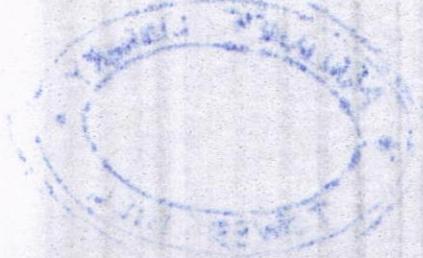
between the

**REPUBLIC OF SIERRA LEONE**

and the

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

Signed in Rome, Italy and Freetown, Sierra Leone



## FINANCING AGREEMENT

Loan Number: 2000002587  
Grant Number: 2000002586

Project Title: Agriculture Value chain Development Project (AVDP) (the "Project")

The Republic of Sierra Leone (the "Borrower/Recipient")

and

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

(each a "Party" and both of them collectively 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 Special Covenant (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, 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.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (all together the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### Section B

1. A. The amount of the Loan is five million nine hundred thousand United States dollars (USD 5 900 000).  
B. The amount of the Grant is five million nine hundred thousand United States dollars (USD 5 900 000).
2. The Loan is granted on highly concessional terms. Accordingly the Loan granted on highly concessional terms is free of interest but bears a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and has 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.
3. The Loan Service Payment Currency shall be United States dollars.
4. The first day of the applicable Fiscal Year shall be January 1<sup>st</sup>.
5. Payments of principal and service charge shall be payable on each May 1<sup>st</sup> and November 1<sup>st</sup>.

6. There shall be an account designated to receive IFAD loan and grant funds in advance (Designated Account) denominated in USD, to be maintained in a commercial bank. The funds in the Designated Account shall not be mingled with other funds. There shall be a Project account denominated in SLL to receive Financing from the Designated Account in a commercial bank.

7. There shall be a Project account denominated in SLL to receive the Financing from the Designated Account in a commercial bank. In addition, there will be separate counterpart account to receive counterpart financing from the government.

8. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of approximately one million nine hundred thousand United States dollars (USD 1 900 000) to cover taxes and duties and other Project implementation costs, including supervision, in accordance with the approved Annual Work Plan and Budget (AWPB) of the Project.

### **Section C**

1. The Lead Project Agency (LPA) shall be the Ministry of Agriculture (MAF).
2. The following are designated as additional Project Parties: Private sector actors (Agribusiness, SMEs) and Community Banks and Financial Services Associations.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

### **Section D**

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

### **Section E**

1. The following are designated as additional grounds for suspension of this Agreement under the General Conditions:
  - (a) the Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
  - (b) any institutional changes have been made by the Borrower/Recipient to the Project Steering Committee or the Project Implementation Unit (PIU), including the transfer, suspension, or termination of key PIU staff without cause and without the Fund's no-objection, and the Fund has determined that such changes are likely to have a material adverse effect on the Project.
2. The following are designated as additional general conditions precedent to withdrawal:
  - (a) Key Staff including the Project coordinator, the financial controller and the procurement specialist have been duly appointed; and

(b) A PIM including the Financial Administration and Accounting manual, has been approved by IFAD.

3. This Agreement is subject to ratification by the Borrower/Recipient.

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

For the Borrower/Recipient:

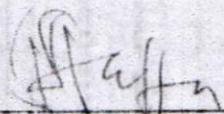
Minister for Finance  
Treasury Building  
George Street  
Freetown, Sierra Leone

For the Fund:

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

This Agreement has been prepared in the English language in two(2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

REPUBLIC OF SIERRA LEONE



Jacob Jusu Saffa  
Minister for Finance

Date: 1/03/2019

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT



Gilbert F. Houngbo  
President

Date: 19 Feb 2019



## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. **Goal.** The goal of the Project is the improvement of the livelihoods, food security and climate change resilience of rural farming households in Sierra Leone.
2. **Objectives.** The objective of the Project is to increase incomes for smallholder farmers through the promotion of agriculture as a business.
3. **Target Population.** The Project shall benefit about 34,000 direct beneficiaries in the 16 districts of the country (the "Project Area") and focus activities where the climatic and agro-ecological conditions are favourable for smallholders to produce cocoa, oil palm and rice. The primary target group will be smallholder producers of cocoa, rice and oil palm. Additionally, the project will target (a) farmer-based organized institutions such as Agribusiness Centres (ABCs), Farmer Organizations and cooperatives; and (b) institutions providing services or inputs such as input suppliers, agro-dealers, agents/middlemen, and processors as well as buyers/exporters. Over the life of the Project, AVDP interventions will include at least 40% women and 40% youths, and will employ mechanisms that promote gender equality and social inclusion.
4. **Components.** The Project shall consist of the following Components:
  - 4.1. **Component 1. Climate Resilient and Smart Agricultural Production.** The outcome of this component is that volume and value of production is increased, and production systems are made more climate resilient. The component will support the preparation of Business Development Plans at the level of the ABCs that will include a comprehensive plan of the investments needed to develop the productive capacities of rice, cocoa or oil palm. All investments will be assessed for their social and environmental impact through Environment and Social Management Plans. Capacity building for improved production techniques and extension will be provided using the Farmer Field School (FFS) methodology.
    - 4.1.1 **Sub-Component 1.1. Support to smallholder rice production and productivity,** will work with 5,000 rice farmers who have not previously benefited from the SCP/GAFSP Project, to provide technical assistance through Farmer Field Schools and financial support for the development of inland valley swamps for double or triple cropping of rice, and improved access to quality inputs and mechanized farming services. The Project will help Farmers' Organizations and ABCs mentioned above add value to paddy by improving milling capacity and quality and facilitating market linkages with off-takers. The Project will similarly provide technical assistance and training to 5,000 legacy rice farmers that have benefitted from past projects.
    - 4.1.2. **Sub-Component 1.2. Support to tree crop production and productivity,** will work with 9,000 farmers (5,000 cacao and 4,000 oil palm producers) each receiving support for the establishment of a one-hectare plot, who were not direct beneficiaries of the SCP/GAFSP Project. The subcomponent will enhance the economic viability and climate resilience of oil palm and cocoa farmers and link them more effectively to private sector markets. The AVDP will also continue to provide technical assistance and training for 4,000 legacy oil palm farmers who received assistance under past projects.

Replanting and new planting of cocoa sites will be supported partially by the Adaption Fund with provision of climate resilient hybrid seeds provided by the rejuvenated clonal garden of the Sierra Leone Agricultural Research Institute (SLARI). The AVDP will provide technical and support for the establishment of community nurseries to outgrow the seedlings obtained from SLARI. The replanted or new plantations will intercrop plantains, cassava, and/or timber trees for shade provision and supplementary income generation.

For oil palm, AVDP will procure improved tenera variety seeds from regional private sector suppliers and establish community nurseries. AVDP will assist farmers to carry out intercropping with food crops (e.g. groundnuts and rice) during the initial growth of infant trees to improve livelihoods and household nutrition. AVDP will not support the clearing of forest areas for tree crop plantations. Rather degraded secondary bush areas will be used for such plantings.

4.2. *Component 2. Agricultural Market Development*, contains two sub-components: (i) Market access and (ii) Climate resilient rural infrastructure. The expected outcome of this component is the improved performance and organization of the selected value chains for increased smallholder production and productivity.

4.2.1. *Sub-component 2.1 Market Access*, will focus on strengthening the business skills of ABCs, Farmer Organizations and Farmer Field Schools and facilitating value chain organization and deal making through the establishment of provincial level multi-stakeholder platforms. Key activities under this sub-component include mapping of existing value chain players, including farmer-based organisations, and the provision of capacity building according to their needs; through the multi-stakeholder platforms, the project will facilitate linkages and deal making between AVDP beneficiary organizations, input suppliers, aggregators and large scale processors and commodity buyers.

4.2.2 *Sub-component 2.2. Climate Resilient Rural Infrastructure*, financed mainly through the Adaption Fund, will rehabilitate 20 warehouses to improve product drying and storage capacity, as well as construct and rehabilitate secondary roads and farm tracks. The AVDP will use a labor-based approach to road improvement, employing local residents for certain tasks, thereby generating temporary employment opportunities. The sub-component will also finance improved water supply and sanitation among other activities.

4.3. *Component 3. Project Coordination and Management*. The implementation of AVDP will be anchored within the National Project Coordination Unit (NPCU) and Ministry of Agriculture and Forestry at the district level. Staffing levels at NPCU will be complemented as needed.

## II. Implementation Arrangements

5. *The LPA shall be the MAF*. The National Steering Committee (NSC), chaired by the Minister of MAF, shall provide oversight, direction and advice for project implementation, and in particular, approve the AWPB of the project as well its periodic progress reports. The NSC will include representation of key stakeholders including, the ministries for Finance, Economic Development and Planning, Agriculture, Trade and Industry, Local Government, Community Development, Social Welfare, Gender and Children Affairs, Lands, Country Planning and Environment, Environmental Protection Agency (EPA), Youth and Sports, Directorate of Feeder Roads of Sierra Leone Road Authority, the Chief Agricultural Officer/Technical Head of MAF, two members of Farmers Associations (one for staple crops and one for tree crops), and two private sector representatives (one for staple crops, especially rice, and the other for tree crops). The National Project Coordinator of NPCU shall be the Secretary.

6. *The National Project Coordination Unit (NPCU)* will be responsible for the day-to-day coordination of project activities, including project planning, financial management, contracting implementing partners for specific activities and tasks, Monitoring & Evaluation (M&E), knowledge management, supervision of project activities at the district level, facilitating linkage with governmental, private sector and development institutions, and integrating project experience, into policy dialogue. At the district level, the District Agricultural Officer of MAF will be responsible for coordinating the implementation of Project activities. He or she will be supported by a dedicated M&E Assistant as the focal point for the collation of data and reporting on project-specific activities at the district level. The M&E Assistant will work under the guidance of the M&E Officer at the NPCU.

7. A range of public and private sector service providers and implementation partners will be engaged by AVDP to facilitate Project implementation at different stages of the value chains and build the capacity of the Project target groups towards agriculture as a business. The modalities for the engagement of the service providers are specified in the description of the subcomponents and will be further detailed in the Project Implementation Manual.

## Schedule 2

### Allocation Table

1. *Allocation of Loan and Grant Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category. All amounts are 100% net of taxes, Government contribution and beneficiary contribution. All eligible expenditures belonging to the categories above will be apportioned on a 50:50 *pari passu* basis between the Loan Financing and the Grant Financing.

Category	Loan Amount Allocated (expressed in USD)	Grant Amount Allocated (expressed in USD)
I. Civil Works	460 000	460 000
II. Goods, Equipment and Vehicles	295 000	295 000
III. Consultancies, (including technical assistance)	940 000	940 000
IV. Grants and Subsidies	2 080 000	2 080 000
V. Recurrent cost including salaries & allowances and operating cost	1 540 000	1 540 000
Unallocated(10%)	585 000	585 000
<b>TOTAL</b>	<b>5 900 000</b>	<b>5 900 000</b>

2. *Start-up Costs.* To facilitate a prompt start-up, withdrawals of up to USD 300 000 may be made to incur expenditures related to the Project start-up before the satisfaction of the additional general conditions precedent to withdrawal. The start-up activities may include inter alia: (i) Updating of the Project Implementation Manual; (ii) Preparation of the first AWPB & procurement plan; (iii) organization of a Start-up workshop; (iv) Fine tune the accounting software as necessary, (v) preparation of the baseline survey and (vi) finalization of the Agreement/MoU templates to be used with the implementing partners, as well as other activities as agreed with the Fund.

### Schedule 3

#### *Special Covenants*

The Borrower/Recipient undertakes the obligations set forth below, which constitute special covenants:

1. All the MoUs entered into by Project Parties for the implementation of Project activities shall be subject to the Fund's no objection prior to their respective signatures.
2. *Accounting software.* The Borrower/Recipient shall ensure that the PIU will record project expenditures in an accounting software acceptable to the Fund throughout the project life.
3. *Audit arrangements.* The Borrower/Recipient, through the NPCU, will appoint independent auditors acceptable to IFAD, under the terms of reference cleared by IFAD, and in line with the IFAD audit requirements. An audited annual consolidated financial statement for the entire Project, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the fiscal year end.

**GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING**  
(as amended December 2018)<sup>1</sup>

**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.

<sup>1</sup> 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 authorized 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 (xxvi), inclusive, of Section 12.01 has occurred and continues for a period of sixty (60) days after notice thereof has been given by the Fund to the Borrower/Recipient and the Guarantor; or
- (e) any other event specified in the Financing Agreement for the purposes of this Section has occurred and has continued for the period, if any, specified in the Financing Agreement.

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

#### **Section 12.06. Other Remedies**

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

### **ARTICLE XIII - ENTRY INTO FORCE AND TERMINATION**

#### **Section 13.01. Entry into Force**

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

#### **Section 13.02. Termination before Withdrawal**

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

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

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

**Section 13.03. Termination upon Full Performance**

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

**ARTICLE XIV - ENFORCEABILITY AND RELATED MATTERS**

**Section 14.01. Enforceability**

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

**Section 14.02. Failure to Exercise Rights**

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

**Section 14.03. Rights and Remedies Cumulative**

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

**Section 14.04. Settlement of Disputes**

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

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

**Section 14.05. Applicable Law**

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

## **ARTICLE XV - MISCELLANEOUS PROVISIONS**

### **Section 15.01. Communications**

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

### **Section 15.02. Language of Reporting**

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

### **Section 15.03. Authority to Take Action**

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

### **Section 15.04. Evidence of Authority**

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

### **Section 15.05. Modifications of the Agreement**

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

### **Section 15.06. Change of Entity or Representative**

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

### **Section 15.07. Signature of the Agreement**

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