GRANT NO. 2000005507

FINANCING AGREEMENT

Investing in Livelihood Resilience and Soil Health in ACP countries (ILSA): Sustainable and resilient agriculture in Malawi

between

THE REPUBLIC OF MALAWI

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in Lilongwe, Malawi, and Nairobi, Kenya

FINANCING AGREEMENT

Grant No: 2000005507

Project name: *Investing in Livelihood Resilience and Soil Health in ACP countries (ILSA): Sustainable and resilient agriculture in Malawi* ("the Project")

The Republic of Malawi (the "Recipient")

and

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

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

WHEREAS

A. The European Union (EU), represented by the European Commission (EC), and IFAD have entered into an agreement with reference number FED/2023/442-865 (the "Contribution Agreement") under which IFAD will receive a maximum contribution of fifty-two million five hundred thousand euros (EUR 52 500 000) (the "EU Contribution") to finance the "Investing in Livelihood Resilience and Soil Health in ACP countries (ILSA/ the Action);

B. Pursuant to the Contribution Agreement, the Fund has approved a contribution of two million eight hundred and thirty-two thousand euros (EUR 2 832 000) for the Recipient (the "Grant") to implement the Project as described in Schedule 1 hereto;

C. IFAD adheres to the principles and guidelines as set out in the Financial and Administrative Framework Agreement ("FAFA") entered into between European Community and the United Nations on 29 April 2003, and to which IFAD acceded on 27 September 2004, as last amended on 1 January 2019; and

D. The proposed interventions and activities under the Project will be integrated as part of the existing IFAD investment project in Malawi titled Sustainable Agricultural Productivity Programme II (SAPP II).

NOW THEREFORE, the Parties wish to set forth the terms and conditions under which the EU Contribution shall be transferred by IFAD to the Recipient. THEREFORE, the Parties hereby agree as follows:

Section A: General

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 2022, 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, except for the provisions that refer to Loan financing which shall not 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. In the event of an inconsistency between this document and any of the Schedules or the General Conditions, the provisions of this document shall prevail.

4. The Fund shall provide the Grant (the "Financing") to the Recipient from the EU Contribution, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B: Financing

1. The amount of the Grant is two million, eight hundred and thirty-two thousand euros (EUR 2 832 000).

2. The Fund shall credit the amount of the Grant into the Grant Account only when the funds have been received from the EU. Any withdrawals from the Grant Account shall be subject to the condition that sufficient funds for the Project shall have been received by the Fund from the EU and deposited in the Grant Account to cover the withdrawal and that the Fund shall have been notified of such transfer and deposit in writing. The Fund shall have no obligation to extend financial assistance to the Recipient under this Agreement for the purpose of the Project if no funds are available in the Grant Account for the Project. The Grant shall be used solely to finance Eligible Expenditures as defined in this Agreement.

3. *Date of Entry into Force, Project Completion Date and Financing Closing Date*. The date of entry into force shall be the date when the last Party signs the Agreement. The Project Completion Date shall be the third (3rd) anniversary of the date of entry into force of this Agreement. The period between the date of entry into force and the Project Completion Date shall be referred to as the "Project Implementation Period". The Project Completion Date may be extended following any amendments to the Contribution Agreement or as may otherwise be agreed upon in writing between the EU and IFAD. All obligations of the Parties with the exception of the obligation to retain records, accounts and documents for operation reviews or evaluations and to facilitate supervision and evaluation shall have been performed no later than the date six (6) months after the Project Completion Date (the "Financing Closing Date").

4. There shall be a Designated Account in Euros, for the exclusive use of this Grant, opened at the Reserve Bank of Malawi. The Recipient shall inform the Fund of the officials authorized to operate the Designated Accounts.

5. *Eligible Expenditures*: The Recipient shall have the right to incur expenditures under the EU Contribution necessary to meet the costs of implementing the Project, as long as these expenditures are considered eligible by the Fund. To be considered eligible under this Agreement, expenditures must be:

i. Approved by IFAD as part of the Annual Work Plan and Budget;

ii. Necessary for carrying out the Project, directly attributable to it, arising asa direct consequence of its implementation and charged in proportion to the actual use;

iii. Incurred in accordance with the provisions of this Agreement;

iv. Actually, incurred by the Recipient, that is, they represent real expenditure definitely and genuinely borne by the Recipient;

v. Reasonable, justified and in compliance with IFAD's principles of sound financial management, in particular value for money and cost effectiveness;

vi. Incurred during the Project Implementation Period with the exception of costs related to the completion report, final evaluation, audit and other costs linked to the closure of the Project which may be incurred after the Project Implementation Period but before Financing Closing Date;

vii. Identifiable and backed by supporting documents as per IFAD's rules on financial reporting and auditing;

viii. Covered by one of the sub-headings indicated in the allocation tables in Schedule 2 hereto by the activities described in Schedule 1 hereto; and

ix. In compliance with applicable tax and social legislation taking into account IFAD's privileges and immunities.

6. In addition to paragraph 5 of this Section, where the implementation of the Project requires the setting up or the use of one or more project offices, the Fund may declare as eligible direct costs the capitalised and operating costs of the structure if all the following conditions are fulfilled:

(a) They comply with the cost eligibility criteria referred to in Section B.6 above;

(b) They fall within one of the following categories:

(i) costs of staff, including administration and management staff, directly assigned to the operations of the Project office. The tasks listed in Schedule 1 hereto, undertaken by staff assigned to the project office will be directly attributable to the implementation of the Project;

(ii) travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;

(iii) depreciation costs, rental costs or lease of equipment and assets composing the project office;

(iv) costs of maintenance and repair contracts specifically awarded for the operations of the project office;

(v) costs of consumables and supplies specifically purchased for the operations of the project office;

(vi) costs of IT and telecommunication services specifically purchased for the operations of the project office;

(vii) costs of energy and water specifically supplied for the operations of the project office;

(viii) costs of facility management contracts including security fees and insurance costs.

(c) Where costs of the project office are declared as actual costs, the Fund may declare as eligible only the portion of the capitalised and operating costs of project office that corresponds to the duration of the Project and the rate of actual use of 'the project office for the purposes of the Implementation of the Project.

(d) Costs of the project office not declared as actual costs are only eligible if they have been ex-ante assessed by the European Commission.

Section C: Implementation

1. The Lead Project Agency shall be the Ministry of Agriculture (MoA). Additional Project Parties are described in Schedule 1 Part II.

2. The Fund will administer the Grant and jointly supervise the Project with the Recipient.

3. The Recipient shall implement the Project in order to achieve the "Goal" and "Objectives" set forth in Schedule 1. The Recipient shall implement the Project (i) with due care, diligence, transparency and efficiency as required by best practice in the field concerned; (ii) in compliance with relevant and applicable legislation; (iii) in respect of human rights and internationally agreed labour standards; (iv) in accordance with the Annual Work Plans and Budgets (the "AWPBs") and the Procurement Plan (PP) approved by IFAD; and (v) otherwise in accordance with this Agreement.

4. The Recipient shall make every effort to mobilise all the financial, human and material resources required for the full implementation of the Project, as specified in Schedule 1.

5. The Recipient undertakes to ensure that the conditions for the implementation of the Project imposed upon it, where applicable, shall also apply to all Project Parties and service providers.

6. The Recipient shall have due regard to economy and efficiency and the need to uphold the highest standards of integrity in the administration of public funds, including the prevention of fraud and corruption. All suspected and actual cases of irregularity, fraud and corruption related to this Agreement as well as measures related thereto taken by the Recipient shall be reported to the Fund without delay. Where appropriate the Recipient shall terminate contracts with Project Parties, service providers or agents involved in fraudulent behaviour or corrupt practices in connection with this or any other Project implemented by the Recipient and financed by the EU and/or IFAD and shall take all reasonable measures to recover funds unduly paid.

7. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Recipient's procurement laws, namely, the Public Procurement and Disposal of Public Assets Act (2025) and the Public Procurement Regulations (2020), to the extent such are consistent with IFAD Procurement Guidelines.

Section D: Reports, Record Keeping and on the spot checks

1. The Recipient shall provide IFAD with full information on the implementation of the Project. Any reports provided to IFAD may be shared with the EU. These reports shall consist of a narrative part and a financial part and supporting documentation. Reporting, narrative as well as financial, shall cover the whole of the Project, regardless of the source of funding.

2. IFAD may request additional information at any time, providing the reasons for the request. Such information shall be supplied within twenty-five (25) days of the request.

3. *Progress Report(s).* The Recipient shall send annual Progress Reports to IFAD in accordance with the provisions below. Every Progress Report shall provide a complete

account of all aspects of implementation of the Project for the period covered, which shall at least include:

(i) Summary and context of the Project;

(ii) Results (output or outcomes) achieved by the Project as measured by their corresponding indicators, agreed baselines and targets, and relevant data sources;

(iii) Information on the activities directly related to the Project as described in Schedule 1 and carried out during the Project Implementation Period;

(iv) Information on implementation challenges and mid-course adjustment measures taken;

(v) Information on implementation of the Communication and Visibility Plan developed by the Recipient in accordance with Section VI hereto;

(vi) Information on costs incurred and any legal commitments entered into by the Recipient;

(vii) a detailed list of all costs incurred and legal commitments by EU budget line and IFAD Budget line in the Project Budget as described in Schedule 2 herein;

(viii) Control and audit reports conducted pursuant to IFAD's rules on financial reporting and auditing, as specified in IFAD's audit framework and Handbook. Audit TORs will be subject to the Fund's no objection;

(ix) Work plan and forecast budget for the next reporting period.

4. *Completion Report.* The Recipient shall send a Completion Report to IFAD to cover the whole Project Implementation Period. The Completion Report, in addition to the information requested in paragraph 3 above, shall include:

a. Summary of the Project's receipts, payments received and eligible costs incurred;

b. Where applicable, overview of any funds incorrectly used; and

c. Where applicable, details of transfer of equipment, vehicles and remaining major supplies mentioned in Sections VI and VII of paragraph 3 above.

5. Each Progress Report shall be submitted to IFAD within the specified time stipulated by IFAD. The Completion Report shall be submitted to IFAD within six (6) months of the end of the Project Implementation Period.

6. Reports shall be submitted in Euros and Malawi Kwacha. In such case and for the purpose of reporting, conversion into Euros shall be made using the rate of exchange at which the EU Contribution was converted and recorded in the Project Account (the historical exchange rate).

7. Where: (i) the Recipient fails to present a Progress Report and where relevant, a request for payment as specified in this Agreement; and (ii) where the Recipient fails to supply the Completion Report by the Financing Closing Date, the Recipient shall inform IFAD in writing of the reasons why it is unable to do so, and shall provide a summary of the state of progress of the Project. If the Recipient fails to comply with these obligations, IFAD may apply the remedies set forth in this Agreement.

8. In addition to the above, the Recipient shall ensure that progress reports, publications, press releases and updates, relevant to this Agreement, are communicated to the Fund as and when they are issued.

9. In any event, the Recipient shall inform the Fund without delay of any circumstances likely to hamper or delay the implementation of the Project.

10. The Recipient shall facilitate all activities related to supervision, evaluation or review of the Project carried out by the Fund, the EU or third parties authorized by the Fund or the EU during the Project Implementation Period and for ten (10) years after the Project Completion Date. Without prejudice to the foregoing, representatives of the Fund and of the EU shall be invited to participate in the main monitoring and in the evaluation Missions and meetings relating to the performance of the Project. The results of such missions shall be reported to the Fund and to the EU, and the missions are to be planned ahead and procedural matters are to be agreed upon by the Fund, the EU and the Recipient in advance.

11. The Recipient shall maintain adequate records and documents, including financial accounting documents and transaction lists concerning the activities financed by the EU Contribution, to reflect its operations related to the implementation of the Project until the Project Completion Date, and shall retain and adequately store such records and documents for ten (10) years after Project Completion Date and in any case where the Fund notifies the Recipient in writing of an on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (the "OLAF").

12. The Recipient shall make available to the competent bodies of the Fund and/or of the EU, upon request, all relevant financial information, including statements of accounts concerning the Project. The Recipient further acknowledges and agrees that the EU, including its Court of Auditors, OLAF or any other EU/IFAD representative, may undertake, as the case may be, desk reviews, investigations or on-the-spot checks related to the Project financed by the EU Contribution both during the implementation period and ex-post. Such desk reviews, investigations or on-the-spot checks shall be conducted in accordance to the verification clauses agreed between the Fund and the EU, without prejudice to any arrangement the Fund has with OLAF.

Section E: Knowledge Management, Communication and Visibility

1. The Knowledge Management (KM) and Communication & Visibility Action Plan provided for in the Financing Agreement, which outlines specific activities on how information is to be obtained, analysed, and disseminated, will be applicable to this Agreement. The KM & Communication Action Plan shall include an outline on how knowledge will be disseminated using, but not limited to, the communication channels. In this regard, the Recipient and implementing agencies of this action will inform relevant audiences of the EU's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the action. This action plan will be developed in line with the EU guidelines for external actions and will be submitted to the EU during the first year of implementation.

2. The Fund shall provide Technical Assistance (TA) to the Recipient in the preparation and implementation of the communication and visibility plan. The TA support provided shall ensure a commitment to Effective Communication, the integration of EU Emblem and Funding Statement, and that the resources for communication and visibility will be consolidated in SAPP II.

3. The Recipient, under the supervision of IFAD, shall make visible the EU Contribution through its communication in reports, presentations, brochures, websites, among others. Standards regarding visibility shall be derived from the EU's manual "Communication and Visibility Manual for EU External Actions" or such related documents and any other guidelines agreed between the Recipient and the Fund.

4. The Recipient shall take all appropriate measures to publicise the fact that the Project has received funding from the EU. In the event that and prior to the production of any written, audio-visual and/or information technology material connected with or resulting from the Project by the Recipient and intended for limited or general publication, the Recipient shall consult with the Fund regarding the form and substance of the acknowledgement of the Fund's and the EU's role in providing funding for the Project and shall include an acknowledgement in terms agreed by both Parties. Information given to the press, the beneficiaries of the Project, all related public material, official notices, reports and publications, shall acknowledge that the Project was carried out "with funding by the European Union and supervision of the International Fund for Agricultural Development" and shall display in an appropriate way IFAD's official emblem and also the "European Logo" (twelve (12) yellow stars on a blue background).

5. In cases where the equipment or vehicles and major supplies have been purchased using funds provided by the EU and/or IFAD, the Recipient shall include appropriate acknowledgement on such vehicles, equipment, and major supplies, including display of IFAD's official emblem and European Logo. Where such display could jeopardise the safety and security of the Recipient's staff, the Recipient shall propose appropriate alternative arrangements.

6. The size and prominence of the acknowledgement and IFAD's official emblem and the EU Logo shall be clearly visible in a manner that will not create any confusion regarding the identification of the Project as an activity of the Recipient, the ownership of the equipment and supplies by the Recipient, and the application to the Project of the Fund's and the EU's privileges and immunities.

7. All publications by the Recipient pertaining to the Project that have received funding from the EU and/or IFAD, in whatever form and whatever medium, including the internet, shall carry the following or a similar disclaimer: "This document has been produced with the financial assistance of the European Union (EU) and/or International Fund for Agricultural Development (IFAD). The views expressed herein can in no way be taken to reflect the official opinion of the EU and/or IFAD".

8. Where relevant, if the equipment procured with the EU Contribution is not transferred to the Recipient, local partners or the final beneficiary of the Project at the end of the Project Implementation Period, the visibility requirements as regards this equipment (in particular display of IFAD's emblem and the European Logo) shall continue to apply between submission of the Final Report and the Financing Closing Date, if the latter is longer.

9. Publicity pertaining to the EU Contribution shall quote these contributions in Euros, in parenthesis if necessary. The Recipient's publications and reports prepared in response to and in accordance with its legislative directives are excluded from this provision.

10. The Recipient accepts that IFAD and the EU publish in any form and medium, including on their websites the name and address of the Recipient, the purpose of the EU Contribution as well as the amount contributed and if relevant, the percentage of co-financing.

11. Upon a duly substantiated request by the Recipient, IFAD and the EU may agree to forego such publicity if the disclosure of the above information would risk threatening the Recipient's safety or harm its interests.

Section F: Rights to use results and transfer of equipment

1. Ownership, title, and industrial and intellectual property rights in the results of the Project and the reports and documents related to it shall vest in the Fund as the case may be together with third parties, or as may otherwise be agreed by the Fund.

2. The Recipient shall, free of charge, provide the Fund with copies of any relevant documents and materials as the Fund and EU may reasonably request, which the Fund and the EU may use for any purpose or objective they deem appropriate.

3. Unless otherwise specified, equipment, vehicles and supplies paid for by the Recipient using funds from the EU Contribution shall, as determined by the Fund, be transferred to Recipient or local partners (excluding commercial contractors) or to the final beneficiary of the Project at the Project Completion Date. The Recipient pledges to use the assets to the benefit of the Target Population. Documentary proof of these transfers shall be kept for verification for ten (10) years after Project Completion Date.

Section G: Remedies

1. In addition to the remedies set forth in Article 12 of the General Conditions, the Fund may:

(a) Suspend payments if: (i) the appropriate supporting documentation as outlined in this Agreement has not been provided; (ii) credible information has come to the notice of the Fund that puts into question the eligibility of the reported expenditure; (iii) credible information has come to the notice of the Fund that indicates a significant deficiency in the functioning of the Internal Control System of the Recipient or that the expenditure reported by the Recipient is linked to a serious irregularity and has not been corrected; (iv) the Fund has credible information and/or proof that irregularities, fraud, or breach of substantial obligations under this Agreement have been committed by the Recipient; or (v) if exceptional and unforeseen circumstances beyond the control of the Recipient make the Project implementation impossible or excessively difficult, such as in cases of Force Majeure. The suspension shall take effect from the date a written notification is sent by the Fund to the Recipient, stating the reasons for the suspension.

(b) In the case of a suspension, the Fund may (i) request for clarifications or additional information; (ii) suspend payment, and where necessary, the implementation of the Project, till such a time as relevant measures are put in place by the Recipient to prevent significant damage to the EU and IFAD’s financial interests. The suspension shall continue until: (i) the Fund is satisfied that the reason for the suspension no longer exists, in which case the Project Implementation Period is automatically extended by an amount of time equivalent to the duration of the suspension, as permitted by the EU; or (ii) the Fund decides to terminate the Agreement in accordance with Sub-paragraph (d) below.

(c) Before suspension, the Fund shall formally notify the Recipient of its intention to suspend, inviting the Recipient to make observations within ten (10) days from the receipt of the notification. If the Recipient does not submit observations, or if after examination of the observations submitted by the Recipient the Fund decides to pursue the suspension, the Fund may suspend implementation of this entire Agreement serving seven (7) days' prior notice. In case of suspension of part of the implementation of the Agreement, upon request of the Recipient, the Parties shall enter into discussions in order to find the arrangements necessary to continue the part of the implementation that is not suspended. Any expenditures or costs incurred by the Recipient during the suspension and related to the part of the Agreement suspended shall not be reimbursed, nor be covered by the Fund and/or the EU.

(d) Terminate the Agreement after giving seven (7) days written notice and without paying compensation of any kind if (i) the Recipient makes false or incomplete statements to obtain the EU Contribution or provides reports that do not reflect reality; (ii) the Recipient commits financial irregularities or is guilty of grave professional misconduct; (iii) the Recipient undergoes legal, financial technical or organizational change that is liable to affect this Agreement substantially; or (iv) the Contribution Agreement is terminated before its completion date. In the event of early termination of this Agreement, the Fund may demand full or partial repayment by the Recipient of any amounts unduly paid.

2. Before terminating the Agreement, the Fund shall formally notify the Recipient of its intention to terminate, inviting the Recipient to make observations (including proposalsfor remedial measures) within thirty (30) days of receipt of the notification. If the Recipientdoes not submit observations, or if, after examination of the observations submitted by the Recipient, the Fund decides to pursue the termination, the Fund may terminate the Agreement serving seven (7) days prior notice.

3. Unless terminated earlier, the Agreement shall remain effective until the later of the end of the Financing Closing Date or any other date mutually agreed upon by the Parties.

4. *Refund/Declaration of Non-eligibility*. Amounts to be repaid to the Fund may be offset against amounts of any kind due to the Recipient after informing it accordingly. The Recipient's prior consent is not required. This shall not affect the Parties' option to agree on payment in instalments. Bank charges incurred from the repayment of amounts due to IFAD and the EU shall be borne entirely by the Recipient.

5. *Other Remedies*. The remedies of the Fund set forth in this Agreement are cumulative and shall not prejudice any other remedies, which the Fund would otherwise have under general principles of law. No failure or delay by the Fund in exercising its rightsthereunder, or course of dealing, shall operate as a waiver thereof.

6. *Applicable Law*. Any dispute arising from this Agreement shall be governed by general principles of international law.

Section H: Cancellation, Suspension and Conditions Precedent to Withdrawal

1. The following are designated as additional grounds for suspension of disbursements:

(a) The 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 Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

(b) the rights of the Recipient to withdraw or receive the Grant have been suspended, cancelled, or terminated, in whole or in part; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.

2. The following are designated as additional (general/specific) conditions precedent to withdrawal:

(a) The IFAD no objection to the Project/ Implementation Manual (PIM) shall have been obtained.

(b) Key Project staff has been appointed as per Section II of Schedule 1 of this Agreement.

Section I: Miscellaneous

1. *Taxes.* The proceeds of the EU Contribution shall not be used for the payment of duties, charges (including bank charges) or taxes charged to the Recipient, where taxes mean imposts, levies, fees, tariffs and duties of any kind, including (but not limited to) value added, sales, income, property, mortgage, import and stamp taxes.

2. *Confidentiality.* The Recipient and the Fund shall preserve the confidentiality of any document, information or other material directly related to this Agreement and duly classified as confidential, until at least ten (10) years after the Project Completion Date.

3. *No Agency or Liability*. It is understood that the provision of the EU Contribution by the Fund shall in no way be construed as appointing the Recipient or any other person or institution involved in the Project as the agent or representative of the Fund. It is further understood and agreed that the Recipient implements the Project on its own behalf and has the exclusive responsibility for its implementation and for complying with any legal obligation incumbent on it. The Fund may not under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Recipient while the Project is being carried out or as a consequence of the Project itself. Therefore, the Fund may not accept any claim for compensation or increases in payment in connection with such damage or injury. The Recipient shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the Project. The Recipient shall discharge the Fund of all liability associated with any claim or action brought as a result of an infringement by the Recipient or the Recipient's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's right. The Recipient shall hold the Fund and the EU harmless against, any claim for loss, damage or injury of any kind whatsoever arising in connection with the Project.

4. *Privileges and Immunities*.

(a) Nothing in this Agreement or in any document relating thereto shall be construed as constituting a waiver of any of the privileges or immunities accorded to the Fund by its constituent documents or under international law. The personnel undertaking and responsible for implementing the Project, whether employed by the Recipient or not, shall neither be entitled to any privileges, immunities, compensation or reimbursement on behalf of the Fund,nor shall they be allowed to incur any commitments or expenses on behalf of the Fund.

(b) The Outputs of the Project are international public goods. All amounts of the EU Contribution disbursed to the Recipient in advance shall retain their international character and by virtue of the applicable international treaties and conventions they shall be immune from confiscation, expropriation and any other form of interference, whether by executive, administrative, judicial or legislative action.

5. *Conflict of Interests*. The Recipient shall take all necessary precautions to avoid conflicts of interests and shall inform the Fund without delay of any situation constituting or likely to lead to any such conflict. There is a conflict of interests where the impartial and

objective exercise of the functions of any person implementing this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another party such as a contractor or grant beneficiary, or the final recipients of funds.

6. *Amendment of the Agreement*. This Agreement can only be modified between the Date of Entry into Force of this Agreement and the Project Completion Date. If the request for an amendment comes from the Recipient, the latter shall submit that request to the Fund sixty (60) days before the amendment is intended to enter into force, and in any case no later than sixty (60) days before the Project Completion Date, unless there are special circumstances duly substantiated by the Recipient and accepted by the Fund.

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

For the Republic of Malawi:

Minister of Finance and Economic Affairs of the
Republic of Malawi
Lilongwe, Malawi

For the Fund:

Regional Director
East and Southern Africa Division
International Fund for Agricultural Development
Nairobi, Kenya

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

REPUBLIC OF MALAWI

Simplex Chithyola Banda, M.P.
Minister of Finance and Economic Affairs

Date: 27th March, 2025

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Sara Mbago-Bhunu
Regional Director
East and Southern Africa Division

Date: 27th March, 2025

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population*. The Project will reach out to a total of 10,000 smallholder farming households, who are mostly vulnerable to changes in the macro-economic environment and the climate shocks.

2. *Project area.* The geographical focus of the intervention will align to SAPP II target Districts (i.e. Lilongwe Rural and Balaka), along with two new districts, namely Mzimba and Dowa. ("Project Area").

3. *Goal.* The goal of the Project is to improve food and nutrition security of farmers through sustainable food systems.

4. *Objectives.* The objective of the Project is to enhance the resilience and productivity of smallholder farming systems through the promotion of sustainable agroecological practices.

5. *Components*. ILSA-Malawi will be integrated into *SAPP II sub-component (output) 1.2 (enhanced capacity for climate-smart, nutrition-sensitive production systems and gender transformative approaches) and 1.3 (sustainable management of productive resources (soil, land and water).* The ILSA-Malawi Project shall consist of the following Components:

5.1. **Component 1: Increased adoption of bio inputs and climate-smart agricultural practices and water management approaches**

This component focuses on enhancing the use of biological inputs and agroecological and climate-smart agricultural practices, alongside improved water management strategies. It aims to promote sustainable farming techniques that boost productivity and resilience of farming systems while minimizing environmental impact. Emphasis is placed on integrating eco-friendly inputs and efficient water use to adapt to climate changes and ensure long-term agricultural resilience.

The objective will be achieved through the following interventions:

Actions include training scientists from the Department of Agricultural Research Services and SAPP II extension staff on agroecological practices, safe application of biofertilizers and biopesticides by local or external experts, promotion of integrated soil fertility management (ISFM) as well as integrated pest management (IPM). It includes identifying and training village facilitators for on-farm trials and field demonstrations, conducting practical demonstrations with the participation of village facilitators and the Village Development Community, and promoting agroecology through Farmers Field Schools (FFS), thus raising community awareness on building resilience of their farming systems (stabilizing and over time increasing productivity and yields) and environmental conservation and support for bio-inputs production units. Actions encompass oversight of all project activities, periodic supervision, quarterly progress review meetings, and routine spot checks to ensure compliance with financial procedures.

5.2. **Component 2: Increased market-driven agroecological production.**

This component aims to increase market-driven agroecological production through several activities. It includes conducting a preliminary survey of consumers' demand for agroecological products (or safe chemical free products) to tailor market integration efforts and designing training modules to enhance the commercial and organizational skills of Producers Groups. An awareness campaign targets small-scale producers, while technical assistance supports the formation and capacity building of these groups. Additionally, it establishes market linkages between Producers Groups and buyers, formulates business plans for necessary investments, and supports their implementation through a competitive process with close monitoring.

The objective will be achieved through the following interventions:

Actions involve strengthening farmer organizations, promoting market-based opportunities for agroecological products, and establishing a Farmer Challenge Fund.

5.3. **Component 3: Programme management and coordination**.

This component aims to strengthen the institutional capacity for promoting sustainable food systems and agroecological approaches through effective programme management and coordination. Key activities include providing oversight on all project activities, conducting periodic supervision, and holding quarterly progress review meetings. Additionally, routine spot checks are conducted to ensure adherence to financial procedures, ensuring the project remains on track and meets its objectives efficiently.

The objective will be achieved through the following interventions:

Actions encompass oversight of all project activities, periodic supervision, quarterly progress review meetings, and routine spot checks to ensure compliance with financial procedures.

II. Implementation Arrangements

6. *Lead Project Agency*: the Ministry of Agriculture (MoA) which is also providing strategic policy guidance and oversight of SAPP II hence this Project as well.

7. *Programme Steering Committee*: The Principal Secretary of the MoA will chair the Programme Steering Committee (PSC). The Programme Technical Committee (PTC) will provide technical support to both the PSC and the Programme Management Unit (PMU). The Director of Agricultural Planning Services will chair the PTC. The PTC will mirror the membership of the PSC and other technical Directors of the MoA, including the Head of the National Agriculture Investment Programme. The day-to-day project implementation will be the responsibility of an independent PMU, established under the aegis of the MoA.

8. *Implementing partners*: A multidisciplinary team of experts will be hired for the specific grant activities, these include: A FFS expert, agroecology experts, business development experts/coaches, a market analysis expert, a communication expert, and a monitoring and evaluation (M&E) expert to establish an effective framework, ensuring strategic coherence, enhancing synergies with IFAD-funded projects, and contributing to national and IFAD strategic objectives focused on enhancing resilience, productivity, and environmental sustainability in a well-coordinated manner with ongoing investments.

9. *Monitoring and Evaluation*: M&E linked to SAPP II systems will be undertaken at different levels to support effective implementation, maintain the Project’s focus and direction, and provide information for addressing constraints and ensuring delivery of outputs. The M&E system will be built to allow disaggregated data by gender, age, district and region. The data collection approaches will combine qualitative and quantitative survey methods. Data on outputs will be collected in a continuous basis and data on outcome and impact will be collected at baseline, mid-line and at completion, as well as during outcome surveys done annually after the mid-term. Thematic studies will be conducted according to needs and feeding the KM system. The development of the Annual Work Plan and Budget (AWPB) and the reporting and monitoring system will be guided by the ILSA log frame. Beyond the indicators that are in the Log Frame, data will be collected on a larger number of indicators listed in the Project’s Results Framework.

10. *Knowledge Management*: The interventions proposed by ILSA-Malawi will be supported by the knowledge management and learning of the SAPP II design. A comprehensive KM and communication strategy will be developed. It will be anchored on the Ministry of Agriculture M&E system and will be consistent with the information and knowledge diffusion strategy that is being formulated under the SAPP II. The Project will support capacity building for systematic knowledge management and communication in Ministry of Agriculture in general, and within the participating ADDs and Districts, and in relevant stakeholder institutions.

11. *Programme Implementation Manual*: A comprehensive draft programme implementation manual has been prepared as a part of the design process, as well as a draft AWPB and a draft procurement plan for the first 18 months of project implementation. These documents aim to ensure that the project implementation starts as scheduled, without unnecessary delays during the first project year. Any amendment to the PIM must receive an IFAD's no objection prior to it becoming effective.

Schedule 2

Allocation Table/Budget

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

Category	**Grant Amount Allocated (expressed in EUR)**	**Percentage**
1. Improved Access to Bio-inputs	1 132 000	40%
2. Market Integration	942 000	33%
3. Programme Management and Coordination	758 000	27%
TOTAL	**2 832 000**	**100%**

2. *Disbursement arrangements*

Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 500 000Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.][1]

(a) *Authorized Reallocation.* Reallocations among Cost Category[2] is authorized without an amendment to the Agreement provided that: (i) any reallocation does not affect the basic purpose of the Project; and (ii) the financial impact is limited to a transfer within a single budget heading, including cancellation or introduction of an item, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 10 % or less of the amount originally entered (or as amended by a written rider) in relation to each concerned heading

[2] Indirect costs or management fees are not eligible expenditures for EU-funding unless otherwise agreed in the EU agreements.
[2] Indirect costs or management fees are not eligible expenditures for EU-funding unless otherwise agreed in the EU agreements.

Schedule 3

Special Covenants

I. General Provisions

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 Recipient to request withdrawals from the Loan Account if the Recipient 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. *Anticorruption*. The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations. The Recipient ensures that the systems governing the expenditure from the Project funds will be subject to its national and IFAD anti-corruption practices and in this regard, IFAD's anti-corruption policy shall be communicated as appropriate, including its concept of zero tolerance and the mechanisms for reporting suspected irregular practices.

2. *Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures.* The Recipient ensures its commitment to combating money laundering and terrorism financing, consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy in the Project Activities. The Recipient ensures that the systems governing the expenditure from the Project funds will be subject to national laws and regulations as well as IFAD's Framework on this regard, which will be communicated to the Recipient. Further, the Recipient shall ensure that appropriate controls are included in the PIM and that the Participating Financial Institutions: (i) comply with applicable laws and regulations of the Recipient on AML-CFT and that the Financing proceeds are not used, directly or indirectly, in money laundering or financing of terrorism; (ii) formulate and implement internal control procedures, including due diligence procedures; and (iii) promptly inform the Recipient if there is any violation or potential violation of this paragraph. In the event that PFIs inform the Recipient of an alleged violations, PFIs shall cooperate in good faith with the Fund and its internal investigations.

3. *Gender.* The Recipient shall ensure that 50% of beneficiaries directly receiving Project support will be women, and 30% youth.

4. *Land tenure security.* The Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice *and* free prior and informed consent principles.

5. *Marginalized Groups and Minorities*. The Recipient shall ensure that the concerns of Marginalized *Groups* and Minorities are given due consideration in implementing the Project and, to this end, shall ensure that:

   a. The Project is carried out in accordance with the applicable provisions of the relevant national legislation on the protection of Marginalized Groups and Minorities;
   b. Marginalized Groups and Minorities are adequately and fairly represented in all local planning for Project activities;
   c. Marginalized Groups and Minorities' rights are duly respected;
   d. Marginalized Groups and Minorities participate in policy dialogue and local governance;

e. The Project will not involve encroachment on traditional territories used or occupied by Marginalized Groups and Minorities.

6. Sexual Harassment, Sexual Exploitation and Abuse. The 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.

7. *Internal audit.* SAPP II and the Project shall rely on the Ministry of Agriculture's Internal Audit Department. The internal auditors shall focus more on the Project's deliverables. The internal audit shall not overlook the internal control aspects. Internal audit reports may be requested by IFAD in a mutually acceptable manner*.*

8. *External Audit:* SAPP II and the Project's external audit shall be a hybrid audit process. The Auditor General will assign staff from National Audit Office together with private auditors, to carry out annual audit for greater efficiency. The Malawi Auditor General is an independent State Audit Institution, with discretion to assign the National Audit Office or private audit firms to audit a particular project.

9. *Final Audit.* Notwithstanding the timeline in which the Recipient prepares its year-end accounts for audit, the Recipient will ensure that the Project *has* a Final Audit between the financial completion and the Closing Date of the Project.

10. *Financial Reporting.* Within three months of entry into force of the Financing Agreement, the Recipient shall ensure that a financial reporting system meeting IFAD's requirements and *International* Accounting Standards is in place.

11. *Memoranda of Understanding.* Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memoranda of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, auditing, accounting and reporting.

12. *Planning, Monitoring and Evaluation*. The Recipient shall ensure that 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.

13. *Use of Project Vehicles* and *Other Equipment*. The Recipient shall ensure that:

a. The types of vehicles and other equipment procured under the Project are appropriate to the needs of the implementation of the Project; and

b. All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

14. *IFAD Contract Monitoring Tool in the OPEN End-to-End System (OPEN system).* The Recipient shall ensure that a request is sent to IFAD to access the Project Procurement Contract Monitoring Tool in the IFAD OPEN system. The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD OPEN system in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Program.

15. The Key Project Personnel: The Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel, including dedicated personnel to

coordinate the ILSA activities 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 Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The 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. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine SECAP standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Recipient shall not amend, vary, or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For projects and Subprojects presenting high or substantial social, environmental and climate risks, the Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the [Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and subprojects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and subprojects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds / Procedures] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Recipient shall not amend, vary, or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Recipient has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Recipient shall cause the Executing Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Recipient shall cause the Lead Project Agency to always comply while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and Environmental and social Management Plan(s), if any.

5. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will consider any specific information needs of the community (e.g. culture, disability, literacy, mobility, or gender).

6. The Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and others Management Plan(s)related to specific to the activities if any.

7. The Recipient will ensure that at Project-level grievance redress mechanism is established and committees put in places at different levels when necessary, the information contain in the GRM shall be is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project -level grievance mechanism needs to consider indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

(i) has direct or potential material adverse effect.

(ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or

(iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- Notify IFAD promptly.
- Provide information on such risks, impacts and accidents.
- Consult with Project -affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent, including minority, vulnerable, disadvantaged communities), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semiannual basis - or such other frequency as may be agreed with the Fund.
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING
(as amended December 2022)[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.

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

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[1] These General Conditions for Agricultural Development Financing were adopted by IFAD's Executive Board on 29 April 2009. Sections 2.01, 4.08(a) and 5.01 were amended by decision of the Executive Board on 17 September 2010. 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. In December 2020, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2020/131/R.27/Rev.1. In December 2022, the Executive Board approved additional amendments as outlined in the Executive Board document EB 2022/137/R.41 and EB 2022/137/R.41/Add.1.

"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 financing agreement pursuant to which the Fund agrees to extend Financing to the Borrower/Recipient in relation to a Project or Programme.

"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) or the Project Procurement Guidelines approved by the Fund’s Executive Board in December 2019 (for Financing approved by the Fund’s Executive Board after December 2019) as such guidelines may be amended, from time to time, 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.

"Project Procurement Arrangements" of "PPA" means the operational document set out unilaterally by the Fund which contains instructions on the execution of project procurement operations with respect to the acquisition of goods, works and services under a Financing Agreement. It may be unilaterally amended by the Fund from time to time based on the current overall Project Procurement Risk Matrix (PRM).

"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 Procurement Plan and procured in conformity with the Fund's Procurement Guidelines, and the provisions of the Project Procurement Arrangements as further defined in article II, section 2.01. .

(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 generally, computed on the basis of a 360-day year of twelve (12) 30-day months. In respect of variable loans denominated in EUR, SDR and USD, interest and service charges shall accrue on an actual/360 day-count convention, unless otherwise expressly communicated by the Fund. 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.

(c) The Fund may modify the repayment terms applicable to the principal amount of the Loan disbursed and outstanding in accordance with the applicable accelerated repayment and voluntary prepayment framework of the Fund.

(d) Pursuant to paragraph (c) above, upon notification by the Fund to the Borrower, the Borrower shall repay twice the original amount of the remaining loan instalments of the withdrawn loan outstanding, along with any interest due.

(e) If, at any time after the repayment terms have been modified pursuant to paragraph (c) above, the Fund determines that the Borrower's economic condition has deteriorated significantly, the Fund may, if so requested by the Borrower, further reverse the terms of repayment of the principal amount to the ones originally agreed upon in this Agreement.

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 designated account of the Fund 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, socialand 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 AWPB and relevant Procurement Plan. 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. Project Procurement

(a) Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of:

i) the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines; and

ii) the Project-specific PPA.

(b) Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines and shall list all procurement activities to be implemented within the relevant period, including salaries of key project personnel but excluding operational costs. The Procurement Plan must be kept updated and upgraded by the Borrower/Recipient.

(c) Procurement of goods, works and services financed by the IFAD Financing shall be carried out under the Lead Project agency. In the event that Project procurement activities are carried out by Project Parties, these shall be identified in Schedule 1 of the Financing Agreement. Any changes to the Project Parties in charge of Project procurement activities shall be subject to IFAD's prior agreement and processed via an amendment to the Financing Agreement.

(d) By notice to the Borrower/Recipient, the Fund shall require that all Project Procurement 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) respect the Updated Social, Environmental Climate Assessment Procedures of IFAD, as amended from time to time (Updated SECAP);

(ii) abide by the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, and the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse and IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy, as amended from time to time;

iii) allow full inspection by the Fund of all bid documentation, contracts, bidder complaints and related records;

(iv) 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

(v) fully cooperate with agents or representatives of the Fund carrying out an audit or investigation.

(e) The Borrower/Recipient shall ensure that all Project procurement documents, contracts, memorandums of understanding, purchase orders and related payments are registered in the procurement and contract monitoring systems currently adopted by IFAD in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the procurement and contract data is kept up to date on a continuous basis.

Section 7.06. Social, Environmental and Climate Assessment Procedures

(a) The Borrower/Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project/Programme in accordance with the nine standards and other measures and requirements set forth in the Updated SECAP, as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower/Recipient shall not amend, vary or waive any provision of the Updated SECAP, unless agreed in writing by the Fund in the Financing Agreement and/or in the management plan(s), if any.

(b) The Borrower/Recipient shall cause the Lead Project Agency to comply at all times while carrying out the Project/Programme with the standards, measures and requirements set forth in the updated SECAP and the management plan(s), if any.

(c) The Borrower/Recipient will ensure that a Project/Programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project/Programme activity and potential impacts to promptly receive and resolve concerns and complaints (e.g. in respect of compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project/Programme for people who may be unduly and adversely affected or potentially harmed if the Project/Programme fails to meet the SECAP standards and related policies. The Project/Programme-level grievance mechanism shall take into account Indigenous Peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected Indigenous Peoples shall be used to the greatest extent possible.

(d) The Borrower/Recipient shall fully cooperate with the Fund concerning such supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of the Updated SECAP and the management plan(s), if any, as the Fund may consider appropriate depending on the scale, nature and risks of the Project/Programme.

Section 7.07. Money Laundering, Terrorism Financing and Sanctions

The Borrower/Recipient and the Project Parties shall ensure their commitment to combatting and preventing money laundering, terrorism financing and related risks, and dealing with sanctioned entities in line with IFAD’s Anti-Money Laundering and Countering the Financing of Terrorism Policy (“AML-CFT Policy”) and Section 4.07(c) of these General Conditions respectively. These measures shall be aligned to the principles of the AML-CFT Policy and Section 4.07(c) of these General Conditions, as may be amended from time to time. The Fund may take appropriate measures to support compliance with the above.

Section 7.08. 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 7.09. 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 7.10. Protection of Personal Data

The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the principles and provisions of IFAD's Personal Data Privacy Guidelines in its Activities and Operations, as may be amended from time to time. The Fund may take appropriate measures in line with such Guidelines.

Section 7.11. 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 7.12. 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 7.13. 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 7.14. 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.

(e) Any changes to the Project Parties in charge of Project procurement activities shall be subject to IFAD's prior agreement and shall be processed via an amendment to the Financing Agreement.

Section 7.15. 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 7.16. 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. The Borrower/Recipient or the Lead Project Agency shall employ, as required, key staff whose qualifications, experience and terms of reference are satisfactory to, and have been approved by IFAD. Key Project personnel may be seconded to the Project in the case of government officials or recruited under a fixed-term contract following the individual consultant selection method in the IFAD Procurement Handbook, or by any equivalent selection method in the applicable national procurement system that is acceptable to IFAD. The recruitment and dismissal of key Project personnel is subject to IFAD's prior review and approval. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. It is expected that any contract signed between the Borrower/Recipient and key Project personnel shall be compliant with the national labour regulations or the International Labour Standards of the International Labour Organization (whichever is more stringent) in order to satisfy the conditions of the Updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project/Programme's circumstances.

Section 7.17. Project Parties

Each Project Party shall, as required to carry out the Project in accordance with Sections 7.01 and 7.05:

(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 and ensure that their conduct is motivated by the highest ethical standards;

(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 7.18. 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 7.19. 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 7.20. 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 7.21. 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) though (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. Privileges and Immunities

Nothing contained in these General Conditions, in the Agreement or in any document relating thereto shall be construed: (i) as a waiver, express or implied, of any of the privileges and immunities granted to IFAD under local and/or customary and conventional international law, nor as conferring any such privileges or immunities of IFAD to any third party; (ii) as the acceptance by IFAD of the applicability of the laws of any country to IFAD; or (iii) as the acceptance by IFAD of the jurisdiction of the courts of any country or of any international or arbitral courts whose jurisdiction IFAD has not recognized.

Section 14.06. Applicable Law

Any Agreement subject to these General Conditions shall be governed by, and construed in accordance with, public international law, to the exclusion of any national system of law.

<u>ARTICLE XV - MISCELLANEOUS PROVISIONS</u>

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.