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Investing in rural people

State of Eritrea

Integrated Agriculture Development Project

Negotiated financing agreement

Executive Board — 131st Session
Rome, 23 November 2020

For: **Information**

Negotiated financing agreement: "Integrated Agriculture Development Project"

(Negotiations concluded on 15 October 2020)

Loan No: _____
Grant No: _____

Project name: Integrated Agriculture Development Project (the "IAPD" or the "Project")

The State of Eritrea (the "Borrower/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 Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;
- B. The Borrower/Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project.

WHEREAS, the Fund has agreed to provide financing for the Project.

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the following:

"Section 7.05 (a) (Procurement); Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines";

For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a loan and a grant (the "Financing") to the Borrower/Recipient which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan (the "Loan") is five million two hundred and fifty thousand Special Drawing Rights (SDR 5 250 000).
- B. The amount of the grant (the "Grant") is twenty one million and one hundred thousand Special Drawing Rights (SDR 21 100 000).
2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal is to be repaid at 4.5 per cent of the total principal per annum for years eleven (11) to thirty (30), and 1 per cent of the total principal per annum for years thirty first (31) to forty (40).
3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 January
5. Payments of principal and service charge shall be payable on 15 May and 15 November.
6. There shall be a Designated Account in USD, for the exclusive use of the Project opened in Bank of Eritrea. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
7. The Borrower/Recipient shall provide counterpart financing for the Programme in the estimated amount equivalent to USD 4.9 million in the form salaries of project staff, and taxes and duties on project expenditure.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture (the "MoA") of the State of Eritrea.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six months later, or such other date as the Fund may designate by notice to the Borrower/Recipient. The Financing Closing Date will be established as specified in the General Conditions.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with IFAD's Project Procurement Guidelines and IFAD's Project Procurement Handbook

Section D

1. The Fund will administer the Financing and undertake a full supervision of the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (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 Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project/Programme.
 - (b) The Project Coordinator, Financial Controller, Project Procurement Specialist, Monitoring and Evaluation, Component Leads and the Safeguards Specialist (the "National Programme Coordination Unit Key Staff" or the "NPCO Key Staff") have been appointed, transferred or moved without a non-objection of the Fund.
2. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - a) The NPCO Key Staff, as defined in para 1 above shall be appointed subject to IFAD's no objection to the recruitment process;
 - b) The PIM as described in Section II of Schedule 1, shall have been prepared in a form and substance satisfactory to the Fund;
 - c) An Environment and Social Management Plan (ESMP) has been prepared and implemented, subject to IFAD's non objection ;
 - d) A suitable off-the-shelf accounting software shall have been procured, installed and implemented at the NPCO; and
 - e) The Project Steering Committee (PSC) shall have been established.
3. This Agreement is subject to ratification by the Borrower/Recipient.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the [Borrower/Recipient]:

H.E Mr. Berhane Habtemariam
Minister of Finance of the State of Eritrea
Ministry of Finance
P.O. Box. 198
Asmara, Eritrea
H.E. Mr. Arefaine Berhe
Minister of Agriculture of the State of Eritrea
Ministry of Agriculture
P.O. Box. 1048
Asmara, Eritrea

For the Fund:

Sara Mbago-Bhunu
Regional Director
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International Fund for Agricultural Development
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Bernadette Mukonyora
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International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

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

THE STATE OF ERITREA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Project/Programme shall directly benefit approximately 60,000 rural households or more than 300,000 household members. Priority beneficiaries will be: a) rural smallholder farmers involved in subsistence agriculture, horticulture and small livestock keeping; b) farmers and youth interested in establishing farmers' associations or cooperatives or pioneer small and medium enterprises (SMEs); c) women, especially woman-headed households, and households with young (0-5 years) children, with priority to malnourished children; and d) youth (18-35 years), including demobilized soldiers.

2. *Project/Programme area.* The Project/Programme will be national in scope, targeting all six Zobas (regions), with core interventions implemented in the four (4) inland Zobas, while the two (2) coastal Zobas will mostly be supported through environment and ecosystem protection interventions. Interventions will cover approximately 40 per cent of the sub-zobas (i.e. 36 sub-zobas). In view of the varied institutional capacity across the different Zobas, the intervention area will be expanded gradually, using a **phased approach** to ensure effective and sustainable achievement of outcomes and impacts. Among other triggers the expansion will be determined by:

- level of readiness of the decentralized implementing entities in the Zobas to manage additional area/activities, starting from Component 1 on watershed management interventions, with gradual expansion to Component 2;
- assessment of status of watershed treatment which will determine the appropriate entry point for interventions under Components 1 and subsequently component 2;
- impact assessment studies of NAP, which will provide guidance on the Zoba/sub-Zoba capacities, experiences and gaps to mitigate potential implementation inefficiencies.

3. *Goal.* The goal of the Programme is to contribute to poverty reduction and food and nutrition security of rural households.

4. *Objectives.* The Programme development objective (PDO) will be to enhance smallholder agricultural production and productivity in a sustainable way and improve rural livelihoods.

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

5.1 **Component 1: *Integrated Watershed Management*** – Given the poor spatial and temporal distribution, as well as the scarcity of rainfall in Eritrea, with over 90 percent of the total area receiving less than 450 mm per annum, soil moisture deficiency is one of the important risk factors to the country's food security. To address this challenge, this Component will support water-centred interventions, thereby deploying a watershed management approach (in the context of integrated water resources management (IWRM) as the planning unit. The Component will finance activities required to plan and implement IWRM to restore the hydrologic and ecological functioning of watersheds, enhance the sustainability of existing land uses and, improve its resilience to climate shocks. It will also support the production and dissemination of energy-saving technologies, especially stoves in selected watersheds. The expected outcome would be "Strengthened environmental sustainability and climate resilience of poor rural people's economic activities".

5.1.1 *Sub-Component 1.1. Development and Implementation of Participatory Integrated Watershed Management Plans*

5.1.2.1 *Sub-Component 1.2: Implementation of Watershed Management Plans*

5.1.2.2 *Sub-Component 1.3: Watershed Restoration and Water Management Infrastructure*

5.2 Component 2: **Crop and Livestock Productivity and Rural Livelihood Improvement** – Building on the outcomes of the water-centred interventions in Component 1, the aim of this Component is to sustainably invest in agriculture and livestock productivity enhancing interventions, post-harvest handling of agricultural commodities and improving resilience of farmers to climate change, through climate smart agriculture (CSA). The CSA and livestock technologies and good practices will be supported and implemented in the targeted areas as a starting point to then be scaled up, prioritizing key commodities. At least 26,250 households would benefit from enhanced advisory and livestock services, improved access to production assets and seeds, and nutrition-sensitive agriculture practices. This component will support *piloting of agro-SMEs*, based on business plans, that are expected to create about 6 500 jobs for the young people, in line the focus of the Eritrea COSOP (2020-2025) to gradually move towards market-oriented production. The expected outcome will be “Increased diversification of livelihoods and resilience of communities”.

5.2.1 *Sub-Component 2.1. Access to Advisory Services*

5.2.2. *Sub-Component 2.2 Sustainable Access to Inputs and Technologies for Enhanced Production and Post-harvest Management*

5.2.3. *Sub-Component 2.3 Producers' Organizations and Cooperatives Support*

5.3. Component 3. **Institutional Capacity Building & Project Support Services** – This will be a cross-cutting component servicing the technical components and facilitating pathways for the effective implementation of planned activities, and addressing systemic institutional capacity gaps. The component aligns with SO3 of the Eritrea COSOP (2020-2025) and responds to the need to strengthen capacities. Accordingly, it will aim at: a) augmenting the capacity of the institutions (public and private sector/farmer organizations) that will be responsible for overseeing and/or implementing the different IADP activities; b) facilitating the development and/or review and update of policies and strategies of selected subsectors for their effective and structured development; and c) managing IADP in an efficient and effective manner by providing overall coordination, including planning and implementation, financial management and control, procurement support, monitoring and evaluation, knowledge management, and progress reporting. It will also ensure liaison and linkage with all other relevant projects/programmes being implemented in the country that seek to address similar or related constraints.

5.3.1. *Sub Component 3.1 Institutional Capacity Building and Policy Support*

5.3.2. *Sub Component 3.2 Project Management and the South-South Triangular Cooperation (SSTC)*

5.4. Component 4. **Disaster Risk Reduction and Management** –This is a “zero budget allocation” component. It is a response window to improve the project’s agility to respond to crisis/emergencies declared by the Government that have significant adverse impacts on IFAD’s target group, achievement of project objectives and the overall viability of project intervention. The objective will be to avail funds that can be quickly drawn, hence giving the project adequate preparedness and timely response when adverse conditions manifest, such as recurrent weather extremities or any other calamities, such as the recent COVID-19 pandemic.

II. Implementation Arrangements

6. *Lead Programme Agency.* IADP will be implemented within the Government's decentralised institutional framework, comprising the MOA technical departments at national level, and their decentralized structures, comprising of the branches and units of Zoba and Sub-zoba level, as well as at Kebabi level. The MoA will be the lead executing agency for the Programme, and will delegate the role of the lead implementing agency to the Planning and Statistics Department (PSD). It will liaise with the other participating ministries/institutions and other relevant stakeholders to steer effective Project implementation.

7. *Programme Oversight Committee.* **The National Project Steering Committee (NPSC)** of NAP will be re-established under IADP to ensure cross-sectoral coordination as well as strategic oversight of project implementation in accordance with the set objectives, across the six (6) Zobas. Its functions will include: a) oversight of Project implementation; b) ensuring that the Project is implemented within the national policy and strategy framework; c) approval of the AWPB; and d) providing strategic guidance and resolving critical implementation bottlenecks. The NPSC will be chaired by the Minister of Agriculture and include MoF, MoLWE and the six Zoba governors or their representatives, the Director of PSD of MoA will be the secretary.

Zoba Project Coordination Committees (ZPCCs) will provide oversight of operations at Zoba level, review and endorse the Zoba AWPB implementation progress and financial reports before forwarding to PSD and NPCO for consolidation. The ZPCCs will meet on a quarterly basis and will be chaired by the Zoba Governors and comprising, inter alia, the Directors of Zoba Administration Departments and Heads of Agriculture Divisions. Their functions are similar to that of the NPSC at national level.

8. *Programme Management Unit.* **National Project Coordination Office (NPCO)** will be established under MoA's Planning and Statistics Division (PSD); thus, the NPCO will be under the direct supervision of the PSD Director. The NPCO will ensure day-to-day management of the Project; it will be headed by a full-time Project Coordinator (PC), fully dedicated to IADP. The NPCO structure, as it is under NAP, will remain largely unchanged. However, the PC and all IADP-NPCO staff will largely be expected to be fulltime and fully dedicated to the Project. The IADP-NPCO will be reinforced to: a) strengthen technical coordination across project implementers; b) improve planning, fiduciary functions, and M&E, and c) ensure compliance with environmental/safeguards and adherence to targeting and social inclusion requirements. The IADP-NPCO will be organised into: a) three technical teams headed by component heads supported by sub-component technical expert; b) planning and monitoring team, headed by a Senior M&E Officer, supported by planning, M&E, KM, Social Inclusion and Environmental Monitoring Officers; and c) an administration team consisting of a Senior Procurement Officer and Financial Controller supported by 3 procurement assistants, an accountant and an assistant accountant.

Zoba Project Coordination Offices (ZPCOs) will be established in each of the six Zobas, to coordinate implementation of the Project. They will comprise technical experts seconded from the Zoba branches. The ZPCO structure will mirror that of the NPCO at national level. The Zoba Administration will carry-out coordination and implementation responsibilities at Zoba level. At Zoba level, the Directorate General for Agriculture, Land and Environment will be responsible for implementation of the bulk of project activities, through the Local Government structure. In particular, the branches of Soil, Water and Irrigation; Animal Resources; and Crop Development will implement project activities through the various units and sub-zoba structures. In addition, the Agricultural Infrastructure branch of the Directorate General for Infrastructure Development will have an implementation role in relation to dam infrastructure development. Within each Zoba, the development process will largely be driven by the local communities through the Sub-zobas and Kebabi administrations following the GoSE decentralised participatory planning

system, whereby Village Development Plans are consolidated into Kebabi plans, which are then consolidated into Sub-zoba plans, and finally then into Zoba plans. The Sub-zoba Agricultural Divisions will provide direct supervision of the Kebabi-based technical teams as well as prepare progress reports following Government guidelines.

Planning and Implementation Committee (PIC) in each Kebabi headed by the Kebabi Administrator will coordinate planning and implementation of project activities. PIC will receive technical support from the Sub-zoba line agencies.

9. *Implementing partners.* AED of MoA will be a core implementing entity as it has a mandate for implementation of national resources management, catchment treatment, irrigation development, horticulture and livestock development; agricultural extension and communication; value addition, agro-input supply. AED will provide technical backstopping to the Zoba administrations, and ensure that Project implementation is aligned with GoSE policy and strategy. It will collaborate with the RSD and MoLWE in ensuring that agricultural production activities are carried out within the environmental guidelines and policies. NSU, under AED, in collaboration with Zoba seed units, will technically backstop private-sector seed growers for multiplication, processing and marketing of certified/improved seeds, as well as be responsible for development of the national annual seed plan and development of specifications for procurement of these seeds. The Marketing and Credit Unit will be responsible for activities related to input distribution.

NARI will assume responsibility for adaptive research and strengthen collaboration with the AED targeted on the following subjects: TLST, IPM, bio-pesticides, organic fertilizers, rangeland management, improvement of indigenous poultry, as well as food safety and nutrition. Seed variety screening and multiplication of foundation and breeder seed, will be supported by the development and implementation of protocols and the decentralization of the seed distribution system. Implementation will happen at national level as well as through the Research Sub-Stations, as per the agro-ecological zones.

Other key stakeholders will include: a) RSD – will support inspection services of food, feed seed, pesticides, drugs and vaccine and some environmental assignments, through their Zoba Inspection Departments as well as providing quarantine services and seed certification schemes; b) NAPHL – will work on food quality and safety, and start-up the capacity to produce vaccines, in particular for small ruminants and poultry; c) AFD – will foresee the financial management and procurement functions of the Project; and d) Agricultural Colleges – will be a potential partner for capacity-building activities (Subcomponent 3.1).

10. *Monitoring and Evaluation.* PSD will coordinate monitoring and evaluation processes, reporting, and knowledge management. PSD will be responsible for the preparation of consolidated 6-monthly and annual progress reports. A baseline study will be undertaken during the first year of Project implementation to provide a benchmark for assessment of outcomes and impact of the Project; the study will incorporate appropriate questionnaire to collect baseline data for tracking progress on mainstreaming themes (i.e. MDD-W) following IFAD COI standard guidelines and Appendixes. It will also conduct impact evaluation and knowledge management activities, production of annual progress reports, conducting the annual outcome surveys and implementation review workshops, carrying out special/thematic studies, Mid-term review (MTR) and Project Completion Report (PCR).

The Project will adopt a results-based management and check systematically the contribution of each planned activity to outcome achievement. IFAD will undertake periodic monitoring, evaluation and supervision Missions to assess the status of Project implementation and evaluate the Project's direction with respect to its objectives, outputs and outcomes. IADP's M&E strategy will be to establish an iterative process for identifying issues and problems to ensure that the Project focus is maintained and expected outcomes are achieved. This will rely on data from periodic monitoring within the context of the operational M&E framework, and on specific thematic surveys, such as adoption,

household and outcome surveys. The team will document achievements through reflection meetings with NPCO team, implementing agencies and beneficiaries. The reflection meetings shall be organized on a quarterly basis for NPCO, ZPCOs and implementing agencies. PSD will also explore innovative ways to collect qualitative and quantitative data, including GIS, focus group discussions, structured interviews and longitudinal panels. This will guide the consolidation of input and output data provided by implementers and reporting on efficiency of implementation.

Quarterly, bi-annual and annual reports will be produced by the respective implementing agencies with formal reporting responsibilities to the NPCO; the NPCO will consolidate the different reports to produce a Project-wide report for submission to GoSE and IFAD. Reports will provide information such as: a) overview of intervention activities undertaken in the last quarter and cumulatively over the fiscal year; and b) progress and outputs in terms of the agreed M&E indicators, provide lessons learnt, and knowledge gaps identified. The reports will also seek to identify any constraints encountered so as to seek guidance (where needed) from Project management for addressing the constraints. The project will strengthen MOA's M&E capacity (tools and methods) for data collection and analysis to enhance reporting of project results.

The above-indicated monitoring activities will be complemented by frequent monitoring meetings between the NPCO and the Minister of Agriculture, as well as field visits by members of the NPSC. IFAD will also ensure that an M&E specialist is included in at least 1 mission per year. The NPCO will ensure adequate beneficiary monitoring at the Zoba level to address potential overlap with FREMP and other development projects in target areas.

11. *Knowledge Management.* KM&L will serve as a foundation for replication of successes, provide the analytical basis to resolve challenges, and help to adapt activities to changing social and economic circumstances in the target areas. A KM action plan will be prepared to: a) identify knowledge gaps and prioritization of knowledge products to be developed; b) systematically document methods to ease the up-scaling of best practices in Eritrea or repackaging of innovative approaches developed elsewhere; c) disseminate knowledge using various communication tools (MoA newsletter, brochures, websites, radio, FFS). Regular reflection workshops, drawing on M&E data to improve performance, will be held and information sharing mechanisms (internal and external) developed. The South-South cooperation and exchange visits will also be integrated in the KM&L strategy (see Subcomponent 3.3).

Supervision – IADP will be jointly supervised by IFAD and GoSE. Supervision will be seen as a continuous process including joint missions with the Government, as well as continuous desk review to ensure that implementation is on track. Missions will be used as an opportunity to jointly assess achievements and lessons learned with the overall objective of ensuring effective project implementation and increase the likelihood of achieving the target objective. The composition of supervision and implementation support missions will largely be determined by the prevailing circumstances. To the extent possible, the composition of the supervision and implementation support team will be maintained to ensure continuity. Implementation support will be provided through technical assistance especially on M&E and Procurement.

Mid-Term Review (MTR) – An MTR will be undertaken midway through project implementation and will evaluate whether the project is on course to achieve the objectives. The MTR will be a key reflection moment to assess implementation performance and recommend adjustments to the project, as may be required. The recommendations will take into consideration the likelihood of achieving the project's targets during the remaining implementation period and may modify these targets, if considered necessary. The MTR will also be critical considering that this design has been finalised under COVID-19 guidelines and there may be need to revisit the assumptions of the project since a validation design mission could not take place. The MTR will also consider a potential extension to the project if required.

Project Completion Plans – At the end of the IADP implementation, GoSE will be required to undertake the Project Completion Review (PCR) exercise, in close coordination with IFAD, in order to report on the results achieved through project interventions. As part of completion activities, a Beneficiary Impact Assessment will be undertaken and findings used to inform the Project Completion Report. The main purposes of the completion review process are to promote accountability, reflect on performance and elicit lessons learned to inform future programme/project design and to define an appropriate post-project strategy. The learning dimension of the completion process will be used by both IFAD and GoSE as the foundation for improvements in future programme/project design and implementation. The completion review process will also be critical for identifying opportunities for scaling-up best practices.

12. *Programme Implementation Manual*. A draft Project Implementation Manual (PIM) is included as one of annexes to the PDR (Annex 8). The PIM provides guidelines, procedures and processes that are to be followed in the implementation of IFAD funded initiatives under IADP. As an annex to the PDR, the processes and procedures presented are to be read in conjunction with the relevant sections in the PDR. It is envisaged that at start-up, the NPCO will convene all the relevant implementing agencies and stakeholders to review, clarify, refine and confirm the activities and processes outlined in the PIM, and therein finalise the PIM for submission to IFAD for No Objection. The PIM should give due attention to the relevant arrangements for implementing the Environment and Social management Plan (ESMP). It is emphasized that the PIM is a living document, which can be reviewed periodically during the lifetime of the project, based on lessons learnt, subject to approval by the Project Steering Committee and IFAD's No Objection.

Schedule 2

Allocation Table

1. *Allocation of Loan/Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant 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 SDR)	[Loan Amount Allocated] (expressed in SDR)	Percentage (net of tax)
I. Works	6 570 000	3 010 000	100%
II. Training and Workshops	3 180 000		100%
III. Consultancies	1 590 000		100%
IV. Investment capital	230 000		100%
V. Equipment	3 690 000	770 000	100%
VI. Inputs	3 730 000	680 000	100%
VII. Operating costs		270 000	100%
Unallocated	2 110 000	520 000	
TOTAL	21 100 000	5 250 000	

(b) The terms used in the Table above are defined as follows:

- Investment Capital refers to the funds allocated towards the piloting of micro agro-enterprises in sub-component 2.2.

2. *Disbursement arrangements*

Start-up Advance.

Withdrawals in respect of expenditure for start-up costs in categories III. Consultancies and V. Equipment, incurred before the satisfaction of the general conditions precedent to withdrawal, shall not exceed an aggregate amount equivalent to USD 300,000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/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. Within six (6) months of entry into force of the Agreement, the Project will enter into Memorandum of Understandings (MoU) or implementation agreements with relevant implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
2. The Borrower/Recipient undertakes that within six (6) months of entry into force of the Agreement:
 - a. both NCPO and ZPCO, as further defined in Schedule 1 of this present Agreement will be fully staffed by all key personnel in line with the terms of reference agreed between the Parties and to the satisfaction of the Fund;
 - b. the Zoba Coordinator, Technical Coordinator, and specialists in Procurement, Financial Management, Monitoring and Evaluation and Social Inclusion (the "Key Staff of the ZPCO") will be fully dedicated to the implementation of the Project.
3. *Planning, Monitoring and Evaluation.* The Borrower/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.
4. *Gender.* The Borrower/Recipient shall ensure that a Social Inclusion Strategy has been fully prepared and submitted to IFAD for No Objection
5. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).*
 - a. The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP and Government of Eritrea's laws, and in compliance with the Environment and Social Management Framework (ESMF), Climate Risk Analysis (CRA), Environment and Social Management Plans (ESMPs), and the principles of Free Prior and Informed Consent (FPIC), and international treaty to which Eritrea is a party. Specifically, the project shall maintain appropriate pest management practices and 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) and WHO .
 - b. In case of a SECAP related complaint the Borrower/Recipient shall:
 - i) be responsible for proposing and implementing an easily accessible project-level Grievance Redress Mechanism (GRM), including but not limited to workplace grievance, contractor and third party, in order to receive and facilitate resolution of concerns and grievances of people/parties in a transparent, responsive and timely manner;
 - ii) define clear roles, responsibility and authority for implementing and monitoring of stakeholder engagement and compliance with IFAD's SECAP;
 - iii) to the extent possible provide mediation where complainants are not satisfied with the resolution; and
 - iv) notify IFAD promptly and provide information of any significant complaint.
6. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

7. *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.

8. Use of Project Vehicles and Other Equipment. The Borrower/Recipient shall ensure that:

- (a) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Project; and
- (b) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Project use.