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Federal Republic of Nigeria

Special Agro-Industrial Processing Zones Programme (SAPZ)

Negotiated financing agreement

Executive Board — 134th Session
Rome, 13-16 December 2021

For: **Information**

Negotiated financing agreement:

"Special Agro-Industrial Processing Zones Programme (SAPZ)"

(Negotiations concluded on 07 December 2021)

Loan No: _____

Programme name: Special Agro-Industrial Processing Zones Programme ("SAPZ"/ "the Programme")

Federal Republic of Nigeria, represented by the Federal Ministry of Finance, Budget and National Planning (the "Borrower")

and

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

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

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS the African Development Bank (AfDB) is co-financing the Programme with a loan of USD 160 million ("AFDB Loan").

WHEREAS the Islamic Development Bank (IsDB) is co-financing the Programme with a loan of USD 150 million ("IsDB Loan").

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 2020, 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. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the loan is forty-nine million, nine hundred and seventy thousand dollars (US\$ 49,970,000).
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the Loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be in US Dollars.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal, interest and service charge shall be payable on each 15 May and 15 November.
6. There shall be Designated Accounts in US Dollar, for the exclusive use of the Programme opened in the Central Bank of Nigeria for the Federal Government and commercial banks acceptable to IFAD for Ogun and Kano states. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account. The IFAD funds will not be mingled with other funds.
7. The Borrower shall open and thereafter maintain a draw down accounts in Naira to receive Financing from the Designated Account. The draw down account at Federal Government level will be opened in the Central Bank of Nigeria. The National Programme Coordinator will be authorized to manage both the designated and draw down accounts. Each state will operate two accounts in Naira: (i) a state programme account (Programme Account A) to receive IFAD loan funds from the State Designated Accounts; (ii) and a state counterpart funds account to receive state counterpart funds. Each State Programme Coordinator will be authorized to manage the Programme Account A and the state counterpart funds account.
8. The Borrower shall provide counterpart financing for the Programme in the amount of USD 18.85 million. This includes the Federal Government of Nigeria contribution of USD 85 thousand which will be exclusively in the form of taxes and duties and Participating States¹ contribution of USD 18 million.

Section C

1. The Lead Programme Agency shall be the Federal Ministry of Agriculture and Rural Development. The implementation of the Programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU). The FPCU will establish Participating States Implementation Units (PSIUs) in each participating state.
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 Programme.
3. The Programme Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months

¹ Ogun State and Kano State

later, or such other date as the Fund may designate by notice to the Borrower. The Financing Closing Date will be established as specified in the General Conditions.

Section D

1. The Fund will administer the Loan and supervise the Programme.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Programme Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Programme.
2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The IFAD No-Objection to the PIM including the Financial and Administrative Manual and Procurement Guidelines, shall have been obtained.
 - (b) Key Programme staff has been appointed or seconded as per section 10 of Schedule 3 of this Agreement.
 - (c) An appropriate and functional accounting software shall have been deployed at the Federal Programme Coordinating Unit and Participating States Implementation Units.
 - (d) The Borrower shall provide adequate counterpart contribution for the first programme year as specified in the first 18 months AWPB.
 - (e) The Subsidiary Loan Agreements (SLA) is signed between the Federal Government and Participating States and the Legal Opinion shall have been issued by the Federal Ministry of Justice.
3. The following provisions of the General Conditions shall not apply to this Agreement:
 - (a) Section 7.05 (Procurement): the procurement of goods, works and services to be financed out of the proceeds of the financing shall be subject to and governed by: (i) AfDB's *Procurement Guidelines* (2007, as amended from time to time); (ii) AfDB's *Guidelines on the Use of Consultants* (2007, as amended from time to time).
 - (b) Section 9.03 (Audit of Accounts): programme accounts, financial statements and statements of expenditure shall be audited by independent auditors acceptable to the Fund and the AfDB, in accordance with auditing standards acceptable to the AfDB.
4. This Agreement is subject to ratification by the Borrower.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

[click and type title of the representative]
[click and type the name and address of the ministry]

For the Fund:

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

Copy to:

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

FEDERAL REPUBLIC OF NIGERIA

"[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 Programme shall, in Phase I, directly benefit 1.5 million households including private sector agribusinesses and agro-processors, smallholder farmers, agripreneurs and agro-dealers. IFAD investments, including through the Green Climate Fund (GCF), will target a total of 100,000 direct beneficiaries (500,000 indirect beneficiaries). Rural women and youth are core target groups. Opportunities for participation will be created for Internally Displaced Persons and Persons with Disabilities. The Programme will benefit a total of 100,000 direct beneficiaries and 500,000 indirect beneficiaries.
2. *Programme Area.* The Programme will support the setup of SAPZ in Kano, Kaduna, Oyo, Kwara, Ogun, Imo, Cross River and the Federal Capital Territory (FCT). IFAD will focus on Kano and Ogun states, leveraging its ongoing programmes. (the "Programme Area").
3. *Objectives.* The overall objective of the Programme is twofold:
 - Supporting the development of SAPZs in high food production areas to supply the domestic food market and create exportable surpluses (AfDB/IsDB-led).
 - Empowering smallholders and small operators including women and youth to take advantage of the markets created by the SAPZs to sustainably enhance their income and access to employment, household food security and nutrition, and resilience to climate change (IFAD-led).
4. *Components.* The Programme shall consist of the following Components:
 - 4.1. Component 1: Infrastructure Development and Management for Agro-Industrial Hubs. AfDB and ISDB will lead on the support to the FGN in setting up SAPZs in selected high potential areas/states. Each SAPZ will comprise an Agricultural Industrial Hub (AIH) and Agricultural Transformation Centres, strategically located within the production area to aggregate products from the community, transfer them to the AIHs for value addition and supply centres of demand for distribution and retail to consumers. This AfDB-led component is fully developed in their Programme Appraisal Report.
 - 4.2 Component 2: Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas.
 - 4.2.1 *Sub-Component 2.1: Agricultural market linkages and value addition.* SAPZ will aim at improving the access of smallholder farmers, small scale agro-processors and traders to markets, leveraging the significant opportunities offered by the SAPZs and local markets. Expected outcomes: (i) increased access to markets of targeted smallholders, small-scale processors, aggregators and service providers; and (ii) climate resilient infrastructure for access to markets sustainably managed by the beneficiary communities.
 - 4.2.2 *Sub-Component 2.2: Smallholder production/productivity enhancement.* The sub-component objective is to enhance smallholder farmer productivity on a profitable and environmentally sustainable basis to take advantage of the additional market demand created in the SAPZs. Expected outcomes: (i) Farmer Organizations effectively serve their members; and (ii) production and productivity of the smallholder farmers in the Programme Area increases to provide marketable surpluses.
 - 4.2.3 *Sub-component 2.3 – Access to finance and financial inclusion.* The sub-component objective is to facilitate access to appropriate and affordably priced resources to smallholder farmer groups, small scale processors and other beneficiary enterprises supported by the Programme. Expected outcome: smallholder farmer groups, processors, traders and community-based service providers access adapted and affordable formal financial services to sustain their agri-enterprises, including for green investments.

Beneficiaries of the financial services will be the eligible members of FOs supported by the Programme. The FOs will play a key role in facilitating access to finance of their members from the financial service providers (aggregation of the demand, monitoring of the use of the loans, group guarantee, etc.). FOs may also benefit from loans to finance services to their members as per their business plans. The SAPZ will adopt a gradual approach for improving beneficiaries' access to finance and financial inclusion based on the maturity of FOs.

The activities to be funded by GCF will be described in detail in the GCF loan agreement.

4.3 Component 3: Policy and Institutional Development Support

4.3.1 Under this component, the Programme will: (i) support the development of enabling policies and regulatory frameworks for Agro-Industrial Zones, (ii) facilitate local policy dialogue for conducive and inclusive market linkages, (iii) strengthen quality control, grading and standardization systems, (iv) establish and strengthen conflict management mechanisms. While AfDB interventions will focus on all targeted states and IsDB interventions will focus on Kano, Kwara and the Federal Capital Territory (FCT); IFAD-led interventions will focus on Ogun and Kano states.

4.4 Component 4: Programme Coordination and Management

II. Implementation Arrangements

5. *Lead Programme Agency.* Federal Ministry of Agriculture and Rural Development (FMARD).

6. *Programme Oversight Committee.* Strategic inter-ministerial collaboration for the Programme will be provided by an Inter-Agency Steering Committee (IASC) Chaired by the Federal Minister of Finance, Budget, and National Planning with the following Federal Ministries as Members of the Committee to include Federal Ministers of: Agriculture and Rural Development (FMARD); Water Resources; Power, Works, and Housing; and Governors of the Participating States. Oversight for the implementation of the Programme at the national level will be the responsibility of a Federal Inter-Agency Technical Committee (FIATC) chaired by the Federal Minister of Agriculture and Rural Development with membership to include Permanent Secretaries or their representative of the Federal Ministries of Industry, Trade & Investment; Finance, Budget, and National Planning; Water Resources; Power, Works, and Housing. In each participating state, a State Inter-Agency Technical Committee (SIATC) will be established and chaired by the Governor of the participating States with membership to include the Honourable Commissioners of Finance/Planning; Agriculture; Water Resources; Trade, Industry and Investment.

7. *Programme Management Unit.* The implementation of the Programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU). The FPCU will be co-financed by IFAD, AFDB and IsDB and include the following key personnel: a National Programme Coordinator, a Financial Controller, an Accountant in charge of IFAD funding, a Procurement Officer in charge of IFAD funded procurement, a Monitoring and Evaluation Officer, an Infrastructure Engineer, an Environmental and Climate Change Safeguards Officer, a Knowledge Management and Communication Officer, an Agricultural Productivity Officer, Social Safeguards/Gender Officer, and a Rural Institutions Development Officer. The FPCU will establish Participating States Implementation Units (PSIUs) in each target state. The PSIU will be co-financed by IFAD, AFDB and IsDB and will include the following Key Personnel: a State Programme Coordinator, a State Financial Controller, a State Accountant in charge of IFAD funding, a State Procurement Officer in charge of IFAD funded procurement, a State Monitoring and Evaluation Officer, a State Infrastructure Engineer, a State Environmental and Climate Change safeguards officer, a State Development Communication Officer, an Agricultural Productivity Officer, a Social Safeguards/Gender Officer, and a Rural Institutions Development Officer. Staff of the

FMCU and PSIU will be appointed/seconded from the Federal and State Government following established Government procedures acceptable by IFAD and IFAD's No-Objection. The PPP officer will be recruited competitively in the open market.

8. *Implementing partners.* The SAPZ approach and activities are also designed to foster partnerships with public sector agencies, private sector industry and service providers, civil society organizations, development partners, academic and research organizations. It also seeks to create synergies with other programmes that pursue a business-oriented agriculture and aim at agricultural transformation through a value chain approach, including the World Bank-assisted FADAMA programme, the AfDB-assisted Agricultural Transformation Agenda Support Programme (ATASP), GIZ AgFin programme, and GCF-IFAD IGREENFIN II.

9. *Planning and Monitoring and Evaluation.* The FPCU will develop a standardized format for the AWPB. Each PSIU will prepare its AWPB accordingly, planning the activities and investments in its state in a participatory manner involving all stakeholders. The FPCU will prepare the consolidated Programme AWPB based on states' submissions, to be submitted to the National Steering Committee for approval and to AfDB and IFAD for No-Objection. The programme's M&E system will guide decision-makers and stakeholders on Programme performance and assess and document outcomes and impact. The FPCU will put in place M&E tools and procedures according to Government's monitoring framework and responding to respective co-financiers monitoring requirements.

10. *Knowledge Management and Communication.* At inception, the Programme will elaborate and implement a Knowledge Management and Communication Strategy including: (i) the documentation of experiences and the capitalization of lesson learned on inclusive and pro-smallholder programme approaches in key major markets; (ii) the organization of knowledge fairs and learning events; (iii) the production and dissemination of educational and communication materials; and (iv) the establishment of an electronic library.

11. *Programme Implementation Manual.* A Programme Implementation Manual will be developed at Programme inception.

Schedule 2*Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan 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	Loan Amount Allocated (expressed in USD)	Percentage
1. Civil work	12 990 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
2. Grants and Subsidies	11 910 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
3. Services	10 500 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
4. Goods	7 910 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
5. Recurrent costs	1 670 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
Unallocated	4 990 000	
TOTAL	49 970 000	

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

- (i) Category 1 "Civil works" includes construction, renovation, and rehabilitation.
- (ii) Category 2 "Grants and subsidies" includes matching grant and capital simulation fund.
- (iii) Category 3 "Services" includes training, technical assistance, studies, contractual services, and audit.
- (iv) Category 4 "Goods" includes equipment and materials, goods, services, and inputs.
- (v) Category 5 "Recurrent costs" includes personnel and general operating costs.

2. *Disbursement arrangements*

Start-up Costs. To facilitate a prompt start up, withdrawals in respect of expenditures for start-up costs in the services and recurrent costs categories incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500,000. Activities to be financed by Start-up Costs will require the No-Objection from IFAD to be considered eligible.

The start-up funds will include inter alia: (i) establishment of the FPCU, PSIU and salaries of key staff; (ii) formulation of the Programme Implementation Manual including the financial procedures, accounting and procurement manual; (iii) preparation of the first annual work plan and budget (AWPB) and procurement plan; (iv) organization of a start-up workshop; (v) deployment of a suitable accounting software; (vi) finalization of the scope of work and the terms of reference (ToRs) of the internal auditor as well as report format; and (vii) finalization of the agreement/MoU templates to be used with the States and other implementing partners including the subsidiary loan agreement with states.

Schedule 3

Special Covenants

I. General Provisions

1. In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan/Grant Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as it is the practice in IFAD on-going supported programmes, to satisfy International Accounting Standards and IFAD's requirements.
3. *Transfer of the Proceeds of the Financing to the Programme States.* The Borrower shall ensure that the proceeds of the IFAD loan are not transferred to any participating state until each such State shall have: (i) opened its State Designated Account; (ii) Programme Account B; (iii) entered into a subsidiary loan agreement with the Borrower, in form and substance acceptable to the Fund, setting forth the scope of the work to be undertaken, expected targets, estimated budget for specific activities, clearly defined target indicators, as well as proposed flow of funds arrangements; and (iv) set up acceptable Financial Management arrangements to the Fund including adopting financial procedures manual, and hiring of the State Programme Accountant, Internal Auditor and state finance officer.
4. *Planning, Monitoring and Evaluation.* The Borrower 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.
5. *Audit.* The Borrower shall ensure that the SAPZ shall appoint, based on terms of reference approved by the Fund, an independent auditor acceptable to the Fund to audit the consolidated financial statements of the entire Programme on an annual basis, in accordance with international auditing standards and IFAD guidelines on Programme Audits. An audited annual financial statement for the entire Programme at Federal and State levels, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the fiscal year end.
6. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Programme Parties shall ensure that the Programme 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 Programme Vehicles and Other Equipment.* The Borrower shall ensure that:
 - (a) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Programme; and
 - (b) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

9. *FAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Programme.

10. *Recruitment of staff.* The Borrower shall ensure that the FPMU and PSIU staff are appointed/seconded in conformity with the PIM. All such staff shall be appointed/seconded under procedures acceptable to the Fund and have qualifications and demonstrable experience commensurate with their duties. The recruitment process and the appointment of the Key Programme Personnel and technical staff shall be subject to prior review and No-Objection of the Fund. The Fund shall be notified of the transfer, suspension, and termination of Key Programme Personnel.

11. *The Key Programme Personnel* are listed in Schedule 1. In order to assist in the implementation of the Programme, the FPMU and PSIUs, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Programme Personnel shall be seconded to the FPMU and PSIUs in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Programme Personnel is subject to IFAD's prior review and No-Objection. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme 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 SAPZ's circumstances.

12. The Programme Coordinating Unit in the Federal Ministry of Agriculture and Rural Development will coordinate and facilitate the engagement of key staff of the FPMU, including reviewing of candidate's CVs in conformity with the PIM, organizing venue and logistics for the interview, as well as delivery of engagement letter to successful candidates.

II. SECAP Provisions

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Programme in accordance with the nine 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 Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower 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 Programmes presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Programme 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 Programmes and Abbreviated

ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk Programmes 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 Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower 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 Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Programme 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. Provided that where the project person cannot be immediately compensated due to litigation issues, an acceptable alternative design option shall be firstly considered in order to avoid such situation and, in the case such alternative cannot be considered, the Borrower shall provide to the fund evidence that the agreed compensation due has been set aside in an interest yielding account, acceptable to the Fund.

4. The Borrower shall cause the Lead Programme Agency to comply at all times while carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

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

6. The Borrower 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 Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Programme 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 Programme for people who may be unduly and adversely affected or potentially harmed if the Programme fails to meet the SECAP standards and related policies. The Programme-level grievance mechanism needs to take into account 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. Any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labour issues or to adjacent populations during Programme implementation that, with respect to the relevant IFAD Programme:

- (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.

9. The Borrower 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.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Programme-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 Programme level grievance mechanism according to the SECAP requirements;
- 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.

10. **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 Borrower'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 Borrower (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 Programme 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), 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).

11. Without limitation on its other reporting obligations under this Agreement, the Borrower 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 semi-annual 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 Programme and propose remedial measures. The Borrower 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.

12. The Borrower 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 Programme.

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