
Kingdom of Cambodia
**Agriculture Services Programme for an Inclusive
Rural Economy and Agricultural Trade (ASPIRE-AT)**
Negotiated financing agreement

Document: EB 2022/137/R.30/Sup.1

Agenda: 16(a)(i)(a)

Date: 8 December 2022

Distribution: Public

Original: English

FOR: INFORMATION

Negotiated financing agreement

Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade (ASPIRE-AT)

(Negotiations concluded on 01 December 2022)

Loan No: _____
Loan No: _____
Loan No: _____

Project name: *Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade* ("ASPIRE-AT" or "the Project")

Kingdom of Cambodia (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 Project described in Schedule 1 to this Agreement;

WHEREAS, the Borrower is negotiating a co-financing agreement with the European Investment Bank (EIB) to provide financing for the Project;

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

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

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 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. 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 three loans (the "Financing") to the Borrower which the Borrower 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 on blend terms is eleven million and two hundred thousand United States Dollar (USD 11 200 000), Loan A;

- B. The amount of the Loan on highly concessional terms is twenty two million and seven hundred thousand United States Dollar (USD 22 700 000), Loan B;
 - C. The amount of the Loan on ordinary terms is fourteen million United States Dollar (USD 14 000 000), Loan C.
2. Loan A. The Blend Term (BT) Loan 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 BT Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the BT 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 BT Loan by the Fund's Executive Board. The principal of the BT Loan will be repaid in equal instalments.
 3. Loan B. The Highly Concessional Terms (HCT) Loan shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the HCT Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The HCT 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 HCT Loan by the Fund's Executive Board. The principal of the HCT Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40) of the Loan term.
 4. Loan C. The Loan granted on ordinary terms (OT Loan) shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty seven (27) years, including a grace period of eight (8) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
 5. The Loan Service Payment Currency shall be in United States dollars (USD).
 6. The first day of the applicable Fiscal Year shall be 1st of January.
 7. Payments of principal and interest service charge shall be payable on each 15th June and 15th December.
 8. There shall be a Designated Account in USD, for the exclusive use of the Project opened at the National Bank of Cambodia for loan proceeds. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account. The Designated Account will be administered following revolving fund arrangements, as explained in the IFAD Project Financial Management & Financial Control Handbook for Borrowers (FMFCH).
 9. There shall be a Project Accounts in USD at the ASPIRE Secretariat to receive IFAD loans from the Designated Account, two Project Accounts in USD at the Agricultural and Rural Development Bank (ARDB) and Small and Medium Enterprise Bank of Cambodia (SME bank) respectively to receive funds from the Designated Account(s) for Credit Line activities.
 10. The Borrower shall provide counterpart financing for the Project in the amount of nineteen million two hundred thousand United States Dollars (USD 19 200 000).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture, Forestry and Fisheries (MAFF).
2. The Additional Project Parties are described in Schedule 1.
3. 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. A Mid-Term Review is planned for early 2026.
4. The Project 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 6 months later, or such other date as the Fund may designate by notice to the Borrower.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

The Fund will administer the Loan and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The ASPIRE Secretariat and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
 - (b) In the event that the Borrower does not request a disbursement of the Financing for a consecutive 12 month period following the last disbursement, without justification.
2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event the co-Financing from EIB is not materialized or substituted by other source of financing.
3. 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 personnel has been appointed as per Schedule 3 of this Agreement.
 - c) IFAD must receive, a duly completed Authorised User(s) Letter, from the designated representative or a sufficiently senior delegated official, designating the name(s) of official(s) authorised to approve Withdrawal Application(s) and Interim Financial Reports (IFR).
 - d) The first AWPB shall have been submitted and received no-objection from IFAD.

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

For the Borrower:

Director General
General Department of International Cooperation
and Debt Management
Ministry of Economy and Finance
St. 92, Sangkat Wat Phnom, Khan Daun Penh,
Phnom Penh, Cambodia

For the Fund:

Country Director
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

The language of communication between the Parties shall be English.

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

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.

KINGDOM OF CAMBODIA

H.E Dr. AUN Pornmoniroth
Deputy Prime Minister
Minister of Economy and Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvario Lario Hervas
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.*

The target beneficiaries of ASPIRE-AT will be (i) 100,000 smallholder farm households who are either poor or near-poor and vulnerable to falling into poverty due to climate, market or other shocks but who have productive potential and can take advantage of market opportunities; and (ii) 25,000 landless or land-poor households ready to take advantage of employment opportunities. Both groups will be reached through support to about 500 POs and to small and medium-sized agricultural enterprises. About 50% of beneficiaries will be women and 20% will be youth. In line with Cambodia's population, 1.5% will be indigenous people.

Targeting strategy will be based on selection of pro-poor value chains that are prioritised in the Agriculture Development Policy and are suitable for smallholder production, with potential to increase productivity through modest capital investment and involving intensive, unskilled labour inputs; or value chains involving large numbers of women, youth and IPs as producers or processors. The initial target value chains will be native chicken, cassava, cashew, fresh fruits and processed fruits.

2. *Project area.*

ASPIRE-AT will be national in scope, meaning that in principle, eligible beneficiaries organised in producer organisations in the targeted pro-poor value chains can qualify for support. Geographic targeting will be required primarily for intensive support to capacity development of POs under Component 3 and will be based on the areas where production of the target commodities is located. This geographic targeting of activities will follow IFAD best practice guidelines for pro-poor value chain development i.e. to use a cluster approach, potentially grouping poorer areas with wealthier ones; to select value chains on the basis of the likely benefits to poorer producers; and to allow for inclusion of rural populations with different levels of poverty. Within this approach, support will specifically target and prioritise poorer households as described under Component 1. To maximise efficiency and impact, areas representing clusters of production activities in the target value chains will be prioritised for capacity building support for producer organisations.

3. *Goal.*

The Project Goal is "Rural poverty and vulnerability has decreased and climate resilience of Cambodian rural households has increased through inclusive and environmentally sustainable growth in the agriculture sector".

4. *Objectives.*

The Project Development Objective (PDO) is "Inclusive and sustainable agriculture sector growth based on exports and domestic markets has increased incomes of rural producers and workers".

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

5.1 **Component 1: Productive and Resilient Assets for Producer Organisations**

Component 1 will finance investments that are identified in the business plans of graduated POs that have achieved a required level of capacity based on scorecard criteria including: (i) measures of business and administrative capacity, (ii) strong partnership with private sector, and (iii) strong governance and social inclusivity and social and environmental risk management. Each graduated PO, in consultation with its members will develop a Business Plan identifying the eligible investments to be financed by PO members, by the PO and

investments in enabling market infrastructure. Business Plans will be subject to project approval by MAFF (or such other agency/entity as delegated by MAFF) according to pass/fail and prioritisation criteria including (1) commercial, financial and technical viability; (2) investment readiness and management capacity of the POs; (3) strength of partnership arrangements including technical support from agri-business partners to farmers and POs; (4) social inclusiveness (benefits to poor households, opportunities for women and for youth etc.); and (5) environmental, climate and social risks (including accessibility).

5.1.1. *Sub Component 1.1 Investment in productive and resilient assets of POs and small holders*

The Project will work with Government of the Kingdom of Cambodia's Agricultural and Rural Development Bank (ARDB) to provide financial support to graduated POs and its individual member with eligible investment proposals through the integration of credit line for business investment and results-based grants. Grants will be held in escrow accounts and will be released once loans are repaid. Therefore, the grant will act as a partial guarantee to ARDB and will reduce the need for other collateral. The borrower (a graduated PO or a farmer member of a graduated PO) submits a credit line application to ARDB based on a Business Plan approved by the MAFF (or such other agency/entity as delegated by MAFF) ARDB conducts screening and due diligence checks to ensure that the credit line application complies with all eligibility criteria and issues approval for the financing.

5.1.2. *Sub Component 1.2 Enabling market infrastructure for Producer Organisations*

Enabling market infrastructure for Producer Organisations will finance physical infrastructure assets that will be owned, operated and maintained by the PO's own resources that are important for achieving competitiveness and sustainability but which cannot easily generate revenue and the costs of which cannot otherwise be met by the PO. These investments will only be available for POs that have not received similar project support in the past.

5.2 Component 2: Business Partnership and Market Access

Business Partnership and Market Access will support public and private investment to increase the number and competitiveness of agri-businesses operating in priority value chains and the associated enabling public goods and services to support competitive export growth.

5.2.1. *Sub Component 2.1 Strengthening private investment for agricultural market and trade development*

Sub-Component 2.1 will provide investment-oriented technical support to about 40 agri-businesses to plan and deliver successful upgrading investments in the target value chains. Technical support will include market exposure and trade promotion, bespoke technical investment advice and facilitation of links to centres of industry-leading international knowledge. Participating businesses will be facilitated to establish trading links with farmers and POs supported by the Project.

About 15 agri-businesses will receive financing for investments from a line of credit through the government's SME Bank directly and/or SME Bank partner institutions supported by credit guarantees from the Cambodia Credit Guarantee Corporation (CCGC).

5.2.2. *Sub Component 2.2 Strengthening the enabling environment for competitive agricultural value chains and trade*

Sub-component 2.2 will upgrade critical public services and associated infrastructure to enable competitive export growth, with a focus on export-oriented plant health and quarantine services. Investments will include upgrading of physical infrastructure and equipment as well as capacity strengthening of the institutions and staff. Approval of investments will be subject to feasibility studies demonstrating compliance with criteria for effectiveness, viability and sustainability. Provisionally, the Project will finance a Post Harvest

Reference Centre; Export Quarantine Inspection Offices (up to 5); a Plant Health Reference Laboratory and Plant Health Research Stations (up to 3).

The sub-component will also support a review of policies and regulations affecting the priority sectors and proposals for adjustment to strengthen competitiveness.

5.3. Component 3: Aggregating Farmers and Integrating them in Value Chains

Aggregating Farmers and Integrating them in Value Chains will support existing POs to achieve the scale and institutional capacity required to provide effective services to their members, be attractive partners for agri-business and to qualify for investment financing under Component 1. Candidate POs will be active in the target value chains in the Pro-Poor Value Chain areas and will include existing ACs as well as the BCs supported by AIMS and ASPIRE and other informal POs. Provincial Departments of Agriculture, Forestry and Fisheries (PDAFFs) will identify the POs and conduct the formal registration process. By the end of the Project it is anticipated that there will be approximately 500 participating "graduated POs" of which about 300 will be newly registered. There will also be about 35 Unions of Agriculture Cooperatives (UAC).

5.3.1. Sub Component 3.1. Structure and Capacity of Producer Organisations

It will assist POs to structure themselves in formal organisations and to increase their capacity in key functions.

Capacity development activities will be implemented by specialised service providers with a track record in support to POs. These service providers will be contracted by ASPIRE Secretariat but will work in close cooperation with PDAFFs in the Pro-Poor Value Chain Areas they are assigned responsibility for. One service provider will be recruited early in the Project with the dual role of (1) supporting capacity development of POs in the initial five Pro-Poor Value Chain Areas in Year 1; and (2) further developing procedures and working methods as a basis for recruiting up to four additional service providers based either on cluster areas or on specific value chains, from Year 2 onwards.

5.3.2. Sub Component 3.2 Technical Advice and Centers of Excellence

Sub-Component 3.2 will finance the establishment of Centres of Excellence for development, promotion and demonstration of improved production and post-harvest techniques with an emphasis on climate-smart agriculture. Centres of Excellence will be implemented in partnership with private sector suppliers of technology. The Centres of Excellence will be linked to the POs and farmers through a network of Lead Farmers.

II. Implementation Arrangements

6. Lead Project Agency.

The Ministry of Agriculture, Forestry and Fisheries (MAFF) will be the Project Executing Agency and will assign Project management responsibilities to the existing ASPIRE Secretariat, thus making use of established capacity, ensuring continuity and facilitating implementation of the Project readiness action plan.

7. Project Oversight Committee.

ASPIRE-AT will be overseen by a Joint Country Programme Steering Committee chaired by MEF and also responsible for oversight of the current ASPIRE, AIMS and SAAMBAT. Following this established practice, the Joint Country Programme Steering Committee will set the policy and technical direction of the Project, ensure alignment with Government of the Kingdom of Cambodia policy and with interventions financed by other donors, and facilitate synergies between IFAD portfolio projects following the Programme Based Approach.

8. Project Management Unit.

ASPIRE Secretariat responsibilities will include (1) project planning and reporting; (2) project financial management and procurement; (3) monitoring and evaluation; (4) social, environment and climate change risk management; (5) guide implementation of the Gender Transformative Approach; and (6) mainstream adoption of digital technology in all components.

9. *Implementing partners.*

9.1. Implementing Agencies

ARDB will finance investments in Sub-Component 1.1 through (1) management of project funds to finance loans and grants to eligible farmers and graduated POs; (2) screening of credit line application; (3) financing loans and grants to eligible farmers and graduated POs; (4) reporting to ASPIRE Secretariat. ARDB will sign a sub-agreement with MEF to specify the loan terms and condition, financial management and reporting obligations.

SME Bank will finance investments in Sub-Component 2.1 through (1) management of project funds to finance loans and/or provide credit guarantees in partnership with CGCC, as applicable; (2) screening of credit line application; (3) financing of loans backed by credit guarantees in partnership with CGCC; and (4) reporting to ASPIRE Secretariat. SME Bank will sign a sub-agreement with MEF to specify the loan terms and condition, financial management and reporting obligations.

9.2 Other implementing partners

General Directorate of Agriculture (GDA) will be responsible for technical guidance in key areas including (1) formation and capacity building of ACs and UACs; (2) registration of UACs; (3) selection, design and implementation of public service investments under component 2.2; (4) development of relevant policy and regulation, particularly to expand trade and market access in target value chains; (5) coordination of the project ICT strategy; and (6) management of Centres of Excellence.

Provincial Departments of Agriculture, Forestry and Fisheries (PDAFF) will (1) conduct mapping of pro-poor value chains and producer organisations; (2) conduct formation and registration of Agriculture Cooperatives; (3) manage and coordinate networks of Lead Farmers including identifying training needs; (4) cooperate with regional service providers for business development services to graduated POs; (5) Project planning, monitoring and reporting at Provincial level.

Graduated POs (ACs, UACs and other types of formal producer organisation) will (1) ensure compliance with good governance and inclusivity criteria; (2) prepare business plans; (3) develop partnerships with agri-businesses; (4) prepare applications for investment financing under Component 1; (5) counter-sign and monitor implementation of farmer loan and grant agreements; (6) directly implement PO loan and grant agreements; (7) conduct community procurement to identify preferred suppliers for farmer and PO investments; (8) monitor implementation of enabling infrastructure investments; (9) operate enterprises and cash-generating activities; (10) operate and maintain enabling infrastructure; and (11) report on activities, outputs and outcomes via the project MIS.

Agricultural Cooperative Business Development Service Providers will be recruited by the project based on proven track record and expertise in working with POs, in specific value chains and specific geographic areas. It is envisaged that between 3 – 5 service providers will be recruited according to TORs to be included in the PIM, with one service provider recruited in Year 1 responsible for developing procedures and training curricular, and the remainder service providers recruited in Year 2. The roles of these service providers will include (1) strengthening governance and inclusiveness of the POs, with particular regard to promoting women's voice and leadership roles; (2) strengthening administrative and financial management capacity of the POs; (3) facilitating partnerships with between POs and agri-businesses; (4) supporting preparation of PO Business Plans through a participatory process with PO members and in consultation with private sector partners;

(5) supporting preparation of investment proposals for Component 1 financing; and (6) an ongoing coaching and backstopping role during implementation of the Business Plan.

10. *Monitoring and Evaluation.*

M&E of ASPIRE-AT will be based on (1) an Outcome Survey conducted at household level, with baseline, mid-term and endline measurement; and (2) a Management Information System (MIS) based on an upgrade of the existing ASPIRE MIS which can capture information on production and sales at farm level.

All implementing agencies will be responsible to provide data to update the ASPIRE-AT MIS which will track data at the following levels: (1) individual farmers; (2) POs; (3) agri-businesses; (4) PDAFFs; and (5) other agencies with implementing responsibilities.

11. *Knowledge Management.*

A Communications Plan for the Project will be developed and implemented by ASPIRE Secretariat in coordination with IFAD communications specialists. Knowledge sharing will be primarily through digital means (avoiding expenditures on hard-copy publications). The Project will establish and regularly update a web-site and will develop a range of web-based knowledge products including blogs, policy and technical briefs and video segments. ASPIRE Secretariat will also reach out to stakeholders including individual farmers by making use of mobile applications to communicate simple messages and to invite feedback. Due regard will be paid to appropriate acknowledgement of IFAD financing and support to the Project and also to the need to protect IFAD from reputational risk.

12. *Project Implementation Manual.*

A Project Implementation Manual (PIM) has been prepared and includes Terms of Reference (TORs) for key service providers.

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 IFAD 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	Highly concessional loan amount (expressed in USD)	Blend loan amount (expressed in USD)	Ordinary Loan amount (expressed in USD)	Percentage
Vehicles	-	150 000	-	100% net of taxes, Government contribution and other co-financiers
Goods, services & inputs	500 000	2 850 000	-	100% net of taxes, Government contribution and other co-financiers
Credit and Guarantee Funds	10 500 000	-	12 750 000	100% net of taxes, Government contribution and other co-financiers
Training	11 700 000	-	-	100% net of taxes, Government contribution and other co-financiers
Consultancies	-	8 200 000.0	1 250 000	100% net of taxes, Government contribution and other co-financiers
TOTAL	22 700 000	11 200 000	14 000 000	

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

- (i) Goods, service & inputs means the costs relating to procurement of goods and services, Studies and Survey costs.
- (ii) Credit and Guarantee Funds means the costs relating to lines of credit carried out by ARDB and SME banks.
- (iii) Training is the costs relating to training and capacity building.
- (iv) Consultancies means the costs relating to Technical Assistant fees (Secretariat) and consultancy.

(b) 1.As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred as of 01 January 2023 until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to five hundred thousand US dollars (USD 500 000) for activities relating to: project staff recruitment and salary under Consultancy category. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to

be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.3 are fulfilled.

2. Audit arrangements. The annual financial statements for the Project shall be subject to annual audit by an external auditor to be appointed by the Ministry of Economy and Finance (MEF) as acceptable to IFAD.

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 Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. *Indigenous People Concerns.* The Borrower shall ensure that the concerns of IPs 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 IP national legislation;
 - (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
 - (c) IP rights are duly respected;
 - (d) IP communities, participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected¹; and
 - (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.
5. *Land tenure security.* The Borrower 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.
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 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 shall ensure that:
 - (a) all vehicles and other equipment procured under the Project are allocated to;

¹ Refer to ILO 169, 1989 when ratified.

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

9. IFAD Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project 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 Project 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 Project/Program.

10. The Key Project Personnel of ASPIRE Secretariat are: a Project Director, a Project Manager, a Team Leader; a Gender and Social Inclusion Specialist; a Social, Environment and Climate Change Specialist, a M&E and Planning Specialist, a ICT Specialist, a Finance and Accountant Specialist and a Procurement Specialist. The change of Key Project Personnel will require IFAD's endorsement.

In order to assist in the implementation of the Project, the PMU, 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 Project Personnel shall be seconded to the ASPIRE Secretariat 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 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.

II. SECAP Provisions

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project 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 Plans.

2. The Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Framework (ESCMF), Environmental, Social and Climate Management Plans (ESCMPs), the FPIC Implementation Plan, the Indigenous Peoples Plan (IPP), and the Cultural Heritage Management Plan (the "Management Plans"), 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 Plans, 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 Plans.

3. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans.

4. The Borrower shall disclose the ESCMF and all other relevant Management Plans 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 take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

5. 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 Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plans.

6. The Borrower will ensure that a Project-level grievance mechanism is established that 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 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.

7. 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 Borrower 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 Plans, 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 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 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), 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).

8. 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 Plans are respected.

9. 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 plans 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 Project 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 Plans promptly after becoming aware of such a breach.

10. 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 Plans as the Fund considers appropriate depending on the scale, nature and risks of the Project.

11. In the event of a contradiction/conflict between the Management Plans and the Financing Agreement, the Financing Agreement shall prevail.