
Republic of Zimbabwe

**Horticulture Enterprise Enhancement Project
(HEEP)**

Negotiated financing agreement

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Negotiated financing agreement

Horticulture Enterprise Enhancement Project (HEEP)

(Negotiations concluded on 21 November 2022)

Loan No:

Project name: Horticulture Enterprise Enhancement Project ("HEEP"/ "the Project")

The Republic of Zimbabwe (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 Project shall be co-financed by the OPEC Fund for International Development (OPEC) through a loan amounting to Fifteen Million United States Dollars (USD 15 000 000) ("OPEC Loan").

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 a Loan (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. The amount of the IFAD loan is Thirty Seven Million, One Hundred and Forty Thousand United States Dollars (USD 37 140 000).
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.

3. The principal of the 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).
4. The Loan Service Payment Currency shall be in United States Dollars.
5. The first day of the applicable Fiscal Year shall be 1 January.
6. Payments of principal and service charge shall be payable on each 15 June and 15 December.
7. The Borrower shall open one segregated Designated Account, denominated in USD at the Reserve Bank of Zimbabwe (RBZ), to receive the proceeds of the IFAD financing. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. The Lead Project Agency shall open one segregated Project Operations Account, denominated in USD, which will thereafter be maintained under the Project Management Unit to receive the financing from the Designated Account.
9. The Borrower shall provide counterpart financing for the Project, in-kind and/or in-cash, in the amount of five million two hundred and forty thousand United States Dollars (USD 5 240 000) in the form of contributions to civil works and matching grants under Component 1, to operating costs, salaries and allowances under Component 3, as well as for taxes and duties, provided through tax waiver to the Project.
10. The Borrower shall open a segregated project bank account to receive the counterpart financing from the Government of Zimbabwe.

Section C

1. The Lead Project Agency shall be the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development ("MLAFWRD").
2. Additional Project Parties are as described in Schedule 1 Part II.
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.
4. The Project Completion Date shall be the eight 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. The Financing Closing Date will be established as specified in the General Conditions.
5. Procurement of goods, works and services financed by the Financing shall be carried out:
 - (a) in accordance with the provisions of the Borrower procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines

Section D

1. 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 Project 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 Project;
 - (b) when the OPEC Loan agreement with the Borrower has failed to enter into force and effect within nine hundred and twelve (912) days from the date of this Agreement, and substitute funds are not available to the Borrower; and
 - (c) the right of the Borrower to withdraw the proceeds of the OPEC Loan has been suspended, cancelled or terminated, in whole or in part, or the OPEC Loan has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - (a) The PIM shall have been prepared by the Borrower and obtained no objection from IFAD. The PIM shall include operational arrangements for the Matching Grant (MG) scheme under Component 1, the Export Horticultural Revolving Fund (EHRF) under Component 2, project financial management and procurement;
 - (b) The establishment of the Project Steering Committee, the Project Technical Committee, as provided for in schedule 1 section 7 shall be finalised;
 - (c) Key Project Management Unit staff, namely the National Project Coordinator, Chief Accountant and Senior Procurement Officer as well as one of the recruited technical advisors or specialists, shall have been appointed following receipt of no-objection from the Fund;
 - (d) A suitable off-the shelf accounting software shall have been purchased, installed and implemented at PMU and staff duly trained in the use of it;
 - (e) An operational circular to the RBZ shall have been prepared by the Borrower and obtained no objection from IFAD as additional condition to disbursement of the Financing for the activities pertaining to the EHRF under Component 2;
 - (f) The EHRF Finance/Insurance Portfolio Administrator shall have been appointed by the PMU as additional condition to disbursement of the Financing for the activities pertaining to the EHRF under Component 2.
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:

The Permanent Secretary
Ministry of Finance and Economic Development
4th Floor, New Government Complex
Corner Samora Machel and Fourth Street
Harare, Zimbabwe

For the Fund:

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

Copy to: IFAD Country Director, Zimbabwe

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.

REPUBLIC OF ZIMBABWE

Prof. Mthuli Ncube
Minister of Finance and
Economic Development

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 Project shall benefit poor smallholder farmers, who will be organised in Agricultural Producer Groups (APGs) in Village Horticulture Gardens (VHGs) and Agriculture Producer Groups in 4Ps linked to anchor firms.

2. *Project area.* The Project will be located in four (4) provinces: Matebeleland South, Masvingo, Midlands and Manicaland for the Village Horticulture Gardens (VHGs) and for the 4Ps, the project will be located in well-functioning irrigation schemes throughout the ten provinces of the country in particular in the high potential regions of Mashonaland provinces and Manicaland province (*the "Project Area"*).

3. *Goal.* The goal of the Project is to "increase incomes, food security and empowerment for smallholder farmers (SHFs) engaged in profitable and sustainable horticulture value chains".

4. *Objectives.* The objective of the Project is to "support increased and sustainable *horticultural* production and sales by smallholder farmers and micro, small and medium enterprises (MSMEs) engaged in horticulture value chains".

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

5.1 Component 1: **Village Horticultural Garden and 4P Mobilization and Development**

5.1.1 *Sub-Component 1.1: Village Horticulture Garden Mobilization and Development.* The expected results are 620 VHGs providing increased income and nutritional outcomes to 31,000 poorer rural households.

5.1.2 *Sub-Component 1.2: 4P Identification, Mobilization, and Capacity Building.* The expected result is to link 20,000 SHF to 20 4Ps, and build their capacity through technical assistance and training.

5.1.3 *Sub-Component 1.3: 4P Matching Grants (MGs) and Public Infrastructure.* The expected results is: (i) 20 4Ps serving 20,000 SHF households with an increased ability to produce and market high value horticultural products using climate-resilient and innovative technologies and (ii) public sector infrastructure that will enhance economic returns for 4P partners, leveraging the private investments made by 4P members and providing economic and social benefits for non-4P SHFs, MSMEs, and rural residents in the 4P areas.

5.2 Component 2: **Access to Finance**

5.2.1 *Sub-Component 2.1: Export Horticultural Revolving Fund (EHRF).* The expected result is to provide short-and long-term finance to anchor firms and other partners of 20 4Ps that will enable them to improve and expand the production and marketing of high-value horticultural produce.

5.2.2 *Sub-Component 2.2: Capacity Building for Enhanced Agricultural Lending.* The expected result is to increase the range and coverage of appropriate financial services and products available to SHFs provided by at least four commercial banks or MFIs.

5.3 Component 3: **Institutional Support and Project Coordination.**

5.3.1 *Sub-Component 3.1: Institutional Support.* The expected result is to improve the production and marketing information for the benefit of public sector policy makers and private sector investors, and to improve the governance of contract farming/hub and spoke arrangements to ensure a fair distribution of risks and benefits to all parties.

5.3.2 *Sub-Component 3.2: Project Coordination.* HEEP will be managed by a Project Management Unit (PMU), with some functions supported by or subsumed under the Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is creating for Smallholder Irrigation Revitalisation Programme, Smallholder Agriculture Cluster Project, and HEEP. The HEEP PMU will be headed by a project Coordinator who report to the Permanent Secretary of MLAFWRD, with MLAFWRD Permanent Secretary the chair of the Project Steering Committee. The national PMU will be headquartered in Harare, and regional PMUs will be established in Mutare, Masvingo and Bulawayo.

II. Implementation Arrangements

6. *Lead Project Agency.* The Lead Agency will be the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD). The Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is established for Smallholder Irrigation Revitalisation Programme (SIRP), Smallholder Agriculture Cluster Project (SACP), and HEEP for supported functions shared across the programmes.

7. *Project Oversight Committee.* A joint Project Steering Committee (PSC) will be constituted for SIRP, SACP and HEEP. The PSC will be responsible for programme oversight and strategic guidance. The PSC is chaired by the Permanent Secretary of the MLAFWRD. The composition of the PSC and the roles and responsibilities are presented in the PIM. A Project Technical Committee (PTC) will be responsible for reviewing 4P proposals as well as other key technical proposals, and will make recommendations for PSC action. The PTC will meet bi-monthly or as required and will be composed of members from the Horticulture Development Council, and representatives from business organizations such as the Confederation of Zimbabwe Industries or Zimbabwe National Chamber of Commerce, MOFED, Agritex horticulture branch, and MLAFWRD.

8. *Project Management Unit.* HEEP will be managed by a Project Management Unit (PMU), with some functions supported by or subsumed under the Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is creating for Smallholder Irrigation Revitalisation Programme, Smallholder Agriculture Cluster Project, and HEEP. The HEEP PMU will be headed by a Project Coordinator who report to the Permanent Secretary of MLAFWRD, with MLAFWRD Permanent Secretary the chair of the Project Steering Committee. The national PMU will be headquartered in Harare, and regional PMUs will be established in Mutare, Masvingo and Bulawayo.

The JMU staff will consist of a mix of dedicated staff for each project and shared officers working for SIRP, SACP and HEEP. The staff is either competitively hired or seconded/attached. The JMU and the PMU of HEEP will be based in Harare. The HEEP National Project Coordinator, Chief Accountant, Senior Procurement Officer, Senior Horticulture and Agribusiness Advisor, Climate Smart Agriculture Advisor, Horticulture and Agribusiness Specialist, Senior 4P/Partnership Specialist, Farming as Business Advisor Senior Export Finance Advisor and Access to Finance Advisor. The recruited staff is referred to as Key staff.

All the recruited staff will be recruited from the market. The recruitment process will be as broad as possible trying to reach out a wide range of interested professionals, including diaspora. While several specialists, particularly the key ones, are dedicated to only one project, HEEP shares an Office Secretary, Senior Social Inclusion Specialist and KM/Communication Specialist with SIRP and SACP.

10. *Implementing partners.* To manage the field operations, HEEP will establish three Regional Project Management Units (RPMU), in Bulawayo, Mutare and Masvingo. The VHGs will be implemented by ARDA in collaboration with other institutions such as AGROITEX, ARDA and ZINWA. At the district level, the implementation will be carried out through AGRITEX extension network, which forms implementation teams in 20 HEEP districts covered by the project. The extension will also work with ARDA. The districts level field operations will be supported by HEEP-resourced staff from other public institutions and private sector service providers. The HEEP budget includes adequate resources for field staff mobility and good telephone and internet connectivity to facilitate easy outreach to the HEEP-supported communities and to improve the chances of reaching the HEEP implementation targets in an effective manner.

11. *Monitoring and Evaluation.* HEEP will develop a robust M&E system in compliance with IFAD and the GoZ requirements. The HEEP M&E system will generate timely and accurate information to support decision-making and adaptive management. In particular, it will: (i) collect, analyse and update information on project outputs, outcomes and impact; (ii) support NPMU and the Steering Committee in planning and making informed decisions on HEEP strategies and actions; (iii) maintain and strengthen strategic partnerships with stakeholders; and (iv) create opportunities for learning and sharing results.

12. *Knowledge Management* will capture and document lessons and innovations through field data collection, reports and thematic studies will be an integral part of the learning and knowledge management function of HEEP. KM activities will have two main focuses: supporting policy engagement, and supporting the project's mainstreaming themes.

13. *Project Implementation Manual.* A draft implementation manual has been prepared a well as annual work plan and budget, and procurement plan for the first eighteen (18) months of project implementation. The JMU with SIRP and SACP is expected to speed up project start up.

Schedule 2

Allocation Table

1. *Allocation of IFAD 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	IFAD Loan Amount Allocated (expressed in USD)	Percentage of Expenditure (net of Taxes, Government and Beneficiaries' contributions)
I - Works	6 660 000	100%
II - Equipment & Materials	2 240 000	100%
III - Grant & Subsidies	15 230 000	100%
VI - Consultancies	4 390 000	100%
V - Recurrent costs	4 910 000	100%
Unallocated	3 710 000	100%
TOTAL	37 140 000	100%

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

- (i) Equipment & Materials: also including expenditures incurred for *Vehicles* and for *Goods, Services and Inputs*;
- (ii) Grant & Subsidies: including *Matching Grants* under Component 1 and the *EHRF Credit Line* under Component 2;
- (iii) Consultancies: also including expenditure incurred for *Technical Assistance, Trainings and Workshops*
- (iv) Recurrent costs: including expenditure incurred for *Operating Costs, Salaries and Allowances*.

2. *Disbursement arrangements*

- (a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up cost incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 400 000. Activities to be financed by Start-up advances will require the no objection from IFAD to be considered eligible.

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. *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.
2. *Gender.* The Borrower shall ensure that the project is gender transformative by addressing gender inequality challenges in horticulture.
 - (a) *Inclusivity:* The Borrower shall ensure that: Project activities reach all different groups in the Project Area, through the provision of opportunities to access and participate in project services;
 - (b) All groups located in Project Area are adequately represented in local planning for Project activities;
 - (c) The terms Declarations, Covenants and/or conventions ratified by the Borrower on the subject are respected.
3. *Land Access.* The Borrower shall ensure that smallholder farmers have full access to land along applicable country's customary and legal regulations.
4. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower confirms that the Project will be implemented in compliance with policies and strategies, including, inter alia: IFAD's Environment and Climate Change Strategy; (ii) IFAD's Natural Resources Management Policy; (iii) IFAD's Policy on Improving Access to Land and Tenure Security. Before supporting any intervention that might affect the land access and use rights communities, the Project will ensure that their free prior, and informed consent has been solicited through inclusive consultations based on full disclosure of the intent on the scope of activities planned and their implications. Prior to carrying out any construction of infrastructure and related items, the Borrower shall prepare and adopt Environmental and Social Impact Analysis and Environmental Social Management Plans (ESMPs), where they are required, with adequate budget for their implementation, so that the full social and environmental sustainability of infrastructure development is foreseen.
5. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
6. *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.
7. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:

- (a) all vehicles and other equipment procured under the Project are allocated for Project implementation;
- (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 procured under the Project are dedicated solely to Project use.

8. *External Audit.* Annual external audits shall be conducted and to include a performance audit on the disbursed Matching Grants and EHRF credit lines.

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 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 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.

10. The Key Project Personnel are: Project Coordinator, Chief Accountant, Chief Accountant, Senior Procurement Officer, Senior Horticulture and Agribusiness Advisor, Climate Smart Agriculture Advisor, Horticulture and Agribusiness Specialist, Senior 4P/Partnership Specialist, Farming as Business Advisor, Senior Export Finance Advisor, Access to Finance Advisor. 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 PMU 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's circumstances.

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 Plan(s), if any.

2. For projects presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the [Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or

Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIA and/or Abbreviated RAP/F and ESCMPs for substantial risk projects 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 Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The 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 Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will 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 Project 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 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.

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

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the 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 Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the 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).

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.

10. 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 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 Plan(s) (if any) promptly after becoming aware of such a breach.

11. 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 Project.

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