
Nepal

Resilient High-Value Agricultural Programme (R-HVAP)

Negotiated financing agreement

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Negotiated financing agreement

Resilient High Value Agricultural Programme (R-HVAP)

(Negotiations concluded on 11 April 2024)

Loan No: _____

Programme name: *Resilient High Value Agricultural Programme (R-HVAP)* (the "Programme")

Nepal (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 Fund has agreed to provide financing for the Programme;

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 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. 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 "Loan" or 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 total amount of the Loan is fifty-three million four hundred thousand Special Drawing Rights (SDR 53.4 million).

2. The Loan is granted on highly concessional terms and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's

Executive Board. The principal of the Loan will be repaid at four and a half percent (4.5%) of the total principal per annum for years eleven (11) to thirty (30) and one percent (1%) of the total principal per annum for years thirty-one (31) to forty (40).

3. The Loan Service Payment Currency shall be in United States dollars.
4. The first day of the applicable Fiscal Year shall be 16th of July and ends on 15th July.
5. Payments of principal and service charge shall be payable on each March 1 and September 1.
6. There shall be a Treasury Account of the Government of Nepal maintained by the Financial Comptroller General Office in United States Dollars ("USD") opened in Nepal Rastra Bank. The Borrower shall inform the Fund of the officials authorized to submit the withdrawal applications with the account details. The applicable exchange rate for converting Nepalese Rupee expenditures into USD will be the rate of the withdrawal application date.
7. There shall be Programme Budget Authorization in Nepalese rupees (NPR) in the budget management system to be used by the spending units of the relevant programme parties upon the approval of the annual program and budget.
8. The total cost of the programme is estimated at USD 120.97 million. The financiers and contributions are the following: (i) IFAD loan SDR 53.4 million (58.6%); (ii) Federal Government of Nepal USD 24.59 million (20.3%) comprising of, (a) USD 19.59 million (16.2%) covering duties, taxes, salary and operational cost of deputed staff, and (b) USD 5.0 million (4.1%) cash contribution for co-financing the Semlar wholesale market; (iii) provincial governments USD 0.5 million (0.4%); (iv) local governments / Palikas USD 1.52 million (1.3%), (v) Producers Organizations-Households USD 20.87 million (17.3%), and (vii) micro, medium, and small enterprises (MSMEs) USD 2.56 million (2.1%). -

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture and Livestock Development ("MoALD") of Nepal.
2. The following are designated as additional Programme Parties: Ministry of Urban Development ("MoUD") for undertaking the Semlar wholesale market construction in coordination with MoALD, and the respective provincial Ministries of Agriculture.
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 Programme.
4. The Programme Completion Date shall be the eighth (8) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months thereafter, or such other date as agreed between the Fund and the Borrower.
5. Procurement of goods, works and services financed by the Loan 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

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

Section E

1. The following is designated as additional ground for suspension of this Agreement that complete the events mentioned in Section 12.01(a) of the General Conditions:

- (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 grounds for cancellation of this Agreement that complete the events mentioned in 12.02(a) of the General Conditions:

- (a) The financing agreement has not entered into force 18 months after Executive Board approval; or
- (b) The financing has not started disbursing 18 months from entry into force of the Financing Agreement.

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

- (a) The IFAD no objection to the PIM shall have been obtained;
- (b) Key Programme staff has been appointed as per paragraph 9, 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); and
- (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:

Joint Secretary
International Economic Cooperation Coordination Division
Ministry of Finance
Singha Durbar
Kathmandu, Nepal

For the Fund:

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

Copy to: Country Director of Nepal

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

Nepal

Secretary Ministry of Finance or

Joint Secretary
International Economic Cooperation Coordination Division
Ministry of Finance
Government of Nepal

Date: _____²

International Fund for
Agricultural Development

Alvaro Lario
The President

Date: _____

¹ To be kept only if the FA is signed by both parties the same date in the same location.

² In case the FA is not signed in IFAD HQ

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall benefit up to 60,000 households or 258,000 individuals. Of these, 45,000 households will benefit from market-oriented agroecological production packages, and an additional 15,000 households will benefit from capacity building and extension services (enhanced financial education and business literacy [FEBL], demo farms, market and service linkages (multi-stakeholder platforms [MSP], business to business [B2B], business to service [B2S]), and from public goods (irrigation, aggregation, storage and regional wholesale market infrastructure). The main target group consists of smallholder households engaged in mixed farming systems and deriving most of their income from agricultural production at different scales: subsistence, semi-commercial, and commercial.
2. *Programme area.* The Programme will cover three provinces in Western Nepal: Lumbini, Karnali, and Sudurpashchim and operate in approximately 80 local levels (Palikas).
3. *Goal.* The goal of the Programme is to reduce poverty and improve resilience of smallholder households.
4. *Objective.* The objective of the Programme is to support smallholder farming transition towards sustainable food systems that are profitable, inclusive and agroecological.
5. *Components.* The Programme shall consist of the following Components:
 - 5.1 *Component 1: Enhanced capacities for transitioning to market oriented agroecological production systems.* (USD 66.05 million amounting to 54.6% of overall financing)
 - 5.1.1 *Sub-Component 1.1:* Decentralised agroecological planning and coordination: The programme will support the preparation of 5-Year Local Level ("*Palika*") Agroecological Plans (PAP) through a local level planning process facilitated by decentralised Provincial Programme Management Offices (PPMOs) and Corridor Offices (COs). The PAPs will result in the identification of programme participants, high-value commodities that can be nested within agroecological farming systems, farm level agroecological best practices, market demands and compliance standards, agri-service and enterprise opportunities, and public goods and productive infrastructure needs. The PAP priorities eligible for R-HVAP financing will be consolidated and aligned with the annual local planning process for leveraging municipal co-financing and integration into the municipal annual development plans. PAPs will be formulated for 80 local level ("*Palikas*") programmes.
 - 5.1.2 *Sub-Component 1.2:* Knowledge and capacity for establishing agroecological farming: R-HVAP will build on the existing knowledge base of sustainable agriculture, agroecology and permaculture by upgrading the currently available knowledge products, and by disseminating good practices through a training-of-trainer (TOT) approach for Junior Technical Assistants (agriculture) and Community Mobilisers. Agroecological demonstration farms will be established in cooperation with around 80 lead farmers. This activity will be combined with in-depth training on the different technical aspects of agroecological farming, together with a Financial Education and Business Literacy (FEBL) trainings as well as a truncated version of the Gender Action Learning System (GALS lite). The FEBL-GALS-lite sessions will be used as an entry point to advance women's economic empowerment and enhance the financial and business knowledge and skills among the producers HHs. This sub-component also includes youth agroecology apprenticeships for about 60 young agricultural trainees, as well as Farmer-to-Farmer exchange that will

contribute to building a large community-of-practice (COP). Participatory Research and Monitoring will involve the preparation of an analytical framework designed to study and monitor the ecological, economic and social outcomes and impacts of market-oriented agroecological farming systems.

- 5.1.3 *Sub-Component 1.3: Market-oriented agroecological production expanded.* R-HVAP will provide support to at least 1,600 Producer Organisations (POs Groups and Cooperatives) - approximately 45,000 farmers). To enhance the capacity of these POs and facilitate the PO graduation process, a specialised service provider will be recruited.

Based on the lessons learned from the High Value Agriculture Project (HVAP), Multi-Stakeholder Platforms (MSPs) will be operationalised to link POs with MSMEs at the cluster and provincial levels. Business to Business (B2B) and Business to Service (B2S) linkages will be facilitated for building profitable trading relationships between POs and respectively, agribusiness/traders (B2B) and commercial service providers (B2S). Cluster MSPs and B2B/B2S will be high priority processes launched at programme start-up to create early linkages between POs and major MSMEs and buyers, and for leveraging the private sector's market intelligence for informing PAPs, PO and MSME investments, market compliance standards, and risk reduction.

Guided by the PAPs, R-HVAP will co-finance PO capacity building and farm-level investments in agroecological farming practices for two complementary high value commodities which have domestic and export market potential, comparative commercial advantage for smallholder producers, and agroecologically suitable production. Products that have been successfully promoted by previous projects such as HVAP, KUBK, RERP and ASDP will be prioritized, including crops, livestock, agroforestry commodities, honey production, non-timber forest products (NTFPs) and medicinal and aromatic plants (MAPS). Participating smallholder farmers (around 40,000 households) will be eligible for two types of tailored production support packages. About 3,000 ultra-poor households will be eligible to access the Inclusion Fund for additional subsidised support.

R-HVAP programme participants will be eligible to access financial products under IFAD's on-going Value Chains for Inclusive Transformation of Agriculture (VITA) project implemented by the Agriculture Development Band Ltd (ADBL).

- 5.1.4 *Sub-Component 1.4: Micro, small, and medium enterprises ("MSME") ecosystem for agricultural service market strengthened.* The programme will mobilise specialised expertise at PMO level to facilitate the development of an ecosystem of MSME services to meet upstream and downstream needs of agroecological multi-commodity value chains. Co-investment support will be provided to: (i) Decentralized MSME units for affordable and high-quality bio-input production; and (ii) MSME service market for post-harvest value addition. Supported MSMEs will be mandated to provide their services to R-HVAP target groups in proportion to the co-investment amount provided and are expected to initially benefit 25,000 smallholder households. The MSME's business plans will be required to include a scaling-out strategy to service a larger group of households over the full project period. Support to youth includes a skills development programme for youth employment through Agricultural Technical and Vocational Education and Training (Agri-TVET, around 400 youth), and customized business incubation support for enterprise development (300 youth).

5.2 *Component 2: Improved access to climate resilient productive infrastructure* (USD 10.07 million amounting to 8.3% of overall financing). R-HVAP will fund infrastructure to complement production activities supported through co-investments under Sub-component 1.1. Under the PAP process, climate resilient infrastructure for smallholders and POs will be selected. These will include: (i) water related systems such as small-scale irrigation schemes, water storage facilities, multi-use water systems (MUS) etc.; (ii) collection points and storage facilities for efficient commodity aggregation; and (iii) post-

harvest primary processing facilities. All infrastructure interventions will be synergetic with other programme interventions and include O&M measures. Renewable Energy Technologies (RETs) will be supported for lift irrigation, primary processing and postharvest handling activities.

5.2.1 *Sub-component 2.1: Water-related infrastructure.* The program will support existing and new Farmer Managed Irrigation Systems (FMIS). Eligible water-related infrastructure includes small-scale crop irrigation systems, Multi-Use water Systems (MUS), and water storage facilities. A total of 485 water-related subprojects will be co-financed, with the program covering up to 85% of the investment cost. Community contributions (15%) will be in-kind. The selection of subprojects will consider inclusiveness, sustainability, and ecological context, integrating climate-proofing measures. The program will follow IFAD Social, Environmental and Climate Assessment Procedures (SECAP) guidelines to ensure infrastructure sustainability.

5.2.2 *Sub-component 2.2: Market-led productive infrastructure.* Leveraging the lessons from ASDP and ASHA, the program will back community-based small-scale infrastructure for post-harvest processing, aggregation, storage, and packaging. These operations, aligned with market demand, may involve aggregation facilities, drying, sorting, pressing, packaging, and storage. Eligible investments will be chosen during the planning stage through the PAP process, complementing larger MSME operations. Renewable energy technologies (RET) will be introduced where applicable.

The majority of Nepali farmers currently use open sun drying, posing challenges such as slow drying rates and contamination risks. To address this, solar dryers will be strategically placed near collection centers, benefiting from high-value crop areas. The initiative aims to enhance the shelf life of perishables, boosting farmer income by reducing spoilage, easing transportation bottlenecks, and enabling off-season sales at higher prices.

Identified in the PAP, these investments involve collaboration with POs, MSMEs, local levels, facilitated by program teams. Business plans, aligned with IFAD SECAP guidelines, will assess profitability and sustainability. A total of 85 market-led productive infrastructure subprojects and 162 PO-level RETs will be co-financed, with communities contributing 15% in-kind. Sub-projects will be managed by community organizations and POs, overseen by PMO and Corridor Office engineers. POs will handle operations and maintenance, with arrangements formalized during the planning stage.

5.3 *Component 3: Improved wholesale aggregation and distribution of agroecological commodities for domestic and export markets* (USD 31.25 million amounting to 25.8% of overall financing). The programme will support the construction of the Semlar Agriculture Regional Wholesale Market in Butwal Sub-Metropolitan City, Rupandehi District, Lumbini province. The component budget is estimated at US\$ 31.25 million, including SDR 16.57 million from IFAD and US\$ 9.25 million GoN contributions (US\$ 5 million in cash contributions, and US\$ 4.25 million covering duties, taxes, salary, and operational cost of deputed staff). The proposed market will facilitate the aggregation of commodities from a large catchment area, specifically from agriculture clusters where R-HVAP is supporting POs. The Semlar market will be constructed as a state-of-the-art market replete with wholesale shutters for fruit, vegetables, cereals, and other priority commodities and will engage in collection, processing, and branding of agricultural products. This component will be implemented by Department of Urban Development and Building Construction (DUDBC) of the Ministry of Urban Development (MoUD)

5.4 *Component 4: Strengthened policies, regulations, and institutions for smallholder agroecological production and trade* (USD 1.36 million amounting to 1.1% of overall financing). The Programme will establish and strengthen enabling policy, regulations, and other supporting frameworks for profitable smallholder agroecological production, facilitated by participating institutions and communities. In addition, in support to

promoting export of agricultural produce, the Programme will enhance the capacity for compliance with sanitary and phytosanitary measures, support trade facilitation and negotiations, and participate in international trade events and international ethical and bio trade fairs.

5.5 Programme management, monitoring and evaluation, knowledge management and learning for delivery of the programme amounts to USD12.21 million making up 10.1% of overall financing.

II. Implementation Arrangements

6. *Lead Programme Agency.* The Ministry of Agriculture and Livestock Development (MOALD) is the Lead Programme Agency, the respective provincial Ministries of Agriculture will be Programme Parties, while the MoUD/DUDBC will be the Programme Party for Component 3.

7. *Programme and Provincial Programme Steering Committees.* A Programme Steering Committee ("PSC") at federal level will be chaired by the Secretary of MoALD with representatives from the concerned line ministries (MoF, MoUD, MoICS, MoFE). Three Provincial Programme Steering Committees (PPSC) will be established under the respective chairmanship of the Secretary, provincial Ministry of Agriculture, with representatives from the relevant provincial ministries of Lumbini, Karnali and Sudurpashchim.

8. *Management Structure.* The management structure is formed of the following: (i) a Programme Coordination Office (PCO) at federal level, hosted by MoALD; (ii) three Provincial Programme Management Offices (PPMO); (iii) three Corridor Offices (CO) will be established in strategic locations and will host the technical staff in the various fields of expertise required; and iv) a Sub-Project Implementation Unit (SPIU) for the construction of the Semlar wholesale market.

9. *Monitoring and Evaluation (M&E).* The monitoring and evaluation system developed and managed by the PCO will cover: (i) monitoring of implementation performance, execution of the AWPB, outreach and effectiveness of the targeting strategy; and (ii) periodic measurement of programme results in relation to agreed targets. All provinces will contribute to a single Programme M&E system and have access to the data generated.

10. *Knowledge Management (KM).* The Programme will invest in good quality, evidence-based knowledge management to contribute to implementation and policy development processes. Knowledge management activities in R-HVAP will have a triple objective: (i) the sustainable anchoring of technical and managerial knowledge among supported farmers and their groups (e.g. through the production of teaching materials and manuals); (ii) the generation of knowledge from programme experience in market-oriented agroecological production and various other domains, based on the information collected through M&E activities, participatory research and specific thematic studies; (iii) the sharing of this knowledge with interested parties, such as IFAD and MoALD, other donors and policy makers interested in smallholder agroecology or resilient value chain development, using various media (publications, policy formulation workshops, various Communities of Practice and multi-stakeholder platforms, instructional and documentary videos). Ultimately, knowledge management activities will feed the policy dialogue between IFAD and the Government on successful approaches to building sustainable food systems in the country and scaling up the best practices.

11. *Programme Implementation Manual.* A programme implementation manual will be prepared and will include all Programme procedures, including financial management procedures, procurement, monitoring and evaluation, as well as all operational procedures, in line with the FA.

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 SDR)	Percentage eligible for IFAD financing
(i) Works,	20 700 000	100 %
(ii) Goods, Services and Inputs	26 500 000	100 %
(iii) Training	2 000 000	100%
(iv) Operating costs	4 200 000	100%
TOTAL	53 400 000	

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

- (i) "Works": includes works and infrastructure-related expenditures;
- (ii) "Goods, Services and Inputs": includes goods, equipment and materials, non-consultancy, consultancy services, and grant for co-financing packages;
- (iii) "Training": includes all training and workshop-related expenditures incurred within program activities;
- (iv) "Operating costs": includes all expenditures for salaries and allowances related to the Programme's management and coordination, and other operating expenditures, and excludes salaries and operational costs of deputed staff that will be financed by Government of Nepal;
- (v) The Percentage is applied to Project expenditures, excluding indirect taxes and shares of other financiers;
- (vi) Government co-financing funds will be used for Works, Goods, Services and Inputs, Training and Operating costs categories;
- (vii) Government cash contribution for Semler market will finance Works and Goods, Services and Inputs, and Training categories;
- (viii) Provincial Governments will finance Works and Operating costs categories (approximately US\$ 0.5 million equivalent);
- (ix) Local Level ("*Palikas*") will finance Works and Goods, Services and Inputs categories (approximately US\$ 1.52 million equivalent);
- (x) Producers' Organizations and Households will finance works and Goods, Services and Inputs categories (approximately US\$ 20.87 million equivalent); and
- (xi) MSME will finance Works and Goods, Services and Inputs, and Training categories (approximately US\$ 2.56 million equivalent).

(c). The Table below sets forth the Categories of Expenditures to be financed by each financier and the estimated amounts to each category of the Financing in USD.

(US\$ '000)

	GON (Federal) Amount	GON (Federal) -Cash Contribution Amount	GON (Provincial) Amount	IFAD Loan Amount	Local Government (Palika) Amount	Other financiers Amount	Total Amount
Works	5 839	4 625	34	27 400	1 462	3 404	42 764
Goods, services and inputs	9 711	343	-	35 230	56	19 980	65 320
Training	463	33	-	2 700		46	3 242
Operating costs	3 581	-	463	5 600		-	9 644
	19 594	5 000	497	70 930	1 518	23 431	120 970

2. Disbursement arrangements

- (a) *Start-up Costs*. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of seven hundred fifty thousand Special Drawing Rights (SDR 750 000). Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

3. Audit arrangements

The Office of Auditor General of Nepal will audit project financial statements each year, in accordance with audit standards acceptable to IFAD. It will send audit reports to IFAD within six months of the end of the financial year.

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/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:

1. Within six (6) months of entry into force of the Financing Agreement, the Programme will customize the financial reports for IFAD's reporting purposes to satisfy International Accounting Standards and IFAD's requirements.

2. *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.

3. *Gender.* The Borrower shall ensure that at least 50% of the total participants of the programme are women, and youth 40%.

4. *Indigenous People ("IP") Concerns.* The Borrower shall ensure that the concerns of IPs are given due consideration in implementing the Programme and, to this end, shall ensure that:
 - (a) the Programme is carried out in accordance with the applicable provisions of the relevant IP national legislation;
 - (b) IP are adequately and fairly represented in all local planning for Programme 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 respected;
The Programme will not involve encroachment on traditional territories used or occupied by indigenous communities.

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. *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 Programme.

8. The Key Project Personnel are: Programme Coordinator (1), Provincial Programme Coordinator (3), Chief of Corridor Offices (3), Project Manager for SPIU (1), Accountants (3), Account Officers (5), and Procurement Officer (1). In order to assist in the implementation of the Programme, 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 recruited under a consulting contract following the individual consultant or through consulting firm selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The Key Project Personnel to be recruited is subject to IFAD's prior review. 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 in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Programs's circumstances.

II. Social, Environmental, and Climate Assessment Procedures (SECAP) Provisions

1. 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 Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation 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 Management Plan(s), unless: (i) agreed in writing by the Fund; and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. The Borrower shall not, and shall cause the Lead Programme 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.

3. 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).

4. The Borrower shall ensure or cause the Lead Programme 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 and the Management Plan(s), if any.

5. 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 Programme implementation that, with respect to the relevant 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.

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; 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 the context of the 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 allegations 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).

6. The Borrower shall ensure or cause the Lead Programme Agency, all its contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. 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, the Management Plan(s) (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.

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