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Republic of Fiji

Fiji Agricultural Partnership Project (FAPP)

Negotiated financing agreement

Negotiated financing agreement:

"Fiji Agricultural Partnership Project (FAPP)"

(Negotiations concluded on 19 February 2015)

Loan Number: [__]

Project Title: Fiji Agricultural Partnership Project ("the Project")

The Republic of Fiji (the "Borrower")

and

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

(each a "Party" and both of them collectively 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) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended as of April 2014, 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.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), 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 Loan is three million one hundred thousand euros (EUR 3 100 000).
2. The Loan is granted on ordinary terms, and shall have a maturity period of 15 years, including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.
3. The Loan Service Payment Currency shall be EUR.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 15 June and 15 December.
6. There shall be a Designated Account denominated in Fijian Dollars and maintained by the Borrower in the Reserve Bank of Fiji through which the Loan proceeds shall be channeled. The Designated Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

7. The Borrower shall provide counterpart financing for the Project in the amount of approximately USD 1.03 million. Project beneficiaries shall provide a contribution in cash or kind of approximately USD 0.57 million and participating banks shall contribute approximately USD 0.93 million. The counterpart funds shall be made available for the Project.

8. The Ministry of Agriculture ("MoA") shall maintain a Project Account in local currency in a Bank acceptable to the Fund to receive the proceeds of the Financing and counterpart funding.

Section C

1. The Lead Project Agency ("LPA") shall be the MoA, responsible for the overall coordination and implementation of the Project activities.

2. The following are designated as additional Project Parties: participating banks, private sector partners, non-governmental organizations and civil society groups.

3. The Project Completion Date shall be the fourth anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Project supervised by the Fund. In addition to supervision missions, which shall normally be carried out each six (6) months, the Fund shall conduct a mid-term review out towards the second year of Project implementation.

Section E

1. The following are designated as additional grounds for suspension:

The Project Implementation Manual ("PIM"), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Borrower shall have established within MoA the Agribusiness Development Unit ("ADU");
- (b) The Borrower shall have selected the relevant Project staff to be responsible for overall Project implementation, in accordance with Schedule 1, Section II to this Agreement;
- (c) The Borrower, through the LPA, shall have submitted, and the Fund shall have received, an official document confirming the availability of the adequate counterpart funds for the first Project Year;
- (d) The Designated Account shall have been duly opened, the authorized signatories shall have been submitted to the Fund and a dedicated cost centre has been created in the Financial Management Information System ("FMIS") to record the Project's related transactions; and
- (e) The Borrower has prepared a draft PIM in form and substance satisfactory to the Fund.

3. The following is designated as an additional specific condition precedent to withdrawal, namely that no withdrawals shall be made in respect of expenditures under Category IV (Grants and Subsidies) until the Borrower, through MoA, has entered into a memorandum of understanding ("MOU") with at least one participating bank for the implementation of the matching grants under Component 2, in accordance with the terms and conditions of the MOU model defined in the PIM.

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:

Minister for Finance
Ministry of Finance
Ro Lalabalavu House
370 Victoria Parade
P.O. Box 2212
Suva, Republic of Fiji

For the Fund:

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

This Agreement, dated [____], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

REPUBLIC OF FIJI

Authorized Representative
[Title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Population.** The Project shall benefit all small-scale and semi-subsistence farm households in the Borrower's territory, with emphasis on the poor communities located in the interior of Viti Levu in selected districts, including the seven districts of the provinces of Ba, Nadroga/Navosa and Naitasiri (the "Project Area").
2. **Goal.** The Project goal is to reduce hardship in remote rural communities.
3. **Objective.** The objective of the Project is that small-scale producers are engaged in sustainable farming and business partnerships in remote areas, particularly the highlands.
4. **Components.** The Project shall consist of the following three components, which support and complement each other to achieve the anticipated impact in the Project Area:

Component 1 – Public sector capacity to support agribusiness

The objective of this component is to facilitate the private agribusiness sector, address the public environment for agribusiness, and widen and deepen agricultural value chains, thereby expanding income-earning opportunities for small-scale farmers, through (i) the enhancement of MoA's institutional capacity to promote private sector agribusiness, including, inter alia, the provision of technical assistance to consolidate and extend the technical and managerial capacity of public sector cadres and the establishment and initial operation of the ADU, to support the private sector and to facilitate supply chains and the conduct of business; (ii) the upgrading through training of extension of MoA's staff and of selected professionals in skills in agribusiness; (iii) the refinement of the agribusiness public sector framework, including carrying out of studies and review of the relevant agribusiness regulation and procedures related to agricultural value chain and foreign trade; (iv) carrying out of a value chain mapping of products grown by smallholders; (v) the creation and operation of technical working groups to stimulate the creation of an agribusiness network and of trade associations; and (vi) the promotion of private sector information exchange, to promote the exchange of agribusiness know-how and practical experiences.

Component 2 – Assistance to SMEs working with smallholders

The objective of this component is to improve the conditions of doing business with small-scale farmers, with focus on operators buying from highland communities, through (i) the provision of training and advisory services in business planning and management mentoring support for the expansion of individual Small- and Medium-sized Enterprises ("SMEs"); and (ii) provision of matching grants to SMEs, in accordance with the eligibility criteria and procedures set forth in the PIM, to expand business operations of small-scale farmers.

Component 3 – Farming as a business for highland communities

The objective of this component is to support selected communities in the transition from semi-commercial agriculture to commercial agriculture, through, inter alia, the provision of training and technical assistance on all aspects of farm enterprise management, the enhancement of traditional farming skills, technology transfer, post-harvest handling, participatory certification and sustainable commercialisation of selected products.

II. Implementation Arrangements

A. Organization and Management

1. Lead Project Agency ("LPA")

1.1. The LPA shall be the Ministry of Agriculture ("MoA"), who shall have the overall responsibility for the execution of the Project.

2. Project Steering Committee ("PSC")

2.1. Establishment and Composition. The Borrower, through MoA, shall establish a PSC. The PSC shall be chaired by MoA's Permanent Secretary and comprise representatives as indicated in the PIM. The PSC shall meet at least once a year and as often as required and the ADU Project Manager shall act as secretary of the PSC.

2.2. Responsibilities. The PSC is responsible for Project oversight and strategic guidance, as detailed in the PIM, including: (i) approval of the AWPB and of the initial Procurement Plan; (ii) approval of the PIM and its subsequent revisions; (iii) vigilance over full transparency and accountability in Project management; (iv) review and follow-up of supervision and audit recommendations; (v) promotion of cooperation with all development partners; and (vi) identification of policy issues for attention by the Borrower.

3. Agribusiness Development Unit ("ADU")

3.1. Establishment and Composition. An ADU shall be established within MoA, with structure, functions and responsibilities acceptable to the Fund and in accordance with the PIM. The ADU shall include the Head of the ADU and it shall host one Project Manager and one administrative assistant. Qualified staff shall be selected according to the Borrower's applicable procedures acceptable to the Fund. Termination of the contract of the Project Manager and his/her replacement shall be subject to the Fund's no-objection.

3.2. Responsibilities. The Project Manager is responsible for overall Project implementation and coordination, including, inter alia: (i) preparation of the AWPB; (ii) financial management; (iii) procurement; (iv) Project monitoring and evaluation (M&E); (v) knowledge management; (vi) preparation and consolidation of SOEs, financial statements and withdrawal applications; (vii) Project reporting; and (viii) coordination of all Project implementing partners. The Head of the ADU is responsible for the technical and operational day-to-day implementation of the Project, in consultation with the Project Manager.

4. Project Management and Implementation Staff

4.1. Composition. MoA shall recruit and/or appoint Project management and implementation support staff within the relevant MoA departments, including a Financial Management and Procurement Officer, a Knowledge Management/M&E Officer and an Assistant to the Financial Management and Procurement Officer. Qualified staff shall be selected according to the Borrower's applicable procedures acceptable to the Fund.

4.2. Responsibilities. The Project management and implementation support staff is responsible for management and implementation of the Project under the direction of the PSC and of the ADU.

5. MOUs with Participating Banks

5.1. To collaborate with and facilitate the award of matching grants under Component 2, MoA shall enter into a MOU, in form and substance as set forth in the PIM, with each participating bank selected in accordance with eligibility and selection criteria defined in the PIM. The MOU shall provide, amongst other things, the obligation of the participating banks to (i) inform the LPA of loans approved in accordance with their own lending criteria that also qualify for matching grants, in accordance with the eligibility criteria for matching grants defined in the PIM; and (ii) provide the required support to channel the matching grants to the matching grant beneficiaries, in accordance with the procedures defined in the PIM and the terms and conditions of the MOU. Payment of matching grants shall be made by the Project through the participating banks.

B. Implementation of Components

6. Component 1: Public sector capacity to support agribusiness

6.1. Capacity building of MoA staff and the ADU shall be through the staff learning-by-doing, with on-the-job advice from a full-time Senior Agribusiness Development Advisor ("SADA"), to be selected and contracted in accordance with this Agreement and increased by participation in suitable training provided by other institutions. Training of extension officers in agricultural marketing, agribusiness and value chains shall be conducted by the SADA, ADU staff and specialist trainers contracted in accordance with this Agreement. The ADU will be responsible for strengthening MoA's commodity councils and work with the Fiji Crop and Livestock Council ("FCLC") to strengthen its constituent associations.

7. Component 2: Assistance to SMEs working with smallholders

7.1. Project activities under this component will be implemented by the ADU and service providers with business mentoring skills, contracted in accordance with this Agreement. The ADU shall carry out a widespread promotion campaign of the mentoring scheme to SMEs and establish a small committee to review all applications for mentoring support. Selected participating banks shall receive loan applications, evaluate and deliver loans to approved beneficiaries in accordance with the procedures defined in the PIM and the terms and conditions of the relevant MOU.

8. Component 3: Farming as a business for highland communities

8.1. The activities under this component shall be carried out through service agreements with a competent Lead Implementing Partner ("LIP") to be selected in accordance with the criteria specified in the PIM and, for specific deliverables, with other specialized service providers. All under the technical supervision of the SADA and with field coordination by the LIP, MoA field staff, to be contracted in accordance with this Agreement, and the community facilitators. The LIP shall be responsible for overall coordination of the implementation of the entire component. Consultants and specialists shall be contracted to provide training on basic business skills and financial literacy, support to traditional marketing practices by women, technology transfer and organic certification.

C. Project Implementation Manual ("PIM")

9. Preparation. The MoA shall prepare a draft PIM which shall include, among other things:

- (a) Terms of reference and implementation responsibilities of Project staff, consultants and likely service providers;
- (b) Criteria for the performance appraisal of the Project and of Project professional staff;
- (c) Eligibility criteria for the matching grants;
- (d) Operational procedures to be followed in the matching grants scheme;
- (e) A model of the MOU to be entered into by the selected participating banks for the implementation of the matching grants;
- (f) M&E system and procedures including the Results and Impact Management System ("RIMS"); and
- (g) Project operational, financial and procurement procedures.

10. Approval and Adoption. The LPA, shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed approved.

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 of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in EUR)	Percentage
I- Goods, Services and Inputs	1 240 000	100% net of taxes and contribution from beneficiaries
II- Consultancies	500 000	100% net of taxes and contribution from beneficiaries
III- Workshops	150 000	100% net of taxes
IV- Grants and Subsidies	370 000	100% net of taxes, contribution from Financing Institutions and contribution from beneficiaries
V- Salaries and allowances	540 000	100% net of taxes and contribution from Borrower
Unallocated	300 000	
TOTAL	3 100 000	

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

“Goods, Services and Inputs” under Category I shall include eligible expenditures incurred for equipment, materials and vehicles, net of taxes, under all components.

“Consultancies” under Category II shall include 90% of eligible expenditures of Component 2 and 100% of eligible expenditures under other components.

“Workshops” under Category III shall include 100% of eligible expenditures incurred for workshops and training, net of taxes, under Component 1 and others listed under ‘project implementation support’.

“Grants and Subsidies” under Category IV shall include 25% of eligible expenditures under Component 2.

“Salaries and allowances” under Category V shall include 100% of eligible expenditures under Component 1 only.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs for Categories I, II, III and V incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 100 000.