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The Cooperative Republic of Guyana

Hinterland Environmentally Sustainable
Agricultural Development Project

Negotiated financing agreement

Negotiated financing agreement: "Hinterland Environmentally Sustainable Agricultural Development Project"

(Negotiations concluded on 4 November 2016)

Loan Number: _____
Grant Number: _____

Project Title: Hinterland Environmentally Sustainable Agricultural Development Project (the "Hinterland Project" or "the Project")

The Cooperative Republic of Guyana (the "the Borrower/Recipient")

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, 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 and Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient 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 is seven million nine hundred sixty thousand US dollars (USD 7.96 million).
 - B. The amount of the Grant is five hundred thousand US dollars (USD 0.50 million).
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25 per cent and in addition a service charge of 0.75 per cent per annum payable semiannually 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 by the Executive Board.

3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal, interest and service charge shall be payable on each 15 June and 15 December.
6. There shall be a designated account denominated in US dollars opened by and held in the name of the Borrower/Recipient in the Central Bank of Guyana. This designated account shall be used exclusively for the deposit of Financing proceeds.
7. There shall be a Project Account opened by and held in the name of the Borrower/Recipient in a bank selected by the Borrower/Recipient. It shall be in Guyanese Dollars and this is where resources from the Designated Account and counterpart funds shall be deposited.
8. The Borrower/Recipient shall provide counterpart financing for the Project in an amount equivalent to two million four hundred and thirty thousand US dollars (USD 2 430 000) in cash and in kind, including covering of taxes and duties in an amount equivalent to one million four hundred and eighty USD dollars (USD 1 480 000).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture.
2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

1. The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as an additional ground for suspension of the right of the Borrower/Recipient to request withdrawals from the Loan and the Grant Accounts:
 - (a) the Project Implementation Manual (PIM) referred to in paragraph 10 of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or otherwise 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 Project Management Unit (PMU) shall have been duly established and the recruitment of key personnel such as the Project Coordinator, a Finance Officer, Procurement Officer and M&E Officer shall have been completed;
 - (b) The Borrower/Recipient shall have prepared a draft PIM in form and substance satisfactory to the Fund; and
 - (c) The Baseline study for Region 9 shall have been completed.

3. The following are designated as additional specific conditions precedent to withdrawal for expenditures related to Component 2 in Region 1:

- (a) The detailed value chains study for spices in Region 1 shall have been completed;
- (b) The SOFA study in Mabaruma and Moruca sub regions of Region 1 shall have been completed;
- (c) The Baseline study for Region 1 shall have been completed.

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

For the Borrower/Recipient:

Minister of Finance
Ministry of Finance
49 Main and Urquhart Streets
Georgetown, Guyana

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 two (2) original copies, one (1) for the Fund and one (1) for the the Borrower/Recipient.

COOPERATIVE REPUBLIC OF GUYANA

(Authorized Representative)
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Project Area.** The Project will operate in Region 9 and in the Mabaruma and Moruca sub-regions of Region 1. It will follow IFAD's geographic targeting approach as it will address the needs of the rural poor living in the Project area. The beneficiaries will come from approximately 80 of the 128 existing villages and communities in Regions 1 and 9 (60 communities in Region 9 and 20 communities in Region 1). Phasing-in of communities will be used to ensure there is sufficient time to assist villages, communities, and producer groups with the implementation of their Investment and Business Plans. Considering the remoteness, vastness and low population density of the region, a phased implementation approach will be adopted for Region 9. The Project will initially only focus on North Rupununi, so as to capitalize on current government efforts to exploit the significant agricultural potential of this sub-region. Lessons learned from Project implementation in North Rupununi will later be applied to Central and South Rupununi.

2. **Target Population.** The target group includes poor indigenous and non-indigenous rural households living in the Project area, whose livelihoods are threatened by economic and environmental risks. The target group will include 6,000 poor households receiving Project services, which is equivalent to 94 per cent of the existing poor households in the Project area. At least 15 per cent of these (900 households) would be female-headed households as this reflects the reality in the Project area. The 6,000 households represent a total number of direct and indirect beneficiaries of approximately 30,000 men and women of different age groups. The Project will ensure that the most vulnerable groups have access to services and investment, empowering and facilitating the participation of indigenous peoples, youth, and women. At least 75 per cent of the Project beneficiaries would be from Amerindian tribes. At least 30 per cent would be from the age group 15-44 years old and at least 50 per cent would be women. Due to the adoption of a phased approach, figures for the target population may be revised at the mid-term review.

3. **Objective.** The Development Objective of the Project is "Improved livelihood resilience through income generation, access to assets, improved nutrition and adaptation to climate variability". Livelihood resilience will be strengthened by increasing income-generating opportunities; improving access to public goods, knowledge and technologies; and enhancing food security and nutrition.

4. **Components.** In order to achieve Project objectives and outcomes, the Project includes two main components: (a) Strengthening of communities and producer groups' investment planning; and (b) Implementation of investments plans. A third component will be dedicated to Project and knowledge management and coordination.

4.1. **Component 1: Strengthening of community and producer groups investment planning.** The objective of this component is to support Village and Community Councils (in Region 9), value chain roundtables (in Region 1) and Regional Development Councils in planning and prioritizing investments for the development of local value chains¹ and resilient communities and livelihoods. The expected outcome is that communities and producer groups have strengthened capacities to identify investment opportunities and manage economic and climate

¹ In the case of Region 1 there is significant potential for the production and marketing of species where other local and national market, there is a significant potential on international markets

change risks. The main instruments that will be developed by this component are Community Production Development Plans (CPDP) for Region 9 and Value Chain Action Plans (VCAP) for Region 1. These overall medium-term plans will be the basis for the development of three types of concrete investment plans to be implemented with the project support: Public/Collective Investment Plans (P/CIP), Community Training Plans (CTP), and Business Plans (BP).

- 4.1.1. Through the IFAD grant, under Component 1 the Project will finance a SOFA study for Region 1 that builds on the methodology and approach already adopted in Region 9. Likewise, to obtain a better understanding of the spices value chains the grant will also finance value chain studies. These studies will include an identification of key constraints and opportunities for the development of the value chains with the inclusion of Amerindian and small holder farmers including constraints in production and transport costs, produce volume and quality compared to market demands. In order to avoid delays in project implementation for Region 1, resources for the SOFA and the value chain studies can be anticipated by the GOG as soon as the loan agreement has been signed. Expenses incurred for the SOFA study will be considered as retroactive expenses, and will therefore be reimbursed once the conditions for the effectiveness and disbursement of the Financing Agreement are fulfilled.
- 4.2. Component 2: Implementation of investment plans. While Component 1 will provide training, studies and capacity building needed to develop investment plans, Component 2 will support their actual implementation. Under Component 2 an Investment Fund will be established to finance, through non-reimbursable mechanisms, public and common goods and services in the following categories of investments that may be included in the different types of investment plans: (a) investments in public and common goods and services that contribute to the reduction of climate and investment risks, included in P/CIPs; (b) services for training, capacity-building and awareness-raising activities, and related background studies, that contribute to the reduction of climate, economic and nutritional risks, included in CTPs; (c) technical assistance and services to favor activities that have positive spillover effects on the hosting communities since they contribute to the diffusion of models, knowledge, technologies and capacities that improve livelihood resilience by reducing the climate, economic and nutritional risks, included in BPs.
 - 4.2.1. The administration and execution of the Investment Fund will be arranged through an agreement signed between MOA and a Financial Institution(s) with presence in the regions. The selection of the Financial Institution(s) will be through a competitive bidding process. The PMU will be responsible for monitoring the implementation of the Investment Fund and evaluating the performance of the Financial Institution as well as the results achieved.
- 4.3. Component 3: Project and knowledge management and coordination. The purpose of the third component is to establish management and administrative procedures including accounting and auditing as well as setting up monitoring and evaluation mechanisms in accordance with IFAD and national guidelines. Specific evidence-based knowledge products will be developed on the basis of Project experiences in order to extract lessons and best practices, up-scale innovative solutions, and achieve better outcomes and greater impact from development resources. Also, coordination and activities to link project and regional planning will be supported.

II. Implementation Arrangements

5. The Lead Project Agency.
 - 5.1. The Lead agency for the implementation of the Hinterland Project will be the Ministry of Agriculture through its Agriculture's Sector Development Unit (ASDU). For activities such as consultative village planning processes, agricultural technologies and technical assistance, natural resource management and regional investment planning, the MOA would be assisted by the MIPA, MNE, MOC, MOB and other government agencies, Non-Governmental Organizations (NGOs), Community-Based Organizations (CBOs) and local educational institutes.
 - 5.2. The Project Management Unit (PMU) will comprise the office at the MOA in Georgetown and regional offices in Regions 1 and 9. The PMU in Georgetown will have a Project Coordinator, a Procurement Officer, a Finance Officer, and an M&E Officer. The latter will be located at the M&E Unit of the MOA. In each regional office, the Project will be supported by a Regional Project Officer (RPO) and Field Facilitators. The office in Region 9 will also have a Social Inclusion and Gender Specialist who will assist both Regional Project Officers in this particular area of expertise.
 - 5.3. Effective coordination with other line ministries, Regional Democratic Councils and private sector initiatives in the regions is essential to create synergies and ensure sustainability of Project results. To this end, a National Steering Committee (NSC) and Regional Management Committees (RMC) will be established to provide policy direction and support for implementation, advise on the Annual Workplan and Budget, and encourage inter-organizational coordination and linkages.
 - 5.4. The NSC is comprised of representatives from the: Ministry of Finance (MOF), Ministry of Agriculture (MOA), Ministry of Indigenous People's Affairs (MOIPA), Ministry of Natural Resources (MNR), Ministry of Business (MOB), Ministry of Public Health (MOPH), Ministry of Communities (MOC), Ministry of Social Protection (MSP), Office of Climate Change at the Ministry of the Presidency, and two Representatives from the beneficiaries (one from Region 1 and one from Region 9). The roles, responsibilities and composition of the NSC shall be detailed in the PIM. The RMCs will include, inter alia, the following representatives: (i) a regional chairman; (ii) a regional representative of the Ministry of Indigenous People's Affairs; (iii) a regional representative of the MNR; (iv) a regional representative of each NAREI (National Agricultural Research and Extension Institute) or GLDA (Guyana Livestock Development Authority); and (v) a regional representative of the Program targeted beneficiaries. The roles and responsibilities and composition of the RMC shall be detailed in the PIM and shall include, inter alia to: (i) support the implementation of the Program at the Regional level; (ii) support the ASDU in the implementation of the Annual Workplan; and (iii) collaborate in coordinating with local and community leaders.
 - 5.5. The Project will provide support to strengthen the capacity of the MOA M&E Unit, and ensure that Project implementation monitoring is linked to MOA performance monitoring and feeds into existing Agriculture Strategy indicators. Monitoring and evaluation will be conducted using a participatory approach; data collection will be kept simple and not time-consuming, focusing on the reliability and usefulness of collected data. Evidence-based knowledge products will be developed to extract lessons and best practices from project experiences, replicate innovative solutions, maximize outcomes and impact from development resources, and disseminate generated knowledge to support national, regional and local decision making and policy processes. The Baseline Study will be carried out immediately after the approval of the Financing Agreement by IFAD's Executive Board and before implementation.

6. Financial management. Financial Management (FM) and Procurement of the Project will be undertaken by the ASDU, which has adequate capacity, an appropriate accounting system and an extensive experience in implementing internationally funded projects. A qualified Finance Officer will be recruited through a competitive process as a condition of disbursement from the loan and grant accounts.

7. Procurement. Project procurement of goods and services will be carried out by ASDU in accordance to national regulation as long as it is compatible with IFAD Project Procurement Guidelines and in accordance with the provisions of the financing agreement. A procurement officer, exclusively assigned to the Hinterland Project will be hired by ASDU.

8. Audit. The annual consolidated financial statements of the Project will be independently audited, pursuant to the agreed terms of reference and in accordance with the International Standards on Auditing and the IFAD Guidelines on Project Audits. In line with its mandate as per the Guyana Audit Act 2004, the Auditor General shall be responsible for conducting financial, compliance, performance and value-for-money audits with respect to the accounts of all projects funded by the way of loans or grants by any foreign state or organization. In this regard, the Guyana Auditor General Audit Office will conduct the audit of the Project financial statements. Annual audit reports will be submitted to IFAD within the six months of the end of the each fiscal year.

9. Supervision. IFAD will provide direct supervision for the Project, complemented by implementation support missions. One supervision mission is generally planned for each year. The first supervision mission, undertaken approximately six months after the date of entry into force, will monitor progress in relation to the timeframe defined in the implementation plan, and will assess advancements in fiduciary aspects, expenditures, contribution of funds from the counterpart and compliance with the terms of the financing agreement. Implementation support missions will be planned to cover the themes and areas recommended by supervision missions.

10. Project Implementation Manual (PIM). The PIM shall be prepared by the PMU and approved by the Permanent Secretary, who will have the responsibility to send to IFAD for its non-objection. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The PIM provides the basis for the implementation of Hinterland Environmentally Sustainable Agriculture Development Project (Hinterland Project). It will establish the Strategic and Institutional Framework and provide guidance for the overall planning and implementation of activities. It will detail the collaborative framework for project implementation, the institutional and management arrangements; the administrative, fiduciary and contractual procedures; monitoring, evaluation and reporting. The Manual will establish effective implementation procedures and mechanisms, which will ensure the achievement of the overall objectives as outlines in the Project's design document and log-frame.

Schedule 2

Allocation Table

1. Allocation of Proceeds. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and Grant and the allocation of the amounts of the Loan and Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	IFAD Loan Amount Allocated (expressed in USD)	IFAD Grant Amount Allocated (expressed in USD)	Percentage
I. Vehicles and equipment	170 000	-	100% net of taxes
II. Training	550 000	-	100% net of taxes
III. Consultancy services	2 620 000	450 000	100% net of taxes
IV. Grants (for Sub-projects)	2 880 000	-	100% net of taxes
V. Salaries and operating expenses	940 000	-	100% net of taxes
Unallocated	800 000	50 000	
TOTAL	7 960 000	500 000	

2. Retroactive Financing. As an exception to section 4.08(a)(ii) of the General Conditions, specific eligible expenditures incurred from the date of approval by the Executive Board until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to three hundred thousand US dollars (USD 300 000) for activities relating to: (i) recruitment of key personnel, (ii) baseline study for Region 9 and Region 1, (iii) detailed value chains study for spices in Region 1, (iv) SOFA study in Mabaruma and Moruca sub regions of Region 1. 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. These amounts may be reimbursed after the general conditions precedent to withdrawal have been met

3. Start-up Costs. Withdrawals in respect of expenditures for start-up costs for the same activities indicated in the previous paragraph can be made before the satisfaction of the conditions precedent to withdrawal. Start-up costs shall not exceed an aggregate amount equivalent to three hundred thousand US dollars (USD 300 000). Activities to be financed by start-up costs and their respective categories of expenditures and source of financing will require prior no objection from IFAD to be considered eligible.