

IFAD LOAN NO. _____
IFAD GRANT NO. _____
TRUST LOAN NO. _____

FINANCING AGREEMENT

Project Name

between the

BORROWER/RECIPIENT COUNTRY

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in _____

on _____

FINANCING AGREEMENT

IFAD loan number: _____

IFAD grant number: _____

Trust loan number: _____

Project Title: XXXX(the "Project")

The Republic of XXXX (the "Borrower/Recipient")

and

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

(each a "Party" and all of them collectively the "Parties")

WHEREAS IFAD has agreed to extend financing to the Borrower/Recipient for the purpose of financing the Project, on the terms and conditions set forth in this Agreement;

WHEREAS, the Borrower/Recipient, in accordance with its national legislation, has completed a Project Feasibility Study which is acceptable to the Fund;

NOW THEREFORE, the Parties hereto 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), the Special Covenants (Schedule 3), and Procurement (Schedule 4).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended 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. The term "Loan" in the General Conditions shall apply equally to the IFAD Loan and the Trust Loan.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (all of which are collectively referred to as "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 IFAD Loan is six million one hundred ninety thousand Special Drawing Rights (SDR 6 190 000).
B. The amount of the IFAD Grant is six hundred forty five thousand Special Drawing Rights (SDR 645 000).
2. The IFAD Loan is granted on Highly Concessional Terms, as defined in Section 5.01(a) of the General Conditions.

3. A. The Loan Service Payment Currency for the IFAD Loan shall be US dollar.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and service charge of the IFAD Loan and the Trust Loan shall be payable on each 15 March and 15 September.
6. Withdrawals from the Loan and Grant Accounts shall be made in conformity with the procedures established by the Fund in accordance with Section 4.04 of the General Conditions.
7. The Borrower/Recipient shall provide counterpart financing for the Project to cover social charges associated with PMU salaries, and exemption from duties and taxes as per the Project Feasibility Study and as agreed between the Borrower/Recipient and the Fund.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture of the Borrower/Recipient.
2. The following is designated as an additional Project Party: the Technical Restructuring Agency.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

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

Section E

1. The following are designated as additional conditions precedent to withdrawal:
 - (a) a Governmental Decree confirming the Technical Restructuring Agency as the agency responsible for the management of the Project shall have been issued;
 - (b) a project manager and a chief accountant, with qualifications and experience acceptable to the Fund, have been appointed.
2. 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
(Address)

For the Fund:

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

Draft pursuant to initial meetings
21/03/2012

This agreement, dated _____, has been prepared in the English language in two (2) original copies, one for the Fund, and one for the Borrower/Recipient.

REPUBLIC OF XXXX

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 small-scale, private sector, actual or potential horticulture producers operating horticultural fields of 6 ha or less, including farmers; agrofirms and other service providers active in the horticultural value chain; and the rural unemployed. The Project Area shall be the XXXXX region.
2. *Goal.* The goal of the Project shall be improved living standards for the rural population in the Project Area.
3. *Objectives.* The objective of the Project shall be increased incomes and assets accruing to smallholder farmers, processors and service providers within the horticultural sub-sector.
4. *Components.* The Project shall consist of four components: (i) Support to Horticultural Production and Marketing; (ii) Rural Finance; (iii) Improved Irrigation and Drainage Network; and (iv) Project Management.

4.1 **Component 1: Support to Rural Production and Marketing.** This Component shall support the importation of highly-productive new varieties of plants and rootstock including varieties and rootstock not yet listed in the Borrower/Recipient's Official Catalogue of Authorized Planting Materials for propagation and onward sales to beneficiaries. A resolution shall be adopted by the Government to allow such importation in order to avoid lengthy trial periods before license for commercial use is granted.

4.2 **Component 2: Rural Finance.** This Component shall support provision of financing products to beneficiaries for investments in (i) establishment or improvement of orchards and vegetable fields with high yielding new varieties; (ii) introduction of modern production technologies; and (iii) establishment or improvement of non-farm value chain facilities such as processing and cold storage facilities, specialized transport, and farm services; in . Each financing product shall be composed of the following elements:

- (i) *Debt Financing*, in the form of loans, up to a maximum of 80% of the total investment cost;
- (ii) *Beneficiary Contribution*, which shall be a minimum of at least 20% of the total investment cost.

Three financing product categories shall be made available for beneficiaries as follows:

- (i) *Credit Line Processing and Storage:* Legal entities active in the horticultural value chain including Agrofirms shall be eligible to receive Debt Financing to a maximum amount of USD 600 000 equivalent per borrower.
- (ii) *Credit Line for Farmers:* Farmers operating horticultural fields of less than 6 ha; and small market services entities active in value chain including storage, processing, packaging, distributing shall be eligible to receive Debt Financing to a maximum amount of USD 100 000 equivalent per borrower.
- (iii) *Credit Line for Small Producers:* Small production units operating high value cash crop land of less than 2 ha, including farmers; and micro market services

entities shall be eligible to receive Debt Financing to a maximum amount of USD 20 000 equivalent per borrower.

4.3 **Component 3: Improved Irrigation and Drainage Network.** This component shall finance investments in public irrigation and drainage infrastructure that complement support to activities under Components 1 and 2.

Eligibility criteria shall be set out in the Project Implementation Manual based upon the Project Feasibility Study and as agreed between the Borrower/Recipient and the Fund. Criteria shall include direct linkage with the horticulture activities selected for support under component 1, authenticated through the respective producers and processors; and a proposal for a feasible and sustainable procedure for operation and maintenance of the proposed facility, endorsed by the responsible institution.

4.4 **Component 4: Programme Management.** This Component shall support Programme management as outlined in Section II below.

II. Implementation Arrangements

5. **Interdepartmental Council (IC).** An Interdepartmental Council shall have the overall responsibility for management and oversight of the Project, and shall provide guidance and direction to the Lead Project Agency (LPA).

6. **Technical Restructuring Agency and Project Management Unit.** Day-to-day oversight of the Project's management shall rest with a Project Management Unit (PMU) embedded in the Technical Restructuring Agency (TRA). The TRA shall report to the LPA.

6.1 The PMU shall have a Central Office in the capital and a Regional Office in the Project Area. The main functions of the PMU shall be: (i) project planning; (ii) financial administration including budgeting, procurement, accounting and disbursement; (iii) monitoring and evaluation; and (iv) providing, as appropriate, implementation support to implementing partners and beneficiaries. Appropriate arrangements for monitoring of the Rural Finance component after Project completion shall be agreed between the Borrower/Recipient and the Fund..

6.2 The Regional Office shall be responsible for day-to-day implementation in the field of all aspects of the Project, with the exception of financial administration and procurement, which shall be managed entirely by the PMU central office.

7. **Participating Financial Institutions (PFI).** Proceeds of the Financing under Component 2 shall be used to provide Subsidiary Loans to pre-qualified commercial banks and other eligible participating financial institutions (PFIs) approved by the Fund and the Borrower/Recipient. The PFIs shall use the Subsidiary Loans to provide the Debt Financing element of the financing products described at paragraph 4.2 above. Due diligence of each PFI shall be carried out by an international bank assessment consultant in collaboration with the TRA.

8.1 The Subsidiary Loans to PFIs shall be governed by Investment Guidelines approved by the Fund and the Lead Project Agency, which shall provide an overall framework for the distribution of the Subsidiary Loans and financing products including: (i) eligibility criteria for PFIs and end-borrowers; (ii) eligibility of loan purposes; (iii) a general description of refinancing activities; (iv) principal conditions and procedures for refinancing, approval, disbursement, repayment; (v) PFI accounting and audit requirements; and (vi) monitoring and reporting.

8.2 The Borrower/Recipient shall make the Subsidiary Loans available to the PFIs under Subsidiary Loan Agreements (SLAs) to be entered into between the Borrower/Recipient and the TRA on one hand, and each PFI on the other. The SLAs shall be under terms and conditions approved by the Fund and in adherence with the Investment Guidelines. Except as the Fund shall otherwise agree, the Borrower/Recipient shall not assign, amend, abrogate or waive any SLA or any of its provisions.

9. **Project Implementation Manual (PIM).** The PMU shall prepare a draft Project Implementation Manual acceptable to the Fund and submit it for approval to the Lead Project Agency. When so approved, a copy of the PIM shall be provided by the Lead Project Agency to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.

10. **Mid-Term Review (MTR).** A Mid-term Review shall be conducted at the end of Project Year three, to assess the progress, achievements, constraints and emerging

Draft pursuant to initial meetings
21/03/2012

impact and likely sustainability of the project and make recommendation and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Lead Project Agency and IFAD.

Schedule 2

Allocation Table

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

Category	IFAD Loan Amount Allocated (expressed in SDR)	IFAD Grant Amount Allocated (expressed in SDR)	% of Expenditures to be financed (net of taxes and beneficiary, PFI and government contributions)
I. Works including Design & Supervision	2 360 000		100%
II. Vehicles, Equipment and Materials			100%
III. Technical Assistance		645 000	100%
IV. Training			100%
V. Rural Finance			
(a) Credit Line for Processing and Storage	2 620 000		100%
(b) Credit line for Farmers			
(c) Credit line for Small Producers			100%
VI. Recurrent Cost	960 000		100%
VII. Unallocated	250 000		
TOTAL	6 190 000	645 000	

(b) Withdrawals for activities under category V above shall be limited to USD 300,000 until the Fund has received satisfactory evidence that due diligence has been carried out by an international bank assessment consultant for at least three potential and interested PFIs; and Investment Guidelines and a model Subsidiary Loan Agreement have been agreed upon between the Borrower/Recipient and the Fund.

Schedule 3

Special Covenants

(a) 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/Recipient to request withdrawals from the IFAD Loan Account, the Grant Account and the Trust Loan Account if the Borrower/Recipient 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. The Borrower/Recipient shall ensure that no later than one year from the date of entry into force of this Agreement the Government shall adopt a resolution to allow the importing of highly productive new varieties of plants and rootstock including varieties and rootstock not yet listed in the Official Catalogue of Authorized Planting Materials in order to avoid lengthy trial periods before license for commercial use. The resolution shall allow the propagation of the new varieties and rootstock and unrestricted distribution of the propagated plants within the Project Area.
2. The Borrower/Recipient shall ensure that all Subsidiary Loans shall be disbursed from and repaid to a dedicated TRA Subsidiary Loan Account operated by the TRA.
3. At all times during the Project Implementation Period the Borrower/Recipient shall ensure that all civil works, equipment and services imported for the purposes of the Project shall be exempted from any custom duties or taxes.