

REGULATIONS AND RULES
FOR
SECOND ACCOUNT OPERATIONS

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(Adopted by the Governing Council on 26 July 1991 at its Second Annual Meeting, and amended by the Governing Council on 5 December 2000 at its Twelfth Annual Meeting¹, on 10 December 2002 at its Fourteenth Annual Meeting², on 7 December 2004 at its Sixteenth Annual Meeting³, on 28 November 2006 at its Eighteenth Annual Meeting⁴, and on 28 November 2007 at its Nineteenth Annual Meeting⁵)

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² Regulation IV (Decision GC/XIV/7).

³ Regulations former VII (deleted 2007), and VIII (Decision GC/XVI/6).

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REGULATIONS AND RULES FOR SECOND ACCOUNT OPERATIONS

Whereas the Second Account of the Common Fund has been established with the objectives, functions and resources provided in the Agreement Establishing the Common Fund for Commodities, the present Regulations and Rules contain the provisions under which the resources and facilities of the Second Account may be utilized. They are adopted under the authority of and intended to be complementary to the Agreement, and they shall be construed accordingly. The provisions of the Agreement shall have primacy over these Regulations and Rules. These Regulations and Rules are to be supplemented with Operational Policy Papers.

REGULATION I. DEFINITIONS

1. For the purpose of these Regulations and Rules:
 - (a) “Agreement” means the Agreement of 27 June 1980 Establishing the Common Fund for Commodities;
 - (b) “Commodity development measure” means a measure falling within the description made in Article 18, section 3 of the Agreement;
 - (c) “Project” means the realization of one or more commodity development measures within a given time frame and for an established purpose;
 - (d) “Project preparation” means the completion of activities required to formulate the general concept of the project and its economic, technical and developmental aspects, to be justified by feasibility studies and complemented with the conditions or plan of operations necessary to ensure that the project is designed and implemented in the most efficient and effective manner;
 - (e) “Project Agreement” means a mutually agreed document setting out the project's objectives, terms and conditions of the funding arrangements, plan of operations, and administration of the signing parties; including the roles and responsibilities of the Guarantors, executing agency and supervisory body, as necessary;
 - (f) “Project budget” means that part of a project agreement that provides information on all financial resources of the project and the authorization by which expenditures may be incurred to carry out the project;
 - (g) “Project executing agency” means the person or legal entity responsible for executing the project in accordance with the project agreement;

- (h) “Project result” means any material or other outcome of a fully or partly realized project;
- (i) “Supervisory Body” means a body responsible for supervising and monitoring the execution and implementation of a project and for making such decisions with regard to the project as are specifically entrusted to it in the project agreement;
- (j) “Project output” means the concrete quantitative and qualitative results of the assistance, produced through the sound management of inputs (i.e. goods, services, studies, technologies, and know-how, etc.) required to achieve the project's objectives.

2. The definitions set out in Article 1 of the Agreement shall be applicable to these regulations.

REGULATION II. OPERATIONAL POLICIES

1. The resources of the Second Account shall be used exclusively for the purpose of making or participating in loans and grants for the financing of commodity development measures sponsored by an ICB and aimed at improving the structural conditions of commodity markets and at enhancing the long term competitiveness and prospects of particular commodities.

2. In providing such finance, the Fund shall observe the relevant provisions of the Agreement and, in particular, Article 18.3 (j) and Article 18.3 (l) to (o).

3. The Executive Board shall, with the aim of maximizing the benefit of the Second Account Operations, determine priorities among project proposals submitted to the Fund for financing in accordance with paragraphs 1 and 2. of this Regulation. To this end, it shall, based on advice of the Consultative Committee, develop appropriate guidelines and criteria. Such guidelines and criteria shall be reviewed annually by the Executive Board with the advice of the Consultative Committee taking into account, inter alia, the aims of the Second Account, developments in commodity markets and activities pursued by other organizations in related fields.

4. The Executive Board shall further, based on advice from the Consultative Committee, adopt guidelines and criteria for the provision of loans and/or grants to projects approved for financing through the Second Account in accordance with Article 18.3 (c) of the Agreement. Such guidelines and criteria, which will facilitate the Board's decisions on the size and form of financial assistance to be provided by the Fund to individual projects, shall be reviewed and adjusted periodically by the Executive Board, with the advice of the Consultative Committee, with a view to maximising the benefits derived from Second Account resources and taking into account the prospects of co-financing with other institutions in accordance with Article 16.11 of the Agreement.

5. The Executive Board shall on a regular basis monitor and measure the impact of projects financed from the Second Account and their effectiveness in furthering the overall aims of the Second Account. To this end, it shall develop, on the advice of the Consultative Committee, appropriate performance indicators.

6. Based upon the current three-year projections of Second Account activities, to be provided by the Managing Director, and taking into account, inter alia, the principles embodied in Article 18.3 (m), (n) and (o) of the Agreement, the Executive Board shall annually decide upon the operational programme for the following financial year. The operational programme shall provide:

- (a) A list of planned projects and activities for the new financial year; specifying:
 - (i) project description and sponsoring ICB;
 - (ii) total cost (grant or loan);
 - (iii) share of financing by CFC (grant and loan);
 - (iv) co-financing;
- (b) Cash flow projections for approved/on going projects and proposed projects, as necessary;
- (c) Schedule of disbursement and corresponding financial requirements (including calls on promissory notes already issued and cash payments);
- (d) Projected income from Second Account Operations including repayments from outstanding loans and service charges.

REGULATION III. DESIGNATION OF ICBs

1. An international commodity body that wishes to become designated as an ICB under Article 7.9 of the Agreement shall submit a written request to the Fund for consideration by the Executive Board. The request shall contain a declaration on the compatibility of the requesting institution with the requirements laid down in Schedule C of the Agreement. The request may be accompanied by documentation in support of this declaration such as a list of its members, its organizational structure and decision making procedures, the frequency of meetings of its committees and governing bodies and its methods of financing.

2. The Executive Board shall designate appropriate commodity bodies as International Commodity Bodies (ICBs) provided they meet the criteria set out in Schedule C of the Agreement.

3. The Executive Board shall annually review the list of designated ICBs. The Board may withdraw a designation if the Commodity Body in question no longer fulfils the requirements of Schedule C of the Agreement. It may also take appropriate action, including withdrawal of designation, if the commodity body in question fails to comply with the requirements of the Project Agreement concluded with the Fund.

REGULATION IV. SUBMISSION AND APPRAISAL OF PROJECT PROPOSALS

1. Project identification and formulation and the submission of proposals to the Fund shall be the responsibility of ICBs. The Common Fund will inform ICBs of the criteria and of the appraisal system which it will apply to the projects presented. It will also inform them of the format in which submission should be made at each stage of the selection process in accordance with Regulation V, 5 (f) to (i).

2. When submitting a project proposal in accordance with Article 18.3 (d) of the Agreement, the ICB shall submit information on the developmental and environmental aspects of the proposal.

3. The Managing Director shall appraise project proposals submitted for financing from the Second Account, and ensure that the proposals are in accordance with the operational policies of the Fund and the priorities adopted by the Executive Board in accordance with Regulation II.3. In all cases where the total financial contribution sought from the Fund does not exceed USD 120,000, the Managing Director can approve the project for financing by the Fund, taking into account the advice of the Consultative Committee. Whenever the Managing Director approves a project, the Managing Director will take the necessary steps towards its implementation and finalization in accordance with the Regulations and Rules for the Implementation of Fast Track Projects.

4. In all cases where the total financial contribution sought from the Fund exceeds USD 120,000, a written appraisal by the Managing Director, including the recommendation of the Consultative Committee as appropriate, shall be submitted to the Executive Board. The Board shall undertake an assessment of the proposal and its eligibility for financing through the Second Account, based on which it may:

- (a) Approve the project;
- (b) Decide to defer its consideration of the proposal for a definite period or pending further information being provided by the ICB concerned; or
- (c) Decide not to proceed with the proposal.

A decision to approve the project shall be taken by the Executive Board with a Qualified Majority.

5. If the Executive Board approves the project, the Managing Director will take the necessary steps towards its implementation and finalization in accordance with Regulations V through XXII.

REGULATION V. THE PROJECT AGREEMENT

1. The Project Agreement shall be concluded between the Fund, the ICB, and the Project Executing Agency, and, in the case that the Supervisory Body shall not be the ICB sponsoring the Project, such other Supervisory Body designated in accordance with the provisions of Regulation IX, paragraph 1. If the nature of the project makes it desirable, the government of a country in which the project takes place may be invited to become a party to the Project Agreement.

2. When the Executive Board decides to finance a project fully or partly through grant(s) from the Second Account, the terms and conditions of such grant(s) shall be covered by the Project Agreement. The recipient of a grant shall normally be the ICB sponsoring the project but the Executive Board may decide that any other of the entities specified in Article 18.3 (h) of the Agreement shall act as recipient.

3. The proceeds of the grant shall be made directly available for the purpose of the project in accordance with the provisions of the Project Agreement and with the provisions of Regulation X.

4. In case the project is cancelled or suspended, the Fund shall not make any additional transfers from the grant. If however the Fund has a right to reclaim certain assets from the project it may undertake such reasonable expenditure from the grant as is required to preserve the value of those assets. With respect to the amount referred to in paragraph 5 (c) of this Regulation the Fund may continue to make transfers required to meet the project's contractual obligations in so far as such obligations have been incurred prior to the cancellation or suspension of the project.

5. The Project Agreement shall contain a detailed description of the project and of the rights and obligations of its parties, and, in accordance with Article 18.3 (h) of the Agreement, a specification of the amount, terms and conditions of the grant. As a minimum, the following subjects shall be included in sufficient detail to enable adequate supervision, monitoring and evaluation of the project:

- (a) The total amount of the grant which shall be denominated in any Usable Currency and shall be disbursed in one or more Usable Currencies;
- (b) The schedule according to which the Fund shall disburse the proceeds from the grant;
- (c) Any amount of the grant which the Fund is not entitled to withhold in case the project is cancelled or suspended;

- (d) In accordance with Article 16.7 of the Agreement an understanding that the proceeds of the grant may only be used for the specific purpose for which the grant was made. Any part of the grant not spent for this purpose shall remain the property of the Fund and shall not give rise to rights or expectations on the part of the recipient;
- (e) In accordance with Article 18.3 (i) of the Agreement an understanding that proceeds from the grant will be made available only to meet documented expenses in connection with the project as they are actually incurred.
- (f) A description of the objectives and expected results of the project;
- (g) A listing of the individual measures and activities contained in the project and expected outputs;
- (h) A time schedule for the implementation of the project. If the project is to be carried out in stages a description of what constitutes the completion of each stage;
- (i) An identification of the Project Executing Agency and a description of the Project Executing Agency's responsibilities;
- (j) An identification of the Supervisory Body and a description of the Supervisory Body's functions and responsibilities and of any special powers entrusted to it;
- (k) The project budget containing a listing of sources of finance for the project and their origin including as appropriate a time schedule for when they are to be made available as well as an itemised estimate, by activity, of the expenditure involved. Any contributions in kind towards the project as well as any services provided free of charge shall be listed separately. Copies of documentation relating to the financing of the project such as loan agreements, guarantee agreements, pledges of cash contributions as well as other donations may to the extent practicable, be annexed to the Project Agreement;
- (l) Provisions on reporting, accounting and auditing including deadlines by which reporting and financial statements are to be made;
- (m) Provisions on procurement, if applicable;
- (n) Provisions regarding distribution and dissemination of project results including, where applicable, provisions regarding distribution after the termination of the project of capital goods and other investments acquired for the purpose of the project;

- (o) Provisions describing the circumstances and the procedures under which a decision may be made to temporarily suspend the project;
- (p) Provisions describing the circumstances and the procedures under which a decision may be made to cancel a project prior to completion or alternatively allow a participant to withdraw from it;
- (q) Provisions under which a decision may be made to modify or alter the Project Agreement;
- (r) The proposed method of evaluation and follow-up;
- (s) Where appropriate, the expected rate of return of the project or of the parts of the project for which financing by the Fund is proposed.

REGULATION VI. LOAN AND GUARANTEE AGREEMENTS

1. When the Executive Board decides to finance a project fully or partly through loan(s) from the Second Account such loan(s) shall be covered by a Loan Agreement between the Fund and the borrower(s). Loan Agreements concluded by the Fund in the course of operations under the Second Account shall, in cases where the borrower is not a National Government or Ministry, a National Bank, the Government of an administrative region within a country, an International Financial Institution or a State owned bank involved in development, normally require an appropriate guarantee, or appropriate guarantees, from a guarantor, or guarantors, deemed acceptable by the Fund.

2. The Loan Agreement shall as a minimum specify the following:

- (a) The total amount of the loan which shall be denominated in any Usable Currency and shall be disbursed in one or more Usable Currencies;
- (b) The schedule according to which the Fund shall disburse the loan available for use by the project;
- (c) Any amount of the loan which the Fund is not entitled to withhold in case the project is cancelled or suspended;
- (d) The bank accounts established in the name of the project to which the Fund may transfer proceeds of the loan for the account of the borrower and the name of the persons authorized to draw on such bank accounts;
- (e) The rate of interest payable on the loan and the terms of payment of such interest;

- (f) The rate of commitment charge payable in case a scheduled transfer of proceeds of the loan to the bank accounts mentioned under (d) above is delayed without any fault of the Fund;
- (g) The terms and the schedule of repayment of the principal amount of the loan including, as appropriate, provisions on repayment in advance of maturity;
- (h) The settlement of any disputes arising from the Loan Agreement through arbitration;
- (i) In accordance with Article 16.7 of the Agreement, an understanding that the proceeds of the loan may only be used for the specific purpose for which the loan was made;
- (j) In accordance with Article 18.3 (i) of the Agreement, an understanding that funds provided under any financing operation shall be made available to the recipient only to meet expenses in connection with the project as they are actually incurred;
- (k) A breakdown allocating the funds from the loan to estimated costs in the project;
- (l) The guarantor, if any, of the loan.

3. A loan from the Fund shall be denominated in any Usable Currency. All payments of interest and commitment charges as well as the repayment of the principal of the loan shall be made in the currency or the currencies in which the loan is disbursed.

4. The proceeds of the loan shall be made directly available for the purpose of the project in accordance with the provisions of the Project Agreement and with the provisions of Regulation XI without the borrower having any right to interfere with the transfer except as mentioned in paragraph 6 of this Regulation. In making the transfer, however, the Fund shall take into account the legitimate interests of the borrower.

5. In case the project has been cancelled or suspended, the Fund shall not make any further transfers from the loan without the written permission of the borrower. Such permission, however, shall not be required with respect to the parts of the loan referred to in paragraph 3 (c) of this Regulation.

6. If a delay occurs in the realization of a project which makes it unnecessary to transfer the resources from the loan on the dates envisaged in the Project Agreement, the Fund may temporarily withhold such transfers. In this case, no interest shall be charged on the untransferred part of the loan but the Fund may, instead, charge a commitment fee on the untransferred amount in accordance with the provisions of the Loan Agreement. The same rule shall apply in case a project is suspended. No commitment fee shall be charged on any unspent part of a loan after the project for which the loan was made has been cancelled.

7. Interest shall be charged in accordance with the provisions of the Loan Agreement on any amount of a loan which has been transferred to the bank accounts of a project as from the day of the transfer until repayment is made. Interest shall become due on 1 June and 1 December each year.

8. The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance, such obligation does not require any prior notice or action against the borrower or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following:

- (a) Any extension of time, forbearance or concession given to the Borrower;
- (b) Any assertion of, or delay or failure to assert any right, power or remedy against the Borrower in respect of any security for the loan;
- (c) Any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof; or
- (d) Any failure of the Borrower to comply with any requirements of any law of the Guarantor.

9. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under the Loan Agreement or Guarantee Agreement, upon any default, shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

REGULATION VII. BORROWING FOR THE SECOND ACCOUNT

1. The Fund may borrow additional resources to further its objectives in its Second Account operations from Members and from international institutions as provided for in Article 16.5 (a) of the Agreement subject to approval by the Executive Board and the following conditions:

- (a) Such borrowing shall be on concessional terms. The rate of interest payable for such borrowing shall be at least 2% below the average rate of interest that the Second Account obtains on its investment. This rate shall in no event exceed a maximum rate which the Executive Board shall determine from time to time;
- (b) The proceeds from borrowing shall be placed in a separate loan account whose resources shall be held, used, committed, invested, or otherwise disposed of, entirely separately from the other resources of the Fund including the other resources of the Second Account. The funds borrowed shall be held in the same

usable currency(ies) in which they have been received which shall also be the currency(ies) of re-lending;

- (c) The proceeds from borrowing shall not be re-lent on terms which are more concessional than those on which they are acquired. The Fund shall charge at least 1% over the rate of interest which it has itself borrowed;
- (d) The Fund shall repay the loan, and pay the interest due in respect thereof, in the currency or currencies borrowed;
- (e) Any losses or liabilities arising out of operations or other activities related to such borrowed resources shall not be discharged from the other resources of the Fund, including other resources of the Second Account. Accrued earnings from operations and investments of the loan account shall remain assets of that account and may be used to meet losses and liabilities arising from its operations.

2. The terms and conditions of such borrowing and lending from such resources shall be reviewed by the Executive Board periodically as necessary.

REGULATION VIII. THE PROJECT EXECUTING AGENCY

Appointment of the Project Executing Agency

1. The Fund shall assure itself that the Project Executing Agency:
 - (a) Has the experience and the capacity to carry out the functions ascribed to it in the Project Agreement;
 - (b) Is not subject to conflicting interest in terms of carrying out the project in the most efficient and purposeful manner.

Responsibilities of the Project Executing Agency

2. The Project Executing Agency shall be responsible for carrying out the project in accordance with the Project Agreement and shall in so doing adhere to instructions given to it by the Supervisory Body in accordance with the Project Agreement. The Project Executing Agency shall on request make available to the Fund, or the Supervisory Body, or to the auditors appointed by the Fund, any information relevant to the implementation, financing, or follow-up of the project.

3. The Project Executing Agency may, in accordance with the Project Agreement and the Regulations and Rules of the Fund governing procurement of goods and services delegate specific tasks and functions in connection with the project to other legal entities or institutions

which are not under its daily supervision and control. No delegation of tasks or functions shall free the Project Executing Agency from the responsibility of carrying out the implementation of the project.

4. In accordance with the provisions of Article 18.3 (i) of the Agreement, the Project Executing Agency shall keep a strict budgetary control over the funds entrusted to it for the purpose of the project. Unless specifically authorized to do so it shall not commit any funds which have not yet been made available for use by the project. Except as otherwise provided in this Regulation VIII.4, funds made available shall until the time of their actual use, be kept in separate bank accounts with banks of commonly recognized high reputation. In cases where the Project Executing Agency is a Body, Entity or Specialized Agency of the United Nations, or is an institution forming part of the Consultative Group on International Agricultural Research (CGIAR), a Ministry, a Department of a Government or a Specialized Agency created by an Act of Parliament or Congress or by a Public Decree such funds may be kept in the main account of the Project Executing Agency in accordance with its governing regulations and rules, always provided that such Project Executing Agency shall establish under its main account an exclusive ledger account to document all transfers of funds from the Fund to the PEA. The Project Executing Agency shall take every precaution against any unauthorized use of the funds.

5. The Project Executing Agency shall at all times keep an up to date and full accounting of the expenditures incurred by the project. Except as otherwise provided in this Regulation VIII.5, the accounts shall be audited at such times as the Project Agreement may stipulate or at the latest after the completion or termination of the project, by auditors appointed by the Fund in consultation with the Supervisory Body. In cases where the Project Executing Agency is a Body, Entity or Specialized Agency of the United Nations, audits may be undertaken in accordance with the provisions governing audits of funds entrusted to such Body, Entity or Specialized Agency pursuant to its own governing regulations and rules or, as the case may be, the regulations and rules of the United Nations. The Supervisory Body or the Fund may at any time request a financial statement from the Project Executing Agency accompanied by certified balances of the project's bank account(s).

REGULATION IX. THE SUPERVISORY BODY AND RELATED PROVISIONS

Designation of the Supervisory Body

1. The Supervisory Body may be the ICB sponsoring the project, another existing international institution active in the field of commodities, development or financing, or such an institution modified for the purpose of acting as Supervisory Body. It may also be an international body established on an ad-hoc basis for the sole purpose of acting as Supervisory Body for the project concerned.

2. The Fund may or may not be a member of the Supervisory Body but it shall in any case have the right to send an observer to meetings of the Supervisory Body and shall automatically receive a copy of all information concerning the project which is sent to the Supervisory Body.

Rules of procedure of the Supervisory Body

3. The rules of procedure of the Supervisory Body shall allow the body to perform any function ascribed to it in the Project Agreement and in particular to take any decisions required. Preferably it shall also have the power to make decisions without holding a meeting.

Functions and responsibilities of the Supervisory Body

4. The Supervisory Body shall supervise and monitor the implementation of the project by the Project Executing Agency based on reports submitted to it by the Agency. The Supervisory Body shall have authority to request additional information from the Project Executing Agency or from any other party involved with the implementation of the project.

5. In addition, the Supervisory Body shall act as the focal point for discussions relating to the future development of the project including possible modifications to be made therein.

6. Upon completion of the project the Supervisory Body shall approve the final report by the Project Executing Agency. In doing so, it may attach its own comments to the report.

Other provisions

7. Notwithstanding the monitoring and supervision by the Supervisory Body, the Managing Director shall at all times satisfy the Board that:

- (a) All projects are adequately supervised and monitored;
- (b) The proceeds of loans and grants are used only for the purposes of and in accordance with the conditions specified in the Project Agreement;
- (c) Appropriate evaluation for particular projects is carried out.

8. The Managing Director shall report to the Executive Board on the implementation of all projects and on evaluations undertaken, in accordance with Regulations XV and XVI. The Consultative Committee may comment on such reports.

REGULATION X. THE PROJECT BUDGET

The Managing Director, when submitting a project for final approval by the Executive Board in accordance with paragraph 4 of Regulation IV, shall ensure that the Project Budget meets the following requirements:

- (a) Adequate finance is being provided to meet the expenditures of the projects. In this regard only firm commitments from co-financiers and/or donors shall be taken into account in determining the project budget;
- (b) Estimates of the project expenditures and cash flows shall be based on realistic assumptions and cost-efficient management principles but reasonable contingency provisions may be made to cover unforeseen price increases. No provisions shall be made to cover activities including the purchase of goods and services which have not been foreseen in the Project Agreement;
- (c) The project budget shall be expressed in units of account, and may be paid in such currencies as are specified in the Project Agreement. It shall also contain an estimate of expenditures which may be paid in non-convertible currencies;
- (d) The project budget shall include, as appropriate, appropriations for salary and labour costs, procurement of goods and services, travel and any administrative costs;
- (e) If the project budget contains provisions on official travel, such travel expenditure may only be authorized up to the class authorized by the rules for official travel applying to the staff members of the Common Fund;
- (f) The project budget shall specify to what extent the Project Executing Agency may transfer unspent funds from one heading in the budget to another.

REGULATION XI. TRANSFER OF FUNDS FROM THE FUND TO THE BANK ACCOUNTS OF THE PROJECT

1. In keeping with the provisions of Article 18.3 (i) of the Agreement, any transfer of funds to the bank accounts of the project from either a loan or a grant provided by the Fund shall only take place when the Project Executing Agency has certified that such transfer is required to meet the project's expenses for the period prior to the next transfer scheduled in the Project Agreement.
2. No transfer of funds shall take place ahead of the schedule established by the Project Agreement except where the Executive Board, upon the recommendation of the Supervisory Body, approves an advancement of the schedule.
3. If the Project Agreement stipulates that a project shall be completed in stages, no transfer of funds for the financing of a new stage shall be undertaken until the Supervisory Body so authorizes.

REGULATION XII. IMMUNITIES FROM TAXATION

1. Any Loan Agreement of the Fund shall be free from taxes levied in the territory of the Borrower in connection with the execution, delivery or registration thereof.
2. The principal of and other charges on loans of the Fund shall be paid without deduction or free from any taxes levied in the territory of the Borrower.

REGULATION XIII. PROCUREMENT

Procurement of goods and services for projects financed by the Fund under the provisions of Article 16 (10) of the Agreement shall follow the Regulations and Rules for procurement of goods and services from the resources of the Second Account.

REGULATION XIV. PROJECT ACCOUNTS AND RECORDS

1. The Project Executing Agency shall maintain records and procedures adequate to record and monitor the progress of the project, including costs and benefits, to identify the goods and services financed out of the proceeds of the loan.
2. Representatives of the Fund and/or the Supervisory Body shall be entitled to visit any facilities and sites included in the project to examine the accounts and records of and the goods financed out of the proceeds of the project.

REGULATION XV. REPORTS

Interim Reports

1. Interim reports on the implementation of a project shall be made by the Project Executing Agency, for information of the Supervisory Body and the Fund, at intervals specified in the Project Agreement and/or after completion of each stage of the project.
2. Interim reports received by the Fund shall be submitted by the Managing Director to members of the Executive Board and of the Consultative Committee for information. The Managing Director may, however, instead submit a summarized version of the information received.

Final Reports

3. The Consultative Committee shall comment on final reports on the implementation of projects together with any remarks made by the Supervisory Body and/or the ICB sponsoring the project. Any recommendations of the Consultative Committee shall be forwarded to the Executive Board.

REGULATION XVI. ACTIONS BY THE FUND WITH RESPECT TO PROJECTS UNDER IMPLEMENTATION

If the Managing Director deems that action by the Fund is required with respect to a project under implementation, he shall so recommend to the Executive Board including, whenever possible, the advice of the Consultative Committee. In exceptional cases, when the Managing Director feels that urgent action by the Fund is required in order to secure the viability of a project, to protect the Fund's resources or otherwise to safeguard the Fund's interests, he may take such steps in accordance with the Project Agreement as he deems necessary, except that he may not request the cancellation of or withdrawal from a project without prior approval by the Executive Board. Whenever applying this provision, the Managing Director shall inform the Consultative Committee and the Executive Board on an urgent basis of the actions undertaken.

REGULATION XVII. PROJECT RESULTS

1. Technology and know-how acquired during, or as a result of the project shall normally, and unless the Project Agreement stipulates otherwise, be made freely available to all Members of the Fund.
2. No formal distribution of assets acquired for the purpose of a project shall take place until the audited final accounts of the project have been approved by the Supervisory Body.
3. Any unused cash contributions or proceeds from loans shall be returned to their source of origin. If the source of origin cannot be determined, a pro-rata distribution shall take place.

REGULATION XVIII. SUSPENSION OF A PROJECT

The Fund shall have the right to demand a temporary suspension of a project if:

- (a) Any Borrower or Guarantor associated with a loan to finance the project defaults on his obligations with respect to that loan or if a borrower or guarantor associated with a loan from the Fund is found to be in a position where it is doubtful if he will be able and willing to meet his obligations towards the Fund;

- (b) The proceeds of a loan, grant or contribution in kind to be provided by another party to the Project Agreement is not made available on a timely basis or if circumstances occur which make it unlikely that future engagements will be met;
- (c) Any unauthorized use of funds provided for the project is evident or seriously suspected;
- (d) The Project Executing Agency fails to submit in due time any report or financial statement required by the Project Agreement or if it fails to respond within a reasonable time limit to a request from the Supervisory Body in this regard.

**REGULATION XIX. CANCELLATION OF OR WITHDRAWAL
FROM A PROJECT**

The Fund shall have the right to demand the cancellation of a project, or alternatively to withdraw from it, if:

- (a) A project has been suspended for a period of at least 90 days without the circumstances which gave rise to the suspension having been rectified;
- (b) The ICB sponsoring the project declares that the purpose for which the project was established can no longer be met within the framework of the present project or that this purpose is no longer valid in the context of the situation characterizing the commodity in question.

**REGULATION XX. CHANGES TO PROJECTS AFTER APPROVAL BY THE
EXECUTIVE BOARD**

1. Any change to a project which has been approved by the Executive Board for financing by the Fund, shall require the consent of the Fund.
2. Changes in the nature and substance of the Fund's financial exposure in a project shall always require approval with qualified majority by the Executive Board.
3. Changes in the purpose, scope or size of a project shall be approved by the Executive Board.
4. The Managing Director shall be authorized to implement any changes other than those referred to in paragraph 2 and 3.

REGULATION XXI. ENFORCEABILITY

The rights and obligations of the Fund, the Borrower and the Guarantor under the Loan Agreement and the Guarantee Agreement shall be valid and enforceable in accordance with their terms, notwithstanding the law of any state or political sub-division thereof to the contrary. No party is entitled to assert any claim that any provision of the Loan Agreement or the Guarantee Agreement is invalid or unenforceable because of any provision of the Agreement Establishing the Common Fund for Commodities.

REGULATION XXII. ARBITRATION

Project, Loan and Guarantee Agreements entered into by the Fund shall contain an arbitration clause stating that any dispute between the parties which has not been settled by agreement of the parties, shall be submitted to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law, with such modifications as may be set out in the agreement concerned.