Financing Agreement
(Malawi Floods Emergency Recovery Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 3, 2015
CREDIT NUMBER 5636-MW
GRANT NUMBER D058-MW

FINANCING AGREEMENT

AGREEMENT dated JUNE 3, 2015, entered into between REPUBLIC OF MALAWI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement:

(a) an amount equivalent to twenty-nine million Special Drawing Rights (SDR 29,000,000) ("Grant"); and

(b) an amount equivalent to twenty-nine million Special Drawing Rights (SDR 29,000,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is United States dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Either the Roads Authority Act or the Roads Fund Administration Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Roads Authority or the Roads Fund Administration (as the case may be) to perform any of its respective obligations under the Project Implementation Agreement.

(b) Either the Roads Authority or the Roads Fund Administration has failed to perform any of its respective obligations under the Project Implementation Agreement.

(c) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Roads Authority or the Roads Fund Administration (as the case may be) of any of its respective obligations under the Project Implementation Agreement; and

(d) IBRD or IDA has suspended in whole or in part the right of the Roads Authority or the Roads Fund Administration (as the case may be) to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Roads Authority or the Roads Fund Administration (as the case may be) to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in paragraph (a) of Section 4.01 of this Agreement occur.

(b) A default has occurred in the performance by the Roads Authority or the Roads Fund Administration of any of its respective obligations under the Project Implementation Agreement, and such default continues for a period of sixty (60) days after notice of such default has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister at the time responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance, Economic Planning and Development
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Cable: FINANCE
Facsimile: 265-1-789173
Lilongwe

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Lilongwe, Malawi, as of the day and year first above written.

REPUBLIC OF MALAWI

By

[Signature]
Authorized Representative

Name: Hon. Goodall E. Gondwe
Title: Minister of Finance, Economic Planning and Development

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Laura Kullenberg
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to sustainably restore agricultural livelihoods, reconstruct critical public infrastructure to improved standards in the flood-affected districts, and improve the Recipient's disaster response and recovery capacities.

The Project consists of the following parts:

Part A  Livelihoods Restoration and Food Security

1. Carrying out a program of activities to support labor intensive community infrastructure, such activities to include providing Farm Inputs Vouchers to Beneficiaries participating in labor intensive community infrastructure repairs, carrying out of feasibility studies, training of management committees, hiring and training of foremen and printing and distributing the Farm Inputs Vouchers.

2. Restocking of the Recipient's Strategic Grain Reserve.

Part B  Infrastructure Rehabilitation and Reconstruction

1. Repairing and rehabilitating selected roads and bridges and associated drainage structures.

2. Rehabilitating and restoring irrigation systems and rural water supply and sanitation systems and related infrastructure.

3. Carrying out of water resource management and flood mitigation works including river training works, river bank protection and repair works, creating and restoring storm-water drainages, restoring riparian forests, and constructing flood protection bunds around critical infrastructure.

4. Rehabilitating and upgrading education and health facilities and supplying school learning materials, medical equipment and related supplies.

Part C  Promoting Disaster Resilience

1. Carrying out a program of activities to strengthen the institutional and operational capacity of the Department of Disaster Management Affairs for post disaster response and recovery, such activities to include: improving data preparedness and capacity development for post-disaster needs assessment; strengthening recovery planning and implementation; carrying out of community mapping and land use planning; and enhancing disaster response systems.

2. Carrying out of a program of activities to institutionalize disaster and climate resilient design standards for infrastructure construction, such activities to include: review and strengthening of guidelines for safer housing; raising
awareness on the use of safer housing construction guidelines; carrying out of a railway rehabilitation study; and developing national building codes and standards for housing.

**Part D  Program Management**

1. Financing of Operating Costs and other costs associated with Project implementation, monitoring and evaluation.

2. Preparing technical designs for the rehabilitation works under the Project.

3. Supporting supervision, quality control and contract management of the rehabilitation works under the Project.

4. Carrying out of needed audits, studies and assessments.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Steering Committee

1. The Recipient shall establish, not later than thirty (30) days following the Effective Date, and thereafter maintain throughout Project implementation, a Project Steering Committee with terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project.

2. Without limitation on the foregoing, the functions of the Project Steering Committee shall be to provide overall coordination, policy and strategic guidance over the Project.

Project Technical Committee

3. In order to ensure prompt and efficient technical support for the Project, the Recipient shall establish, not later than thirty (30) days following the Effective Date, and thereafter maintain throughout Project implementation, a Project Technical Committee with terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project. The Project Technical Committee shall report to the Project Steering Committee.

4. Without limitation on the foregoing, the functions of the Project Technical Committee shall be to provide technical guidance at both strategic and operational levels, as well as help resolve technical issues that are brought to its attention. The Project Technical Committee shall also serve as the primary mechanism for ensuring the implementation of the inter-ministerial and inter-departmental coordination modalities, and for managing the respective roles and responsibilities set out for the various implementing entities and departments responsible for the implementation of Project, as further specified in the Project Implementation Manual.

Project Implementation Unit (PIU)

5. The Recipient shall: (a) maintain throughout Project implementation, the Project Implementation Unit (PIU) with terms of reference, staffing and other resources satisfactory to the Association; and (b) to this end, shall: (i) not later than thirty (30) days following the Effective Date assign to the PIU, and thereafter maintain through-out Project implementation, a National Project Coordinator, a finance management specialist, an assistant finance management specialist, a procurement specialist, an assistant procurement specialist, two project engineers...
water resources specialists, a roads engineer / specialist, a monitoring and evaluation specialist, a disaster management specialist, an office manager, and other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) not later than thirty \((30)\) days following the Effective Date, set up PIU field offices in Chikhwawa and Zomba with terms of reference, institutional framework and staffing satisfactory to the Association, including a regional safeguards specialist, a water resources specialist, and other staff as may be agreed with the Association, all said staff with qualifications, experience and terms of reference satisfactory to the Association.

6. Without limitation on the foregoing, the PIU shall be responsible for overall coordination of the implementation of the Project and the day-to-day administration, financial management, procurement, monitoring and evaluation of the Project (except Part B.1).

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall not later than sixty \((60)\) days following the Effective Date: (a) (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project; detailed guidelines and selection criteria as necessary for the implementation of each of the Project activities, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and (ii) thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the Association (Project Implementation Manual); and (b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.

2. In case of a conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

Annual Work Plans and Budgets

3. Not later than June 15 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association: (i) a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested; as well as; (ii) any Supplemental Social and Environmental Safeguard Instruments which are
required for the implementation of the activities included in the draft annual work plan and budget.

4. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out (or cause to be carried out) such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association ("Annual Work Plan and Budget"). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.

5. Any training proposed to be included in an Annual Work Plan and Budget, shall include, inter alia: (a) particulars of the training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

6. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association’s prior written approval.

C. Project Implementation Agreement

1. In order to assist the Recipient in the carrying out of Part B.1 of the Project, the Recipient shall enter into an agreement, under conditions satisfactory to the Association, with the Roads Authority and the Roads Fund Administration ("Project Implementation Agreement"), pursuant to which:

(a) the Roads Authority shall be required, on behalf, and acting as agent, of the Recipient, to:

(i) carry out the day-to-day activities of Part B.1 of the Project with due diligence and efficiency, and in accordance with the Safeguard Instruments required for said activities, so as to ensure timely implementation of said Part B.1 of the Project in accordance with the provisions of this Agreement;

(ii) prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Recipient not later than April 1 in each Fiscal Year for its review and incorporation in each Annual Work Plan and Budget, an annual work plan and related budget for all activities planned to be carried out under Part B.1 of the Project during the following Fiscal Year;

(iii) prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Recipient not later than 30 days after the end of each quarter, for incorporation in the Project...
Reports under Section II.A of this Schedule, quarterly reports on the progress in the implementation of Part B.1 of the Project during said quarter;

(iv) carry out the procurement for Part B.1 of the Project in accordance with Section III of this Schedule 2, including, preparation of the bidding documents and bid evaluation;

(v) certify to the Roads Fund Administration the appropriateness of invoices for payment for activities carried out under Part B.1 of the Project; and

(vi) maintain at all times during Project implementation, competent and qualified staff in adequate numbers for the implementation of Part B.1 of the Project, such staff to include procurement specialists and environmental specialists whose terms of reference, qualifications and experience shall be satisfactory to the Association;

(b) the Roads Fund Administration shall be required, on behalf, and acting as agent, of the Recipient, to:

(i) carry out the financial management activities including, processing of payments for invoices certified by the Roads Authority, and financial reporting for Part B.1 of the Project, in accordance with the provisions of Section II.B of this Schedule;

(ii) maintain at all times during Project implementation, competent and qualified staff in adequate numbers for purposes of the Project Implementation Agreement, such staff to include financial management specialists whose terms of reference, qualifications and experience shall be satisfactory to the Association; and

(c) without limitation on the provisions of Section 4.03 of the General Conditions, the Recipient shall be required to provide all such resources as may be necessary for the Roads Authority and the Roads Fund Administration to carry out the responsibilities aforesaid.

2. The Recipient shall carry out its obligations and exercise its rights under the Project Implementation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Project Implementation Agreement or any of its provisions.
D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Recipient shall, not later than thirty (30) days following the Effective Date and in any event prior to the carrying out of any rehabilitation works under the Project: (i) in accordance with terms of reference and process acceptable to the Association, prepare the safeguard instruments and furnish said instruments to the Association for its review and approval ("Safeguard Instruments"); (ii) thereafter disclose the Safeguard Instruments in country and at the Infoshop; and (iii) ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to implement the Project in accordance with the Safeguard Instruments.

2. If any Supplemental Social and Environmental Safeguard Instrument is required under any of the Safeguard Instruments, the Recipient shall ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to:

   (a) prepare (A) such Supplemental Social and Environmental Safeguard Instrument in accordance with the applicable Safeguard Instruments; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument prior to implementation of the rehabilitation works; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument.

3. The Recipient shall ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to ensure that all studies and technical assistance under the Project are undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference shall be designed to ensure that said studies and technical assistance are consistent with the Association's environmental and social safeguard policies and take into account the Recipient's environmental and social safeguard laws.

4. If any activity under the Project would involve Affected Persons, the Recipient and the PIU, and with respect to Part B.1 the Roads Authority, shall: (i) ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguard Instrument prepared in accordance with the RPF, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation,
have been implemented; and (ii) provide from their own resources, any financing required for any measures under sub-paragraph (i) above including any costs associated with land acquisition required for the Project.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient and the PIU, and with respect to Part B.1 the Roads Authority, shall for the Safeguard Instruments, including each Supplemental Social and Environmental Safeguard Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with such Instruments including each Supplemental Social and Environmental Safeguard Instrument, as part of the Project Reports, giving details of:

(i) measures taken in furtherance of the Safeguard Instruments including each Supplemental Social and Environmental Safeguard Instrument;

(ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments including each Supplemental Social and Environmental Safeguard Instrument; and

(iii) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall ensure and cause the PIU, and with respect to Part B.1 the Roads Authority, to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, Goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:
**Procurement Method**

- (a) National Competitive Bidding, subject to the additional procedures set forth in paragraph 3 below
- (b) Direct Contracting
- (c) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association
- (d) Shopping
- (e) Force Account

**3. Additional Requirements for the National Competitive Bidding.** The procedures to be followed for National Competitive Bidding shall be those set forth in the Recipient’s Public Procurement Act (Cap.37:03), as revised from time to time in a manner deemed acceptable to the Association, subject, however, to the modifications described in the following paragraphs required for compliance with the Procurement Guidelines:

- (a) No bidder or potential bidder shall be declared ineligible for reasons other than those provided in Section I of the Procurement Guidelines;
- (b) Standard bidding documents acceptable to the Association shall be used for any procurement process under National Competitive Bidding (NCB); each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract;
- (c) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such
provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines;

(e) Unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, shall not be used in the evaluation of bids; and

(f) Contracts shall not be split into small lots, and the award of contracts shall not be restricted to small enterprises for purposes of promotion of the participation of such small enterprises.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts, which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
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<tr>
<td>(c) Least Cost Selection</td>
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<tr>
<td>(d) Single Source Selection</td>
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<tr>
<td>(e) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts, which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.
Section IV.  Withdrawal of the Proceeds of the Financing

A.  General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects", dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Farm Inputs Vouchers under Part A.1 of the Project</td>
<td>5,075,000</td>
<td>5,075,000</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>(2.A) Goods under Part A.2 of the Project</td>
<td>3,262,500</td>
<td>3,262,500</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>(2.B) Goods under Part A.2 of the Project</td>
<td>1,087,500</td>
<td>1,087,500</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>(2.C) Goods under Part A.2 of the Project</td>
<td>1,087,500</td>
<td>1,087,500</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consultants' services, Operating Costs and Training under Part B.1 of the Project</td>
<td>8,700,000</td>
<td>8,700,000</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>(4) Goods, works, non-consulting services, consultants' services, Operating Costs and Training under Parts B (except B.1), C and D of the Project</td>
<td>9,787,500</td>
<td>9,787,500</td>
<td>100% (50% from the Grant 50% from the Credit)</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>29,000,000</td>
<td>29,000,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section,

   (a) no withdrawal shall be made for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed SDR 14,500,000 (each of the respective grant and credit portions not to exceed forty (40) percent of their respective totals) may be made for payments under Categories (1), (2.A), (2.B) and (2.C) made prior to the Effective Date but on or after January 1, 2015.

   (b) under Category (2.A), unless the Recipient has (i) carried out an assessment acceptable to the Association of the grain demand of the flood-affected population, (ii) put in place an arrangement acceptable to the Association for purposes of undertaking an independent verification of the quantity and quality (Malawi standard maize quality specification of the NFRA) of the maize received into the storage facilities of the Strategic Grain Reserve under the Project (the “Receipt Verification”), and (iii) put in place an arrangement acceptable to the Association for purposes of confirming that such maize has been distributed to flood-affected people under the Project (the “Distribution Verification”).

   (c) under Category (2.B), unless the Recipient has (i) completed the Strategic Grain Reserve management modality revision study in a manner satisfactory to the Association, and (ii) provided a Receipt Verification report acceptable to the Association with regard to the Project-financed quantity of maize received into the storage facilities of the Strategic Grain Reserve under the Project.

   (d) under Category (2.C), unless the Recipient has disclosed the final report of the Strategic Grain Reserve management modality revision study and shared its conclusions and recommendations with stakeholders at the joint agricultural sector review under the framework of the Agricultural Sector Wide Approach.

   (e) under Category 3, unless the Project Implementation Agreement has been executed on behalf of the Recipient, the Roads Authority and the Roads Fund Administration, duly authorized or ratified by, and legally binding upon, each of them in accordance with its terms.

2. The Closing Date is December 31, 2019.

Section V. Other Undertakings

A. Distribution Verification

In connection with the withdrawal conditions in Section IV.B.1.(b), not later than May 1, 2016, the Recipient shall provide a Distribution Verification report acceptable to
the Association with regard to an equivalent of US$ 15 million of maize having been distributed to flood-affected people. If the Distribution Verification report indicates that an amount of maize less than US$ 15 million was distributed to flood-affected people, the Recipient and the Association shall agree on a reallocation of the difference to other Categories and agree on the specific modality for refunding such amount for such other Categories.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15, commencing October 15, 2021 to and including April 15, 2053</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

2. “Agricultural Sector Wide Approach” means the Recipient’s investment framework to foster harmonization and alignment of projects and programs in the agricultural sector.

3. “Annual Work Plan and Budget” means the program of activities agreed each Fiscal Year between the Recipient and the Association for implementation under the Project in accordance with Section I.B.3 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.


5. “Beneficiary” means the farmers participating in labor intensive community infrastructure repairs proposed to be provided with farm inputs under the Project, selected on the basis of criteria and terms and conditions described in the Project Implementation Manual.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. “Department of Disaster Management Affairs” or “DoDMA” means the Recipient’s unit responsible for disaster management affairs.

9. “Environmental and Social Management Framework” and “ESMF” means the framework in form and substance satisfactory to the Association, to be prepared by the Recipient, setting out modalities to be followed in assessing the potential adverse environmental and social impact associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce, or mitigate such adverse impact.
10. "Environmental and Social Management Plan" and "ESMP" means a plan in form and substance satisfactory to the Association, prepared and adopted by the Recipient pursuant to the ESMF, providing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and social impacts under the Project, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.

11. "Farm Inputs Vouchers" means serialized vouchers issued by the Recipient in accordance with the Project Implementation Manual to Beneficiaries and which vouchers can be redeemed by said Beneficiaries for the quantities of farm inputs specified on the vouchers.

12. "Fiscal Year" means each fiscal year of the Recipient commencing on July 1 and ending on June 30 of the subsequent year.


14. "IRLADP" means the "Irrigation Rural Livelihoods and Agriculture Development Project" (Grant No H793-MW, Credit No. 5141-MW, Credit No. 4806-MW and Grant No H190-MW).

15. "Local Council" means a local council in the flood-affected districts as established under the Government Act, chapter 22:01 of the Recipient's laws, as amended from time to time.

16. "Ministry of Agriculture, Irrigation and Water Development" or "MoAIWD" means the Recipient’s ministry responsible for matters relating to agriculture, irrigation and water development.

17. "Ministry of Education, Science and Technology" or "MoEST" means the Recipient’s ministry responsible for matters relating to education, science and technology.

18. "Ministry of Finance, Economic Planning and Development" or "MoFED" means the Recipient’s ministry responsible for matters relating to finance and economic development.

19. "Ministry of Health" or "MoH" means the Recipient’s ministry responsible for matters relating to health.

20. "Ministry of Local Government and Rural Development" or "MoLGRD" means the Recipient’s ministry responsible for local government and rural development.

21. "Ministry of Lands, Housing and Urban Development" or "MoLHUD" means the Recipient’s ministry responsible for lands, housing and urban development.
22. “Ministry of Natural Resources, Energy and Environment” or “MoNREM” means the Recipient’s ministry responsible for natural resources, energy and environment.

23. “Ministry of Transport and Public Works” or “MoTPW” means the Recipient’s ministry responsible for transport and public works.

24. “National Food Reserve Agency” or “NFRA” means the Recipient’s agency responsible for the management of the Strategic Grain Reserve and established and operating pursuant to a trust deed registered for that purpose.

25. “National Water Resources Authority” means the National Water Resources Authority established under the Water Resources Act, 2013 (Act no. 2 of 2013), of the Recipient’s laws, as amended from time to time.

26. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient and approved by the Association attributable to Project implementation, management, and monitoring, consisting of costs of the following: office supplies and consumables; communication; office rentals and utility costs, costs operation and maintenance of office vehicles; per diem and travel costs for Project staff; reasonable bank charges; allowances and salaries of contractual staff (but excluding the salaries of the Recipient’s civil servants).

27. “Pest Management Plan” or “PMP” means the plan in form and substance satisfactory to the Association, prepared and adopted by the Recipient as part of the ESMF and designed to address significant pest management issues including minimizing the potential adverse impacts of pesticides on human health and the environment and to advance ecologically-based pest management practices.


29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 17, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time.

30. “Project Implementing Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement.

31. “Project Implementation Manual” means the Project Implementation Manual in form and substance acceptable to the Association prepared by the Recipient in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

32. “Project Implementation Unit” or “PIU” means a unit of the Recipient within MoAIWD established to carry out financial management, procurement and
monitoring and evaluation responsibilities currently under IRLADP, and which has been assigned to take on the financial management, procurement and monitoring and evaluation responsibilities for this Project and referred to in Section I.A.3 of Schedule 2 to this Agreement.

33. “Project Steering Committee” or “PSC” means a committee established for purposes of the Project and referred to in Section I.A.1 of Schedule 2 to this Agreement, chaired by the Ministry of Finance, Economic Planning and Development and comprising representatives from, MoFED, MoAIWD, MoEST, MoH, MoNREM, MoLGRD, MoTPW, MoLHUD and DoDMA.

34. “Project Technical Committee” means a subcommittee of the Project Steering Committee established for purposes of the Project and referred to in Section I.A.3 of Schedule 2 to this Agreement, chaired by Director of Debt and Aid in MoFED and comprising, inter alia, representatives at director level of the ministries or departments responsible for: irrigation; agriculture; land resources conservation; forestry; local government and rural development; health; education; disaster management affairs; the National Water Resources Authority; all Local Councils; the National Food Reserve Agency; the Roads Authority; and the Roads Fund Administration.

35. “Resettlement Action Plan” and “RAP” means the plan in form and substance satisfactory to the Association, prepared by the Recipient for the Project pursuant to the RPF as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

36. “Resettlement Policy Framework” and “RPF” means the framework in form and substance satisfactory to the Association, to be prepared by the Recipient and outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

37. “Roads Authority” means the autonomous legal entity of same name established pursuant to Section 3 of the Roads Authority Act and operating pursuant to said law.

38. “Roads Authority Act” means the Roads Authority Act Chapter 69:07 of the Recipient’s laws, as the same may be amended from time to time.

39. “Roads Fund Administration” means the autonomous legal entity of same name established pursuant to Section 3 of the Roads Fund Administration Act and operating pursuant to said law.
40. "Roads Fund Administration Act" means the Roads Fund Administration Act Chapter 69:08 of the Recipient's laws, as the same may be amended from time to time.

41. "Safeguard Instruments" means the ESMF, the RPF and any Supplemental Social and Environmental Safeguard Instruments.

42. "Strategic Grain Reserve" means the Recipient's emergency food security reserves.

43. "Supplemental Social and Environmental Safeguard Instruments" means any ESMP, RAP or other supplemental social and environmental safeguard instruments as required under the terms of any of the ESMF or RPF.

44. "Training" means the reasonable costs of training under the Project, based on annual budgets approved by the Association, and attributable to seminars, workshops, study programs and tours, along with tuition, travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.