Financing Agreement
(Malawi Agricultural Commercialization Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 2, 2018
CREDIT NUMBER 6048-MW

FINANCING AGREEMENT

AGREEMENT dated February 2, 2018, 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 credit in an amount equivalent to seventy million one hundred thousand Special Drawing Rights (SDR 70,100,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 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 Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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 Event of Suspension consists of the following, namely, that the Association, has declared the PCGF Agent ineligible to receive proceeds of any financing made by the Association, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association, as a result of: (a) a determination by the Association that the PCGF Agent has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association; and/or (b) a declaration by another financier that the PCGF Agent is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the financier as a result of a determination by such financier that the PCGF Agent has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Recipient has adopted a Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement; and

(b) the Recipient has established the Project Implementation Unit in accordance with the provisions of Section I.A.1(b) of Schedule 2 to this Agreement

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

5.03. 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister 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 address: 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

Telex: 248423 (MCI) Facsimile: 1-202-477-6391
AGREED at Lilongwe, Malawi, as of the day and year first above written.

REPUBLIC OF MALAWI

By [signature]

Authorized Representative

Name: Hon. Goodall Gondwe
Title: Minister of Finance, Economic Planning & Dev.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [signature]

Authorized Representative

Name: Bella Bird
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to increase commercialization of agriculture value chain products selected under the Project.

The Project consists of the following parts:

Part 1: Building Productive Alliances

1.1 Supporting establishment and operationalization of horizontal producer organizations ("Participating POs"), through: (a) designing and implementing a targeted information, education and communications campaign, including, inter alia, calls for proposals for establishment of said Participating POs and evaluation of said proposals; (b) carrying out of appropriate needs assessments and provision of targeted training to said Participating POs with a view to facilitating their formalization; and (c) provision of consulting services for the purpose.

1.2 Supporting establishment and operationalization of productive alliances ("PAs") between Participating POs and agribusiness entities/off-takers, through: (a) provision of consulting services to said Participating POs for: (i) formation of proposed PAs with agribusiness entities/off-takers ("Participating PAs"); and (ii) design of eligible business plans for upgrading production capacities and/or strengthening linkages with said agribusiness entities/off-takers; (b) provision of Matching Grants to Participating POs for implementation of specific development projects ("PO Sub-projects") with a view to increasing production, yield, quality and sale of agricultural products, improving post-harvest storage and processing facilities, and promoting the mechanization of labor among others; and (c) (i) establishment and operationalization of a Partial Credit Guarantee Fund ("PCGF") to facilitate eligible Participating POs' access to private sector financing for the purpose of PO Sub-projects; and (ii) provision of consulting services and training for implementation of said PCGF.

1.3 (a) Implementing last mile infrastructure investments in Project areas consisting of, inter alia: (i) rehabilitation of existing small scale irrigation infrastructure; (ii) construction or rehabilitation and maintenance of rural feeder roads; (iii) construction of new and/or rehabilitation of existing small on-grid and off-grid electricity infrastructure; and (iv) improving access to clean water (collectively, "Last Mile Sub-projects"), all with a view to, inter alia, facilitating implementation of Project activities by eligible POs and Participating PAs; (b) undertaking environmental and social assessments and preparation of appropriate Safeguards Instruments for eligible Sub-projects; and (c) provision of consulting services, training and operating costs for the purpose.
Part 2: Support Investment Enabling Services

2.1 Carrying out of a comprehensive assessment of the warehouse receipt financing system focusing on, *inter alia*, rural areas with a view to identifying and implementing risk mitigation mechanisms.

2.2 Carrying out of a program of activities designed to facilitate access to land for commercial agriculture, in particular: (a) strengthening the capacities of key stakeholders such as MoAIWD, MoLHUD, MoITT and MITC for implementation of key land laws and regulations through provision of training and consulting services; (b) supporting registration of land titles for Participating POs and issuance of appropriate title documents; (c) development of a land information management system at MITC; and (d) strengthening good land management practices (including, identification, surveying, consolidation, acquisition and registration of land).

2.3 Facilitating access to business enabling services through: (a) establishment and operationalization of an economy-wide public private dialogue forum and an agribusiness taskforce, respectively; and (b) strengthening the capacity of the Malawi Bureau of Standards through: (i) carrying out of risk assessments, improving market surveillance, and incentivizing compliance among agribusinesses; (ii) rehabilitating or construction of laboratory facilities and improving certification processes; (iii) strengthening coordination with other MDAs and implementation of technical regulations; and (iv) automating certification processes.

Part 3. Contingent Emergency Response

Providing rapid response to an Eligible Crisis or Emergency, as needed.

Part 4. Project Coordination and Management

4.1 Strengthening the institutional and technical capacities of the PIU for implementation, coordination, management and oversight of Project activities and results.

4.2 Supporting sectoral and cross-sectoral coordination with key sector agencies.

4.3 Supporting inter-ministerial collaborations during implementation of Project activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MoAIWD

(a) The Recipient shall designate, at all times during the implementation of the Project, the MoAIWD to be responsible for prompt and efficient oversight and coordination of the implementation of activities under the Project, and shall take all actions including the provision of funding, personnel and other resources necessary to enable the MoAIWD to perform its functions, in consultation with MoITT, MoLHUD and other implementing entities under the Project.

(b) To this end, the Recipient, through MoAIWD shall establish not later than the Effective Date, and thereafter maintain at all times during the implementation of the Project, a Project Implementation Unit ("PIU") with a composition, mandate, staffing and other resources satisfactory to the Association. The PIU shall be responsible for day to day oversight and coordination of the implementation of activities under the Project, all in accordance with the provisions of the Project Implementation Manual.

2. Project Steering Committee ("PSC")

Without limitation upon the provisions of paragraph 1 immediately above, the Recipient shall, not later than forty-five (45) days after the Effective Date, establish and thereafter maintain at all times during the implementation of the Project, a PSC with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, inter alia, providing strategic and policy guidance on matters relating to the Project, all in accordance with the provisions of the Project Implementation Manual.

3. Partial Credit Guarantee Fund Agent ("PCGF Agent")

(a) Without limitation upon the provisions of paragraphs 1 and 2 immediately above, the Recipient shall, not later than one hundred and twenty (120) days after the Effective Date, in accordance with the provisions of Section III of this Schedule 2, appoint and thereafter maintain at all times during the implementation of the Project, a PCGF Agent.
(b) The PCGF Agent shall be responsible for coordination, implementation and management of the PCGF under Part 1.2 (c) of the Project, all in accordance with the provisions of the PCGF Manual.

B. Implementation Arrangements

1. Project Implementation Manual

(a) The Recipient shall, not later than the Effective Date, prepare in accordance with terms of reference acceptable to the Association and furnish to the Association for review, an implementation manual, which shall include provisions on the following matters: (i) capacity building activities for sustained achievement of the Project's objectives; (ii) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (iii) procurement management procedures, including a manual to guide procurement at the local level; (iv) institutional administration, coordination and day to day execution of Project activities; (v) monitoring and evaluation; (vi) information, education and communication of Project activities and results; (viii) the eligibility criteria, guidelines and detailed procedures for the selection, approval, implementation and management of PO Sub-projects and for provision of Matching Grants under Part 1.2(b) of the Project (including model form of Matching Grant Agreement); (ix) the eligibility criteria, guidelines and detailed procedures for the selection, approval, implementation and management of Last Mile Sub-projects under Part 1.3 of the Project; (x) guidelines for assessing potential environmental and social impacts of Project activities (including said PO Sub-projects and said Last Mile Sub-projects) and designing appropriate mitigation, management and monitoring measures in respect of said impacts (namely, guidelines for preparation and implementation of Safeguards Instruments); and (xi) such other technical and organizational arrangements and procedures as shall be required for the Project.

(b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said implementation manual, and thereafter, shall adopt said implementation manual ("Project Implementation Manual"), as shall have been approved by the Association.

(c) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual; provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.
(d) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual.

2. PCGF Manual

(a) To facilitate the efficient implementation of activities under Part 1.2 (c) of the Project, the Recipient shall, not later than 3 Months after the Effective Date, prepare in accordance with terms of reference acceptable to the Association and furnish to the Association for review, a PCGF manual which shall include provisions on the following matters:

(i) the eligibility criteria and procedures for extending coverage under the PCGF to PCGF Beneficiaries;

(ii) approval processes for proposals for PCGF coverage, including a negative list of activities that cannot be covered by the PCGF;

(iii) a model form of the PCGF Agreement; and

(iv) such other administrative, financial, technical, and organizational arrangements and procedures as shall be required for the implementation of activities under said Part 1.2 (c) of the Project.

(b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said PCGF manual, and thereafter, shall adopt said PCGF manual, as shall have been approved by the Association ("PCGF Manual").

(c) The Recipient shall ensure that the Project is carried out in accordance with the PCGF Manual; provided, however, that in case of any conflict between the provisions of the PCGF Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(d) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the PCGF Manual.

3. Annual Work Plan and Budget

(a) The Recipient shall prepare and furnish to the Association not later than May 31 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities (including PO Sub-projects and Last Mile Sub-projects under the Project) proposed to be included in the Project (including Safeguards Instruments applicable to said activities in accordance with the provisions of Section I.H of this Schedule 2) during the following Fiscal Year, and a proposed financing plan for expenditures
required for such activities, setting forth the proposed amounts and sources of financing.

(b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the Training; and (vi) the cost of the Training.

(c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association.

(d) The Recipient shall not make or allow to be made any change(s) to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

C. Anti-Corruption

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

D. PO Sub-projects under Part 1.2(b) of the Project; Matching Grants

1. Eligibility Criteria and Procedures. The Recipient shall provide Matching Grants to Participating POs for PO Sub-projects, in accordance with eligibility criteria and procedures acceptable to the Association and further elaborated in the Project Implementation Manual (“PIM”), which shall include the following:

(a) the proposed Participating PO: (i) is a privately owned legal entity established and operating as a cooperative society or association under the laws of the Recipient with the organization, management, technical capacity and financial resources necessary to carry out the proposed PO Sub-project; (ii) has prepared a satisfactory business plan, including financing plan and budget and a satisfactory implementation plan and has established a comprehensive record keeping system; (iii) has expressed an interest to enter into a productive alliance with an agribusiness entity/off-taker for the purpose of implementing the PO Sub-project; (iv) has provided satisfactory evidence of its capacity, and has committed, to finance at least thirty percent (30%) of the total estimated cost of the PO Sub-project out of its own resources; and (v) has not previously benefited from a Matching Grant or, if it has benefited from a Matching Grant, it has
completed the corresponding PO Sub-project in a manner satisfactory to the Recipient and the Association;

(b) the proposed PO Sub-project: (i) is designed to enhance PAs between the Participating POs and agribusiness entities/off-takers and increase crop yield, increase production, yield, quality and sale of agricultural products, improve post-harvest storage and processing facilities; (ii) is technically feasible and economically and financially viable; (iii) is replicable and scalable for other PAs; and (iv) if, pursuant to the Safeguard Frameworks, one or more Safeguard Instruments for the PO Sub-project are required, such Safeguard Instruments have been prepared and approved by the Association and disclosed prior to the commencement of the PO Sub-project, all in accordance with the provisions of Section I.H of this Schedule 2;

(c) the maximum amount of each Matching Grant for a PO Sub-project shall not exceed seventy percent (70%) of the total estimated cost of the PO Sub-project; and

(d) each Matching Grant for a PO Sub-project requiring a Safeguard Instrument shall be subject to the Association’s prior written approval.

2. Terms and Conditions for Matching Grants; Matching Grant Agreements

The Recipient shall provide each Matching Grant to a Participating PO under a Matching Grant Agreement on terms and conditions approved by the Association, which shall include, inter alia, the following:

(a) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the Participating PO to use the proceeds of the Matching Grant or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Participating PO’s failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) require each Participating PO to:

(A) carry out its PO Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with: (1) the provisions of the Anti-Corruption Guidelines applicable
to recipients of credit proceeds other than the Recipient, (2) the Safeguard Instruments; and (3) the provisions of the PIM;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works, non-consulting services and consulting services to be financed out of the Matching Grant in accordance with the provisions of Section III of this Schedule 2;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the PO Sub-project and the achievement of its objectives;

(E) enable the Recipient and the Association to inspect the PO Sub-project, its operation and any relevant records and documents;

(F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations, including the operations, resources and expenditures related to the PO Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association, and permit the Association to make such statements as so audited available to the public, along with the Matching Grant Agreement;

(G) maintain a satisfactory record keeping and filing system and enable the Recipient and the Association to inspect the PO Sub-project, its operation and any relevant records and documents; and

(H) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
(b) The Recipient shall exercise its rights under each Matching Grant 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 in writing, the Recipient shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

E. PCGF under Part 1.2 (c) of the Project

1. The Recipient shall cause:

   (a) the PCGF Agent to implement Part 1.2 (c) of the Project in accordance with the provisions of the PCGF Manual and the provisions of this Agreement, including: (i) carrying out said Part 1.2 (c) of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Credit proceeds other than the Recipient; (ii) the terms and conditions under which Partial Credit Guarantees ("PCGs") may be issued; (iii) the list of excluded activities against which PCGs shall not be issued; (iv) the requirement that the PCGF Agent maintain a dedicated PCGF Account in Malawi Kwacha for the purpose of receiving the proceeds of the Credit against which it shall issue PCGs and out of which it shall disburse funds only for eligible claims to participating financial institutions; and (v) and the reporting obligations to the Recipient and the Association on the issuance of PCGs and the disbursement against eligible claims; and

   (b) the PCGF Agent to: (i) maintain and operate the PCGF Account in accordance with the provisions of the PCGF Manual and the provisions of this Agreement for a period of two (2) years after the Closing Date; and (ii) include in each quarterly interim unaudited financial report referred to in Section II.B.2 of this Schedule, a statement of PCGs committed and paid during the relevant period, and continue to provide such reports as well audit reports in accordance with the provisions of Section II.B.3 of this Schedule to the Association with respect to said Part 1.2 (c) of the Project for so long as any proceeds of the Credit remain in the PCGF Account and notwithstanding the passage of the Closing Date; in each case except as the Association and the Recipient may otherwise agree in writing.

2. The Recipient shall cause the PCGF Agent to provide each PCG to each eligible financial institution under a PCG Agreement on terms and conditions approved by the Association, and further elaborated in the PCGF Manual.
3. The Recipient shall ensure that any unused funds left over in the PCGF Account shall not be reallocated or otherwise disposed of until after the exercise or expiration of effective PCG Agreements, but subject to full settlement of any amount due or outstanding under the PCG Agreements, as the case may be, all in accordance with the terms and conditions set forth in the PCGF Manual.

F. Last Mile Sub-projects under Part 1.3 of the Project

Each Last Mile Sub-project shall be eligible for financing upon the Recipient’s determination, on the basis of an appraisal conducted in accordance with the criteria, guidelines and detailed procedures set forth in the PIM, that the Last Mile Sub-project satisfies the eligibility criteria specified in the PIM, which criteria shall, inter alia, include the following:

(a) the Last Mile Sub-project shall be appraised on the basis of technical, economic, financial, environmental and social assessments and other guidelines acceptable to the Association (and be accompanied by appropriate Safeguards Instruments, if required pursuant to the Safeguards Frameworks);

(b) the Last Mile Sub-project and the associated Safeguards Instruments, if any, shall be approved by the Recipient and the Association, unless with respect to the Association’s approval, the Association has notified the Recipient in writing that its prior approval is not required; and

(c) the Last Mile Sub-project shall be included in the Annual Work Plan and Budget.

G. Contingent Emergency Response under Part 3 of the Project

1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project (“Emergency Response Part”), the Recipient shall:

(a) prepare and furnish to the Association for its review and approval, a Contingent Emergency Response Implementation Plan (“CERIP”), or Contingent Emergency Response Implementation Plans (“CERIPs”), as the case may be, for each Eligible Crisis or Emergency, which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and
procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the Safeguards Frameworks and relevant Safeguard Instruments to the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

(b) afford the Association a reasonable opportunity to review the proposed CERIP(s);

(c) promptly adopt the CERIP(s) for the Emergency Response Part as shall have been accepted by the Association;

(d) ensure that the Emergency Response Part is carried out in accordance with the CERIP(s); provided, however, that in the event of any inconsistency between the provisions of the CERIP(s) and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the CERIP(s) without prior written approval by the Association.

2. The Recipient shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Recipient has ensured the preparation and disclosure of all Safeguard Instruments required for said activities, in accordance with the Safeguard Frameworks, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments; and

(c) the Recipient has prepared and adopted a CERIP, satisfactory to the Association.

H. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguards Frameworks and Safeguard Instruments. To this end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:
(a) If any Project activity would, pursuant to the Environmental and Social Management Framework ("ESMF"): (i) require the carrying out of an Environmental and Social Impact Assessment ("ESIA"), the Recipient shall ensure that an ESIA for such activity is: (A) carried out, in accordance with the requirements of the ESMF and furnished to the Association for review and approval; and (B) disclosed as required by the ESMF and approved by the Association; and (ii) require the preparation of an Environmental and Social Management Plan ("ESMP"), such ESMP is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF and approved by the Association; and

(b) If a Resettlement Action Plan ("RAP") would be required for any Project activity on the basis of the Resettlement Policy Framework ("RPF"): (i) said RAP shall be prepared in accordance with the requirements of the RPF, furnished to the Association for review and approval, and disclosed as required by the RPF and approved by the Association; and (ii) no works under said activity shall be commenced until all measures required to be taken under said RAP (including, inter alia, compensation of Affected Persons) prior to the initiation of said works have been taken.

2. Without limitation upon its other reporting obligations under this agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of the Safeguards Frameworks and Safeguards Instruments, giving details of: (a) measures taken in furtherance of such Safeguards Frameworks and Safeguards Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Frameworks and Safeguards Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguards Frameworks and Safeguards Instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall 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 indicators acceptable to the Association. Each Project Report shall cover the period of one (1) 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.
2. The Recipient shall, not later than two (2) months prior to the mid-term review referred to in paragraph 3 of this Section II.A, furnish to the Association for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

3. The Recipient shall, not later than thirty-six (36) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said implementing agencies, having regard to the performance indicators referred to in paragraph 1 of this Section II.A.

4. Following the mid-term review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project.

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. The Recipient shall 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 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 months after the end of such period.

4. To facilitate the maintenance of the financial management system referred to in paragraph 1 of this Section II.B, the Recipient shall, not later than three months after the Effective Date, acquire and install software for project accounting and reporting in form and substance satisfactory to the Association.
Section III. Procurement

All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.

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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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 Credit 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services</td>
<td>29,300,000</td>
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<tr>
<td>(excluding Parts 1.2(c)(ii) and 2.1 of the Project), Training and</td>
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<tr>
<td>Operating Costs for Parts 1.1, 1.2(a), 1.2(c)(ii), 2.2, 2.3 and 4 of</td>
<td></td>
<td></td>
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<tr>
<td>the Project</td>
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<tr>
<td>(2) Matching Grants for PO Sub-projects under Part 1.2(b) of the Project</td>
<td>21,400,000</td>
<td></td>
</tr>
<tr>
<td>(3) PCGF under Part 1.2(c)(i) of the Project</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td>(4) Consulting services under Part 1.2(c)(ii) of the Project</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>(5) Last Mile Sub-projects under Part 1.3 of the Project</td>
<td>13,300,000</td>
<td></td>
</tr>
<tr>
<td>(6) Consulting services under Part 2.1 of the Project</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>70,100,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

   (b) for payments under Category (3) unless and until the Recipient has:

      (i) appointed a PCGF Agent in accordance with the provisions of Section 1.A.3 of Schedule 2 to this Agreement; and (ii) adopted a PCGF Manual
in accordance with the provisions of Section 1.B.2 of Schedule 2 to this Agreement.

2. The Closing Date is May 31, 2023.
## 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 February 15 and August 15, commencing August 15, 2023 to and including February 15, 2055</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

Definitions

1. “Affected Persons” means persons who on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

2. “Annual Work Plan and Budget” or “AWPB” means the annual work plans and budgets for the activities under the Project approved by the Association in accordance with the provisions of Sections I.B.3 of Schedule 2 to this Agreement; and “Annual Work Plan” means any of the Annual Work Plans.


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

5. “Contingent Emergency Response Implementation Plan” or “CERIP” means the plan referred to in Section I.G of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.

6. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

7. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERIP in accordance with the provisions of Section I.G of Schedule 2 to this Agreement, and required for the Emergency Response Part.

8. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 3 of the Project.

9. “Environmental and Social Impact Assessment” or “ESIA” means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment, carried out in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.
10. "Environmental and Social Management Framework" or "ESMF" means the framework prepared and adopted by the Recipient dated March 1, 2017, and disclosed on March 16, 2017, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities and the measures to be taken to offset, reduce or mitigate such adverse impacts, as well as for the preparation of any appropriate Safeguard Instruments, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

11. "Environmental and Social Management Plan" or "ESMP" means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social management plan, such plan prepared by the Recipient in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.


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


15. "Integrated Pest Management Plan" or "IPMP" means the plan prepared and adopted by the Recipient dated March 1, 2017, and disclosed on March 16, 2017, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities and the measures to be taken to offset, reduce or mitigate such adverse impacts, as such plan may be amended by the Recipient from time to time, with the prior written agreement of the Association.

16. "Last Mile Sub-project" means a specific development project to be carried out by the Recipient under Part 1.3 of the Project in accordance with the provisions of Section I.F of Schedule 2 to this Agreement, and "Last Mile Sub-projects" means, collectively, two or more such specific development projects.

17. "Malawi Bureau of Standards" means the bureau established and operating pursuant to the Malawi Bureau of Standards Act, Cap. 51:02 of the laws of the Recipient.

18. "Malawi Kwacha" means the lawful currency of the Recipient.

19. "Matching Grant" means a grant made or to be made by the Recipient out of the proceeds of the Financing to a Participating PO for a PO Sub-project in accordance
with the criteria set out in Section I.D of Schedule 2 to this Agreement, and “Matching Grants” means, collectively, two or more such grants.

20. “Matching Grant Agreement” means an agreement between the Recipient and a Participating PO providing for a Matching Grant, and “Matching Grant Agreements” means, collectively, two or more such agreements.

21. “MDAs” means the Recipient’s ministries, departments and agencies.

22. “MITC” means the Malawi Investments and Trade Centre established and operating pursuant to the Investment and Export Promotion Act No. 11 of 2012, of the laws of the Recipient.


26. “Operating Costs” means the incremental expenses incurred on account of Project implementation based on the Annual Work Plan and Budget, and consisting of, audit fees, expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and per diem, and salaries of Project staff, but excluding the salaries of the Recipient’s civil service, meeting allowances, other sitting allowances, salary top ups and all honoraria.

27. “Participating PA” means a productive alliance established between a Participating PO and an agribusiness entity/ off-taker under the Project, and “Participating PAs” means, collectively, two or more such productive alliances.

28. “Participating PO” means a producer organization consisting of farming households or groups of farmers established and operating as a cooperative society or association under the laws of the Recipient, and participating in the implementation of activities under the Project, and “Participating POs” means two or more such producer organizations.

29. “Partial Credit Guarantee” or “PCG” means each guarantee financed or to be financed out of the proceeds of the Credit and administered in accordance with the provisions of the PCGF Manual to support the provision of financing by a PCGF Beneficiary to a Participating PO for a PO Sub-project, and “Partial Credit Guarantees” or “PCGs” means, collectively, two or more such guarantees.
30. “Partial Credit Guarantee Fund” or “PCGF” means the fund to be established in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

31. “PCGF Account” means the account referred to in Section I.E of Schedule 2 to this Agreement.

32. “PCGF Agent” means the Recipient’s fiduciary agent appointed in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

33. “PCG Agreement” means the agreement referred to in Section I.E of Schedule 2 to this Agreement, and “PCG Agreements” means, collectively, two or more such agreements.

34. “PCGF Beneficiary” means a micro-finance or commercial bank or other financial institution duly established and operating Financial Institution Business under the laws of the Recipient, and the recipient of a PCG, and “PCGF Beneficiaries” means, collectively, two or more such financial institutions.

35. “PCGF Manual” means the Recipient’s manual prepared and adopted in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.

36. “Pest Management Plan” or “PMP” means, with respect to each activity under the Project pursuant to which the IPMF requires a pest management plan, such plan prepared, adopted and carried out in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.

37. “PO Sub-project” means a specific development project to be carried out by a Participating PO under Part I.2 (b) of the Project in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, and “PO Sub-projects” means, collectively, two or more such specific development projects.

38. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 18, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


40. “Project Implementation Manual” or “PIM” means the Recipient’s manual prepared and adopted in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.

41. “Project Implementation Unit” or “PIU” means the Recipient’s unit established in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement, and any successor thereto.
42. "Project Steering Committee" means the Recipient's committee established in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement, and any successor thereto.

43. "Resettlement Action Plan" or "RAP" means a resettlement plan, prepared and implemented in accordance with the RPF and the provisions of Section I.H of Schedule 2 to this Agreement.

44. "Resettlement Policy Framework" or "RPF" means the document in form and substance acceptable to the Association prepared and adopted by the Recipient dated March 16, 2017, and disclosed on March 16, 2017, which outlines 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.

45. "Safeguard Framework" means, the ESMF or RPF or IPMP, as the context may require; and "Safeguard Frameworks" means, collectively, two or more such frameworks.

46. "Safeguard Instrument" means, an ESIA, ESMP, PMP or a RAP for a Project activity; and "Safeguard Instruments" means, collectively, two or more such instruments.

47. "Training" means the reasonable costs of training under the Project, based on the Annual Work Plans and budgets referred to in Section I.B of Schedule 2 to this Agreement as approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with national and international 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.