Financing Agreement
(Shire Valley Transformation Program - I)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date, 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) apply to and form 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, a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to one hundred thirteen million three hundred thousand Special Drawing Rights (SDR 113,300,000) (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 is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

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 objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with
the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that as a result of events which have occurred after the date of this Agreement, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.


4.03. The Additional Event of Acceleration consists of the following: the event specified in paragraph 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Recipient has established a PMT, PSC and PTC, as required under Schedule 2, Sections I.A.1(b), I.A.2, and I.A.3 respectively, of this Agreement.

(c) The Recipient has adopted the Project Implementation Manual pursuant to Section I.B.1 of Schedule 2 of 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 10.05(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 the Minister of Finance, Economic Planning and Development.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

Cable address: Facsimile:
FINANCE 265-1-789173
Lilongwe

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Association’s Address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile: E-mail:
248423 (MCI) 1-202-477-6391 bbird@worldbank.org
AGREED as of the Signature Date.

REPUBLIC OF MALAWI

By

[Signature]

Authorized Representative

Name: Hon. Goodall E. Gondwe
Title: Minister of Finance, Economic Planning & Dev.
Date: February 2, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Bella Bividi
Title: Country Director
Date: February 2, 2018
SCHEDULE 1

Project Description

The objective of the Project is to provide access to reliable gravity fed irrigation and drainage services, secure land tenure for smallholder farmers, and strengthen management of wetlands and protected areas in the Shire Valley of the Recipient.

The Project constitutes Phase I of the Program and consists of the following parts:

Part 1. Irrigation Service Provision

1.1 Infrastructure Development. Development of irrigation infrastructure through:

(a) development of fast-track infrastructure within Majete Wildlife Reserve, including an intake structure, feeder canal and related hydraulic structures, such as inverted siphons, an invasive fish barrier, sediment basins and ejectors, wildlife and other crossings and bridges, roads and ancillary structures;

(b) development of the main irrigation system comprising a feeder canal, two main canals and related hydraulic structures, such as inverted siphons, cross and head regulators, sediment basins and ejectors, wildlife and other crossings and bridges, roads, a water supply system for Chikwawa Township, excluding any works inside Majete Wildlife Reserve, as covered under Part 1.1(a) above;

(c) development of a secondary irrigation system, connecting to the main irrigation system, comprising secondary canals, emergency spillways, cross and head regulators, and related hydraulic structures drainage channels and a road network; and

(d) carrying out design and supervision consultancy services for the works described in paragraphs (a), (b) and (c) above as well as preparatory design studies for the Phase II area.

1.2 Support for Effective and Sustainable Irrigation Management, Operation and Maintenance. Strengthening institutional capacity for sustainable water management system, through capacity building of GoM, including: (i) training of appropriate staff of GoM and the Water User Federation, for the engagement in long-term management of the bulk infrastructure assets; (ii) technical assistance to the PPC in structuring water management contracts; and (iii) institutional and legal support for WUA formation and work on water tenure rules and regulations.
Part 2. Land Tenure and Natural Resources Management Support

2.1 Supporting Land Governance and Land Consolidation. Strengthening security of land tenure and organizing farmers for commercial production, including, without limitation, through:

(a) piloting coordinated implementation of the Land Law Framework, including:
   (i) setting up of local land governance bodies;
   (ii) developing regulations for land administration at the local levels through participatory processes with chiefs and land committees;
   (iii) support for reaching social agreement to minimize potential land speculation;
   (iv) strengthening of the capacities of land delimitation and administration institutions at the district levels;
   (v) support to land consolidation processes;
   (vi) support to registration of customary estates; and
   (vii) forming farmers’ cooperatives and WUAs; and

(b) implementing Project communication to locally affected stakeholders, as set forth in more detail in RAP; and

(c) implementing safeguards measures for the entire Project, as described in the Safeguards Instruments.

2.2 Natural Resources Management. Supporting natural resources management, including:

(a) local level support for:
   (i) community-level natural resource management in areas adjacent to the Project Conservation Areas;
   (ii) targeted support to the Project Conservation Areas with a view to, among others, attracting private sector investments; and
   (iii) establishment of the Elephant Marsh Sustainable Use Wetland Conservation Area; and
(b) national level support for:

(i) improving use of geospatial and mapping applications;
(ii) improving trans-frontier cooperation and operations; and
(iii) measures designed to address illegal logging and protecting wildlife.

Part 3. Agriculture Development and Commercialization

3.1 *On-farm Investments.* Provision of Matching Grants to Participating SOCFEs for implementation of Sub-projects, with a focus on commercial farm development and management, among others.

3.2 Investments in tertiary and on-farm irrigation and drainage infrastructure development, land leveling and provision of technical advisory services and training to support the activities set forth in paragraph 3.1 above.

3.3 *Preparatory Studies.* Carrying out of preparatory studies for Phase II.

Part 4. Project Management and Coordination

4.1 *Management, Coordination, Monitoring and Evaluation.* Strengthening the institutional and technical capacities of the PMT for implementation, coordination, management, oversight, comprehensive monitoring and evaluation and regular assessments of Project activities and results.

4.2 *Communication Strategy and Grievance Redress Mechanism.* Development and implementation of the communication strategy for the entire Project, including development and implementation of a grievance redress mechanism.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MoAIWD
   
   (a) The Recipient, through MoAIWD, shall implement the Project, and to this end, shall take all necessary action, including the provision of funding, personnel and other resources.

   (b) The Recipient, through MoAIWD, shall prior to the Effective Date, establish and thereafter maintain during the implementation of the Project, a Project Management Team ("PMT") with a composition, mandate, staffing and other resources satisfactory to the Association.

   (c) The Recipient shall ensure that the PMT is responsible for day-to-day oversight and coordination of the implementation of 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 above, the Recipient shall, prior to the Effective Date, establish and thereafter maintain 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, provision of strategic and policy guidance on matters relating to the Project, all in accordance with the provisions of the Project Implementation Manual.

3. Project Technical Committee ("PTC")

   Without limitation upon the provisions of paragraphs 1 and 2 above, the Recipient shall, prior to the Effective Date, establish and thereafter maintain during the implementation of the Project, a PTC with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, inter alia, providing guidance on technical aspects of the Project, all in accordance with the provisions of the Project Implementation Manual.
B. Other Arrangements

1. Project Implementation Manual

(a) The Recipient shall 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) reporting; (vii) 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 Sub-projects and for provision of Matching Grants under Part 3.1 of the Project (including model form of Matching Grant Agreement); (ix) guidelines for assessing potential environmental and social impacts of Project activities (including the 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 (x) 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 the said implementation manual, as it shall have been approved by the Association (“Project Implementation Manual”).

(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 abrogate, or amend or waive any provision of the Project Implementation Manual if such an amendment or waiver is material or if it may have an adverse effect on the implementation of the Project.
2. **Annual Work Plan and Budget**

(a) The Recipient shall prepare and furnish to the Association no later than forty-five (45) days after the end of each Fiscal Year, during the implementation of the Project, a work plan and budget containing all activities (including the Sub-projects) proposed to be included in the Project (including Safeguards Instruments applicable to said activities in accordance with the provisions of Section I.D 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, provided that the first such AWPB shall be delivered no later than forty-five (45) days after the Effective Date.

(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 ("Annual Work Plan and Budget").

(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.

3. **Sector Policy Letter and Memorandum of Understanding**

(a) The Recipient shall take all actions necessary to implement its commitments (and to enable MoLHUD and all other appropriate agencies to carry out their obligations) as set forth in the Sector Policy Letter in a timely manner; provided, however, that in case of any conflict between the provisions of the Sector Policy Letter and of this Agreement, the provisions of this Agreement shall prevail.

(b) The Recipient shall take all actions necessary to enable MoAIWD, MoLHUD and all other appropriate agencies to carry out their obligations as set forth or referred to in this Agreement, in the Project Implementation Manual or in the Memorandum of Understanding; provided, however, that in case of any conflict between the provisions of the Memorandum of
Understanding and of this Agreement, the provisions of this Agreement shall prevail.

(c) Except as the Association shall otherwise agree, the Recipient shall not abrogate, amend or waive any provision of the Policy Letter or of the Memorandum of Understanding.

4. Illovo Financing

The Recipient shall inform the Association as soon as possible, but no later than July 31, 2018, and in any event prior to signing of any arrangements, on the outcomes of its negotiations with Illovo regarding the construction of the connection channel to the irrigation scheme, and related technical, financial and institutional arrangements, as well as the details of the water purchase agreement.

C. Sub-projects under Part 3.1 of the Project; Matching Grants

1. Eligibility Criteria. The Recipient shall provide Matching Grants to Participating SOCFEs for Sub-projects, in accordance with eligibility criteria and procedures set forth in detail in the PIM, which shall include the following:

(a) a Participating SOCFE shall have, in compliance with the criteria set forth in more detail in the PIM:

(i) demonstrated the organization, management, technical capacity and availability of financial resources (such financial resources to include the proposed Matching Grant and the resources required pursuant to the provisions of paragraph (vi) below) necessary to carry out the proposed Sub-project;

(ii) prepared a business plan, including financing plan, budget, and implementation plan;

(iii) established an adequate accounting and record keeping system;

(iv) demonstrated that appropriate supply and off-take arrangements are being put in place for the purpose of implementing the Sub-project;

(v) by-laws or other internal rules that require SOCFE members to comply with all applicable environmental laws and regulations, including fully respecting the boundaries of all Project Conservation Areas;

(vi) provided satisfactory evidence of its capacity and commitment to finance the minimum required percentage of the total estimated
cost of the Sub-project out of its own resources or from other private or public financiers; and

(vii) previously benefited from no Matching Grant or, if it has already benefited from Matching Grant(s), (x) it has completed the corresponding Sub-project(s) in a manner satisfactory to the Recipient and the Association and (y) the amount of the previously received Matching Grant(s) combined with the amount of the newly-applied Matching Grant shall not exceed the total limit for Matching Grants set forth in the PIM.

(b) a Sub-project shall, in compliance with the criteria set forth in more detail in the PIM:

(i) be commercially viable and technically feasible;

(ii) increase crop yield production, improve quality, sales, post-harvest storage and processing facilities of agricultural products; and

(iii) fully comply with the applicable requirements of the ESMP, which may include, if required, the preparation of activity-level Safeguard Instruments by the Participating SOCFE, in consultations with the Recipient, and approved by the Association and disclosed prior to its commencement in accordance with the provisions of Section I.D of this Schedule 2.

(c) a Matching Grant shall not exceed such percentage of the total estimated cost of any Sub-project as set forth in the Project Implementation Manual.

2. Terms and Conditions for Matching Grant Agreements. The Recipient shall provide Matching Grants to a Participating SOCFEs under Matching Grant Agreements, in form attached to the PIM, and 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 SOCFE 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 SOCFE’s failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) require each Participating SOCFE to:
(A) carry out its 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) 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;

(C) monitor and evaluate in accordance with indicators set forth in the PIM, the progress of its Sub-project and the achievement of its objectives;

(D) upon request, allow the representatives of the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents;

(E) (1) maintain an adequate record-keeping and financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association to reflect its operations, including those related to the 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; and

(F) 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 a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project.
(c) 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.

D. Safeguards

1. Except as otherwise agreed in writing by the Association, the Recipient shall ensure that:

(a) the Project is carried out in accordance with the Safeguards Instruments in a timely manner;

(b) if a RAP is required for any Project activity:

(i) the 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 any such activity shall be commenced until all measures required to be taken under the RAP (including, inter alia, compensation of Affected Persons) prior to the initiation of said works have been taken and approved by the Association;

(c) if an activity-level ESMP is required for any activity under any Sub-project in accordance with ESSF, such ESMP shall be prepared in accordance with the requirements of the ESSF, furnished to the Association for its review and approval, and approved and disclosed by the Association;

(d) the ESIA and the ESMP shall be updated in a manner satisfactory to the Association:

(i) as soon as the detailed design of the Phase I main irrigation works is completed, to reflect the final design as well as detailed environmental mitigation and enhancement measures; and

(ii) once the detailed designs for specific irrigation blocks are known, to reflect final designs and any associated activities;

(e) within sixty (60) days from when the detailed design of the Phase II area is completed, the ESIA will be updated and the ESMP prepared for the Phase II area. This updated ESIA and ESMP will provide detailed mitigation measures for the Phase II investments; and
(f) the detailed design of the Phase I main irrigation works shall include the following items, all of which will need to be satisfactory to the Association prior to the issuing of tenders or bidding documents for construction of the respective irrigation infrastructure:

(i) the invasive fish barrier in the feeder canal,

(ii) the key recommendations from the ESMP with respect to mitigating and, where needed, compensating for any adverse impacts of feeder canal construction upon the Majete Wildlife Reserve; and

(iii) the pre-identified irrigation area Set-aside Lands.

2. Without limitation upon its other reporting obligations under this Agreement and under Section 5.08 of the General Conditions, the Recipient shall include in the Project Reports, adequate information on the implementation of the Safeguards Instruments, giving details of:

(a) measures taken in furtherance of such Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such 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 the said Safeguards Instruments.

E. RAP Compensation Costs

1. Without limitation upon the provisions of Section 5.03 of the General Conditions, the Recipient shall, in each Fiscal Year, commencing from FY18, through the MoFEPD, allocate funds required for the RAP compensation costs under the Project, including for land acquisition and cash compensation for asset or income losses, to the RAP compensation budget line item.

2. The Recipient shall ensure that all amounts allocated to the RAP compensation budget line item are used exclusively for the payment of the RAP compensation costs in a timely fashion and in a manner acceptable to the Association.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall furnish to the Association each Project Report no later than July 31 and January 31 of each year, covering the preceding calendar semester (a six-months period).

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.

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.

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: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions in paragraph 3 below; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association; and (i) Community Participation procedures which have been found acceptable to the Association.

3. National Competitive Bidding ("NCB") shall be subject to the following:

(a) No bidder or potential bidder shall be declared ineligible to bid for reasons other than those provided in Section I of the Procurement Guidelines;

(b) Bidding documents acceptable to the Association shall be used;

(c) The bidding documents and contract shall include provisions reflecting the Association's policy relating to firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines;

(d) Each bidding document and contract shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all 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. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in 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 may not be split into small lots, and their award may not be restricted to small enterprises for purposes of promotion of the participation of 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: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

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

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to Credit to: (a) finance Eligible Expenditures and (b) repay the Preparation Advance in the amount allocated and, if applicable, up to the percentage set forth against each category of the following table:
<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, Training and Operating Costs for Parts 1.1 (a), (c) &amp; (d), 1.2, 2.1, 3.2, 3.3 and 4 of the Project</td>
<td>73,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works for Part 1.1(b) of the Project</td>
<td>17,600,000</td>
<td>Such percentage as agreed with the Co-financier, annually, based on AWPB</td>
</tr>
<tr>
<td>(3) Matching Grants for Sub-projects under Part 3.1 of the Project</td>
<td>17,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>4,250,000</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>SDR 113,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made:

   (a) under Category 2 (for works for Part 1.1(b) of the Project), until the Association receives evidence, in form and substance satisfactory to the Association that the Co-financing Agreement has been entered into by the Co-financier and the Recipient and has become effective in accordance with its terms; or

   (b) for payments made prior to the date of this Agreement.

3. The Closing Date is December 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 on February 15, 2024, to and including August 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

Section I. Definitions

1. "Affected Persons" means persons who on account of the execution of the Project, have experienced or would experience direct adverse economic or 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.2 of Schedule 2 to this Agreement.

3. "Anti-Corruption Guidelines" means, for the purpose of Section 5.14 and paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006 and revised in January 2011.

4. "Category" means a category set forth in the table in Section IV.1 of Schedule 2 to this Agreement.


6. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of fifty million Dollars ($50,000,000) equivalent, to be provided by the Co-financier to assist in financing of Part 1.1 of the Project.

7. "Co-financing Agreement" means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.


10. "Elephant Marsh Sustainable Use Wetland Conservation Area" means the area designated as a Ramsar site with plans to develop it as a conservation area under the National Parks and Wildlife Act of the Recipient (Cap. 66:07).
11. “Environmental and Social Impact Assessment” or “ESIA” means the document of the Recipient prepared and adopted by MoAIWD for purposes of activities under the Project, and giving details of the magnitude of the environmental and social impacts as well as the specific actions, measures and policies designed to mitigate those environmental and social impacts, including the institutional, procedural and other measures needed to implement such actions, measures and policies, as disclosed in-country on May 26, 2017 and by the Association on May 26, 2017, and such term includes all schedules and annexes to the ESIA, as the same may be amended from time to time with the written agreement of the Association.

12. “Environmental and Social Management Plan” or “ESMP” means the plan prepared and adopted by the Recipient, elaborating, among others, on measures to be implemented in order to mitigate or optimize the Project's potential impacts under the ESIA, responsibilities and costs of each measure, responsibilities for the implementation and oversight of the proposed environmental and social management measures, guidelines for a comprehensive monitoring plan to ensure adequate implementation of the proposed environmental and social management measures on an ongoing basis and other capacity building requirements for its successful implementation.

13. “Environmental and Social Screening Form” or “ESSF” means the Environmental and Social Screening Form, as such form is annexed to the ESMP for the purpose of Sub-projects, that may need to be implemented for Sub-projects with matching grants.

14. “Fiscal Year” or “FY” means the Recipient’s fiscal year, commencing each year on July 1 and ending on June 30.

15. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.

16. “GoM” means the government of the Recipient.

17. “Grant” means, an amount of five million five hundred eighty-seven thousand one hundred fifty-six Dollars ($5,587,156), to be provided by International Bank for Reconstruction and Development, acting as an implementing agency for Global Environment Facility, to assist in financing the Project.

18. “Grant Agreement” means the agreement to be entered into between the Recipient and International Bank for Reconstruction and Development, acting as an implementing agency for Global Environment Facility, providing for the Grant.


22. “Lengwe National Park” means the area designated as such under the National Parks and Wildlife Act of the Recipient (Cap. 67:07).

23. “Majete Wildlife Reserve” means the area declared as such pursuant to the National Parks and Wildlife Act of the Recipient (Cap. 67:07).

24. “Matandwe Forest Reserve” means the area declared as such pursuant to the National Parks and Wildlife Act of the Recipient (Cap. 67:07).

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

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

27. “Memorandum of Understanding” or “MoU” means the memorandum of understanding dated August 10, 2016, entered into by the MoAIWD, MoFEPD and other agencies of the GoM with a view of coordinating the implementation of the Project, setting forth the roles and responsibilities of each implementing agency.


30. “MoLHUD” means the Recipient’s Ministry of Lands, Housing and Urban Development.

31. “Mwabvi Wildlife Reserve” means the area declared as such pursuant to the National Parks and Wildlife Act of the Recipient, (Cap. 67:07).

32. “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, internships, 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.

33. “Participating SOCFE” means a SOCFE participating in the implementation of certain activities under the Project through implementation of a Sub-project, and “Participating SOCFEs” means two or more such enterprises.

34. “Pest Management Plan” or “PMP” means the plan prepared and adopted by the Recipient dated May 26, 2017 and disclosed on May 26, 2017, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities involving the use of pesticides 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.

35. “Phase I” means the Project, as the first phase of the Program.

36. “Phase II” means the second phase of the Program with a focus on investing in private sector and value chain support in agriculture, as well as in bulk infrastructure for the relevant area.

37. “Phase III” means the third phase of the Program with a focus on the massive scale up of investments to the Phase II area.

38. “PPPC” means the Public Private Partnership Commission of the Recipient established by the Public Private Partnership Act of the Recipient (Cap 46:07).

39. “Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 9, 2014 and on behalf of the Recipient on December 19, 2014.

40. “Process Framework” or “PF” means the document in form and substance acceptable to the Association prepared and adopted by the Recipient dated August 10, 2017, and disclosed on August 10, 2017, setting forth details on provisions for the mitigation of impacts on livelihoods related to the restriction of access to legally designated national parks and other protected areas.


42. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 11, 2017 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 in accordance with the provisions of said paragraphs.

43. "Program" means the 14-year (2018-2031) Shire Valley transformation program of the Recipient, comprising sequential but partially overlapping Phase I, Phase II and Phase III, to be structured around three coordinated pillars: (i) providing multiple services, including water supply and reliable, professionally managed and sustainably financed irrigation services to a large number of irrigators in a phased construction of the Shire Valley irrigation project scheme; (ii) support of: (a) farmer organizations within a comprehensive land use plan; (b) land tenure strengthening and consolidation; and (c) natural resources management; and (iii) establishment of smallholder owned commercial farm enterprises for transitioning into commercial agriculture from subsistence farming, and integrating them into commercial value chains.

44. "Project Conservation Areas" means the Lengwe National Park, Mwabvi and Majete Wildlife Reserves, Matandwe Forest Reserve and the Elephant Marsh Sustainable Use Wetland Conservation Area.

45. "Project Implementation Manual" or "PIM" means the project implementation manual to be prepared and adopted by the Recipient in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.

46. "Project Management Team" or "PMT" means the project management team to be established by the Recipient at MoAIWD in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement, and any successor thereto.

47. "Project Steering Committee" or "PSC" means the Project steering committee to be set up by the Recipient in accordance with the provisions of Section I.A.2 of Schedule 2 of the Agreement.

48. "Project Technical Committee" or "PTC" means the Project technical committee to be set up by the Recipient in accordance with the provisions of Section I.A.3 of Schedule 2 of the Agreement.


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

51. "Resettlement Policy Framework" or "RPF" means the document in form and substance acceptable to the Association prepared and adopted by the Recipient dated August 8, 2017 and disclosed on August 10, 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.

52. “Safeguard Instrument” means, an ESIA, ESMP, PMP, RPF, PF and RAP, and “Safeguard Instruments” means, collectively, two or more such instruments.

53. “Sector Policy Letter” means the letter of the MoLHUD to the Association dated June 6, 2017, whereby the GoM confirms and elaborates on its commitment and undertakings to implement the Land Law Framework with a view of facilitating implementation of the Project.

54. “Set-aside Lands” are lands within the Project-supported irrigation blocks that shall not be irrigated as they encompass:
   (a) pre-identified areas comprising: (i) remaining patches of natural habitats, including riverine forests, thickets, and dambo wetlands; (ii) frequently flooded areas; (iii) soils unsuited for irrigation; (iv) cultural heritage sites; or (v) a non-irrigated buffer zone around Lengwe National Park; and
   (b) woodlots, grazing lands, and other special-use areas which will be identified during the participatory land use planning process which will precede irrigation block establishment.

55. “Signature Date” means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to “the date of the Financing Agreement” in the General Conditions.

56. “SOCFE” means a smallholder owned commercial farm enterprise organized and existing under the laws of the Recipient, and “SOCFES” means, collectively, two or more such enterprises.

57. “Sub-project” means a specific development project to be carried out by a Participating SOCFE under Part 3.1 of the Project in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, and “Sub-projects” means, collectively, two or more such projects.

58. “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.

59. "Water User Association" or "WUA" means an association of water users organized or to be organized at block or SOCFE levels under the provisions of the Irrigation Act, for purpose of carrying out water management within its area of operation and "WUAs" means, collectively, two or more such associations.

60. "Water User Federation" means the federation of various types (e.g., WUAs, commercial companies, utilities, SOCFEs) of irrigation scheme water users, organized at the scheme level for purpose of participating in the scheme water management.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.

2. Paragraphs 84 (Procurement Plan) and 85 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.