

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4806-MW

Financing Agreement

**(Additional Financing for Irrigation, Rural Livelihoods and Agricultural
Development Project)**

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 18, 2011

Public Disclosure Authorized



CREDIT NUMBER 4806-MW

FINANCING AGREEMENT

AGREEMENT dated March 18, 2011, entered into between the REPUBLIC OF MALAWI (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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, the Original Financing Agreement or in the Appendix to this Agreement.
- 1.03. The Original Financing Agreement is amended as set out in Section IV of 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, credit in an amount equivalent to eight million six hundred thousand Special Drawing Rights (SDR 8,600,000) (variously, “Credit” and “Financing”) to assist in financing the Original Project (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A.1, A.3, A.4, C and D of the Project through MOAFS/MOIWD; and Parts A.2 and B of the Project through MASAF 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 the Schedule to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following, that IFAD Loan Agreement has been suitably amended in order to: (a) reduce the percentage of financing from the IFAD Loan from 17% to 13%; and (b) have the IFAD Loan accounts migrate from SOE-based to IFR-based disbursements.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its minister at the time responsible for finance.

5.02. The Recipient's Address is:

Ministry of Finance
P. O. Box 30049
Capital City
Lilongwe 3
Malawi

Facsimile:
265-1-78-91-73

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Lilongwe, Republic of Malawi, as of the day and year first above written.

REPUBLIC OF MALAWI

By: /s/ Ken Edward Kandodo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Sandra Bloemenkamp

Authorized Representative

SCHEDULE 1**Project Execution****Section I. Implementation Arrangements****A. Implementation and Institutional Arrangements; Environmental and Social Measures.**

Schedule 4, except Section IX, to the Original Financing Agreement is hereby incorporated by reference in this Part A and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

- (a) references to 'Project' shall be construed as references to the Project as amended pursuant to this Agreement;
- (b) references to 'Grant' shall be construed as references to the Credit provided for under this Agreement;
- (c) references to 'procurement schedule' and 'procurement procedures' shall be construed as references to the 'procurement schedule' and 'procurement procedures' as amended pursuant to this Agreement.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

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 agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall 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 Recipient shall ensure that the audited Financial Statements for each such period shall be: (a) furnished to the Association not later than six months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, subject to modifications in subparagraph 3 of this paragraph B.
(b) Shopping
(c) Direct Contracting
(d) Procurement from UN Agencies
(e) Community Participation

3. **Modifications to National Competitive Bidding Procedures.** National Competitive Bidding may be used subject to the following additional procedures: (a) Regulation 80.3 (b) (ii) of the Public Procurement Regulations permitting the consideration of unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, in the evaluation of bids shall not apply; (b) Regulation 80.4 of the Public Procurement Regulations permitting domestic preference shall not apply; (c) Regulations 164 (i) and (j) of the Public Procurement Regulations permitting the division of contracts into small lots and the restriction of contracts to small enterprises, respectively, for purposes of promotion of the participation of small enterprises, shall not apply; and (d) bidding documents and contracts shall include the following provisions: (i) pursuant to paragraph 1.14 (e) of the Procurement Guidelines, bidders, suppliers, and contractors are required to permit the Association to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Association; and (ii) pursuant to paragraph 1.14 (a) (v) (bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Association's said inspection and audit rights are considered to be an obstructive practice within the meaning of paragraph 1.14 of the Procurement Guidelines.

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 table specifies methods of procurement, other than Quality and Cost-based Selection,

which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least-cost selection
(b) Selection Based on Consultants' Qualifications
(c) Single source Selection
(d) 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

A. General

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works for Parts A.1 and A.3 of the Project	2,400,000	87%
(2) Goods (other than for Micro-Grant or Public Works Subprojects)	400,000	87%
(3) Consultants' services (other than for Micro-Grant or Public Works Subprojects)	1,600,000	87%
(4) Workshops and Training (other than for Micro-Grant or Public Works Subprojects)	2,300,000	87%
(5) Subprojects: (a) (i) Micro-Grant Subprojects under Part B.3 of the Project (MOAFS/ MOIWD Subprojects) (ii) Micro-Grant Subprojects under Part B.3 of the Project (MASAF Sub-projects) (b) Public Works Subprojects under Part B.2 of the Project	400,000 800,000	87%
(6) Operating Costs	400,000	87%
(7) Unallocated	300,000	
TOTAL AMOUNT	8,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section,
 - a) no withdrawal shall be made for payments made prior to the date of this Agreement;
 - (b) it is understood that the proceeds of the Original Financing shall, to the extent possible, be disbursed on account of expenditures in respect of the Original Financing prior to disbursements of the proceeds of the Additional Financing.
2. The Closing Date is June 30, 2012.

SCHEDULE 2**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 1 and October 1:	
commencing October 1, 2020 to and including April 1, 2030	1%
commencing October 1, 2030 to and including April 1, 2050	2%

* 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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
5. “IFAD Loan Agreement” means the agreement between the Recipient and the International Fund for Agricultural Development, dated June 16, 2006, as amended from time to time to the date of this Agreement, and providing for the IFAD Loan.
6. “IFAD Loan” means a loan in the amount of SDR 5,500,000 provided under the IFAD Loan Agreement for purposes of co-financing the Original Project.
7. “IFR” means interim financial report.
8. “MOAFS” means the Recipient’s Ministry of Agriculture and Food Security, or any successor thereto.
9. “Operating Costs” means incremental recurrent expenditures incurred on account of the Project implementation including office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, insurance for vehicles and motorcycles, bank and services fees, and travel costs, but excluding salaries of officials of the Recipient’s civil service, office rentals and consumables for use or consumption during project meetings held in Government premises.
10. “Original Financing” means a grant in an amount equivalent to twenty-seven million six hundred thousand Special Drawing Rights (SDR27,600,000) provided by the Association to the Recipient under the Original Financing Agreement to assist in financing the Original Project.

11. “Original Financing Agreement” means the development grant agreement for an Irrigation, Rural Livelihoods and Agricultural Development Project between the Recipient and the Association, dated December 5, 2005, as amended from time to time to the date of this Agreement (Grant No. H190-MAI).
12. “Original Project” means the Project described in the Original Financing Agreement.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 12, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Public Procurement Regulations” means the Recipients’s public procurement regulations of 2004.
16. “SOE” means statement of expenditure.
17. “Training” means the reasonable costs of training under the Project, based on the annual work plans and budgets approved by the Association, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay

the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation

of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”

Section IV. Amendments to Original Financing Agreement

The Original Financing Agreement is amended as set forth below:

1. Two new paragraphs are introduced in Section 1.02 to read as follows”
 - “(jj) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.
 - “(kk) “Public Procurement Regulations” means the Recipients’s public procurement regulations of 2004.”

2. The percentage of expenditures to be financed from the proceeds of the Grant set forth in Section 1.A.1 of Schedule 1 to the Original Financing Agreement is increased from 83% to 87%.
3. Paragraph 2 of Schedule 1.A is deleted in its entirety and replaced with the following:

“2. For the purposes of this Schedule, the term “Operating Costs” means incremental recurrent expenditures incurred on account of the Project implementation including office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles and motorcycles, bank and services fees, and travel costs, but excluding salaries of officials of the Recipient’s civil service, office rentals and consumables for use or consumption during project meetings held in Government premises.”
4. Schedule 2, part C (2) is amended to read as follows:

“Carrying out a program of activities aimed at building the capacities of the Trade and Marketing Unit, Agricultural Marketing Information Services and Agribusiness and Market Access services in the MOAFS’s Planning and Extension Departments.”
5. Schedule 2, part C (4) is amended to read as follows:

“Carrying out a program of activities aimed at building the capacities of Water User Associations and farmers, such activities to include: (a) community mobilization and (b) provision of training on irrigation scheme operations and management as well as group dynamics, leadership, business plan preparation, record keeping and project management.”
6. Sections I.A and B of Schedule 3 to the Original Financing Agreement are amended to read as follows:
 - “A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010 (the Procurement Guidelines), and with the provisions of this Schedule.
 - B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised

in October 2006 and May 2010 (the Consultant Guidelines), and with the provisions of this Schedule.”

7. Section II.B.1 of Schedule 3 to the Original Financing Agreement is amended to read as follows:

- “1. National Competitive Bidding. Goods estimated to cost less than \$500,000 equivalent per contract and works estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following modifications:

National Competitive Bidding may be used subject to the following additional procedures: (a) Regulation 80.3 (b) (ii) of the Public Procurement Regulations permitting the consideration of unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, in the evaluation of bids shall not apply; (b) Regulation 80.4 of the Public Procurement Regulations permitting domestic preference shall not apply; (c) Regulations 164 (i) and (j) of the Public Procurement Regulations permitting the division of contracts into small lots and the restriction of contracts to small enterprises, respectively, for purposes of promotion of the participation of small enterprises, shall not apply; and (d) bidding documents and contracts shall include the following provisions: (i) pursuant to paragraph 1.14 (e) of the Procurement Guidelines, bidders, suppliers, and contractors are required to permit the Association to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Association; and (ii) pursuant to paragraph 1.14 (a) (v) (bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Association’s said inspection and audit rights are considered to be an obstructive practice within the meaning of paragraph 1.14 of the Procurement Guidelines.”

8. Section 10 of Schedule 4 to the Original Financing Agreement is deleted in its entirety and replaced with the following:

- “10. The Recipient shall ensure that, prior to carrying out any rehabilitation of irrigation schemes under Part A.1 of the Project: (i) each respective WUA has adopted a constitution to govern such WUA; and (ii) such WUA has entered into an agreement with the Recipient providing for the terms and conditions for the WUAs to participate in the rehabilitation of the said irrigation schemes, both in form and substance satisfactory to the Association.”

9. New Sections V. 12. (f) and (g) are introduced to Schedule 4 to the Original Financing Agreement as follows:

- “(f) the obligation of the Beneficiary to: (i) carry out the Micro-Grant Subproject in accordance with the provisions of the Anti-Corruption Guidelines; and (ii) (A) 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 the operations, resources and expenditures related to the Sub-project; and (B) 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
- (g) the right of the Recipient to suspend or terminate the right of the Beneficiary to use the proceeds of the Micro-Grant, or obtain a refund of all or any part of the amount of the Micro-Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Micro-Grant Agreement.

10. A new Section X is introduced to Schedule 4 to the Original Financing Agreement to read as follows:

“X. **Anti-Corruption**

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

11. Schedule 5 is amended to read as follows:

“The performance indicators for the Project shall include the following said indicators being subject to modifications by agreement between the Recipient and the Association:

1. Number of project beneficiaries (direct and indirect) disaggregated by % female and male;
2. Increase in crop yield (for maize and rice) expressed in % increase and tons/ha;
3. Increase in farm sales in targeted rural households (for major crops: horticulture, maize and rice) expressed in % increase in Local Currency Unit (LCU);
4. Area provided with irrigation and drainage services (ha) – new;

5. Area provided with irrigation and drainage services (ha) – rehabilitated.”
6. Number of functional Water User Associations (WUAs)

12. New Paragraphs 11 through 14 are introduced to Schedule 6 (Modifications to the General Conditions) of to the Original Financing Agreement as follows:

““11. A new Section 6.02 (m) is added to as follows:

“ (m) *Fraud and Corruption.* At any time, the Association determines that any representative of the Recipient or any other recipient of any of the proceeds of the Grant has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient or any other such recipient having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

13. A new Section 6.02 (n) is added as follows:

“(n) *Ineligibility.* The Association or the Bank has declared any entity with which the Association has entered into a project agreement for the Project ineligible to receive proceeds of credits or grants made by the Association or of loans made by the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that such entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a Grant made by the Association or of a loan made by the Bank.”

14. Section 6.03 (c) is modified to read as follows:

“...(c) at any time, the Association determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the proceeds of the Grant, without the Recipient (or such other recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur;...”

15. A new Section 7.02 is added as follows:

“Section 7.02. *Grant Refund*

- (a) If the Association determines that an amount of the Grant withdrawn from the Grant Account has been used in a manner inconsistent with the provisions of the Development Grant Agreement or these General Conditions, the Recipient shall, upon notice by the Association to the

Recipient, promptly refund such amount to the Association. Such inconsistent use shall include, without limitation:

- (i) use of such amount to make a payment for an expenditure that is not in accordance with the provisions of the Development Grant Agreement; or
- (ii) (A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient or other recipient of such amount, in either case without the Recipient or other such recipient having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
- (b) Except as the Association may otherwise determine, the Association shall cancel all amounts refunded pursuant to this Section.””