
GRANT NUMBER E280-MW

Financing Agreement

(Regional Climate Resilience Program for Eastern and Southern Africa 2 Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E280-MW

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MALAWI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS:

- (A) Climate change poses a major threat to the achievement of the Eastern and Southern African (AFE) region’s long-term development objective.
- (B) There is huge potential for a regional approach to effectively address this shared challenge at scale via collective action, and to contribute to build AFE’s resilience to climate-related impacts.
- (C) The Regional Climate Resilience Program for Eastern and Southern Africa (“RCRP”) proposes a platform for coordinated action on the regional climate change challenge, for testing and expanding the use of standardized and replicable approaches on emerging good practices across countries and sectors and for mobilizing co-financing for this agenda.
- (D) Under the first project of the RCRP, the Association entered into Financing Agreements with the Union of the Comoros, the Republic of Madagascar, the Republic of Mozambique, the Republic of South Sudan, the Southern African Development Community, and the Eastern Nile Technical Regional Office, to assist in financing their respective part of the first RCRP project.
- (E) The RCRP is aligned with the strategy of the Recipient on climate change and would support the shift in the Recipient’s disaster response approach to preparedness, risk reduction, and sustainable post disaster recovery.
- (F) The RCRP is also aligned with the African Union’s Climate Change and Resilience Development Strategy and Action Plan (2022-2032).
- (G) The Recipient and the African Union, having satisfied themselves as to the feasibility and priority of the Regional Project (“Regional Project”) described in Schedule 1 to this Agreement, have requested assistance from the Association in the financing of their respective part of the Regional Project.

NOW THEREFORE 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 grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to one hundred eighty-two million and seven hundred thousand Special Drawing Rights (SDR 182,700,000) (“Financing”), to assist in financing the Recipient’s respective part of the Regional Project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III 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 Payment Dates are June 1 and December 1 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. 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 (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance and Economic Affairs
P.O. Box 30049
Capital City
Lilongwe 3
Malawi; and

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:	E-mail:
44407	265-1-789173	stfinance@finance.gov.mw

5.03. For purposes of Section 11.01 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:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF MALAWI

By

Simplex Chithyola Banda

Authorized Representative
Simplex Chithyola Banda

Name: _____

Title: _____ Hon

Date: _____ 03-Apr-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Boutheina Guermazi

Authorized Representative
Boutheina Guermazi

Name: _____

Title: _____ Director, Regional Integration

Date: _____ 31-Mar-2024

SCHEDULE 1

Regional Project Description

The objectives of the Regional Project are to improve resilience to water-related climate shocks in Malawi and in the Eastern and Southern Africa region, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Regional Project consists of the following parts:

Part 1: Risk Management and Climate Financing

Supporting regional and national institutional capacity building in watershed and catchment management, and strengthening cooperation on climate and related disasters risk management and climate financing through:

National level: Malawi

1.1. Consolidating and Implementing Basin Plans

Consolidating basin plans and instruments for catchment management, land and forest restoration plans, flood-risk mapping, and nature-based solutions; conducting feasibility studies of proposed interventions based on the consolidated plans to reduce soil erosion rates, improve crop productivity, boost water storage, and reduce vulnerability to flood damage on infrastructure; developing flood mapping and zoning to enhance resilience of beneficiaries and infrastructure; and supporting the engagement of Malawi in climate resilient transboundary water resources management and promoting gender balance in staffing at relevant authorities.

1.2. Emergency Preparedness and Response and Early Warning Systems

Supporting the institutionalization of government-led emergency management and disaster response capacity at national, district, and local levels against climate change exacerbated floods and cyclones through:

- (a) developing and deploying a government-led Incident Command System at the National Emergency Operations Center for coordinated disaster response;
- (b) establishing disaster response coordination facilities at the district level, and providing equipment and training for local response teams and community volunteers in high-risk flood areas; and
- (c) providing core-network hydromet instrumentation and communication equipment for improved climate data collection and dissemination.

1.3. Strengthening Monitoring, Reporting, and Verification (MRV) Capacity to Facilitate Access to Climate Finance

Enhancing Malawi's national MRV unit, enabling tracking land-use change, forest degradation and deforestation, and associated carbon emissions, and creating the enabling environment to facilitate access to carbon market, and strengthening Malawi's capacity to monitor carbon stocks and measure the reduction resulting from its various mitigation activities, including natural resources management, landscape restoration, and land-use changes.

Regional level: African Union

1.4. Capacity Building to Enhance Hydromet Systems and Climate Finance

- (a) Developing regional hydromet diagnostic and roadmap for data collection and transmission to support the operationalization of the Africa Multi-hazard Early Warning and Early Action System (AMHEWAS) Program.
- (b) Carrying out a comprehensive study on raising climate finance in member states, trainings for decision-makers and technical experts on various thematic topics including hydromet, disasters risk management, and climate finance, and expanding the AU's secondment programs by bringing hydrologists, meteorologists, and disaster management experts to improve collaboration on water resources and disaster risk management.

Part 2: Infrastructure Investments and Sustainable Asset Management for Climate Resilience

National level: Malawi

2.1. Basin-Level Infrastructure Development

- (a) Supporting the reconstruction and rehabilitation of: (i) critical connectivity infrastructure, including roads and bridges; and (ii) hydraulic infrastructure impacted by Tropical Cyclone Freddy.
- (b) Supporting the construction or rehabilitation of hydraulic infrastructure in the transboundary SRB, including, *inter alia*, river training and riverbank protection structures, drainage systems, dykes, and weirs.

2.2. District-Led Resilience Building

Providing Performance-Based Grants (PBGs) to support district-level infrastructure, landscape management investments, and nature-based solutions.

Regional level: African Union

- 2.3. Capacity Building to Strengthen Flood and Drought Risk Vulnerability Analysis and Operation and Maintenance of Flood Protective Infrastructure
- (a) Carrying out a comprehensive study on water security in the continent, including an assessment of status and operation and maintenance of critical storage in collaboration with the operating entities.
 - (b) Supporting AU member states develop climate resilient water security programs to scale-up the AU Africa Water Investment Program.
 - (c) Developing and operationalizing a monitoring and reporting methodology for the implementation of the AU Climate Change and Resilient Development Strategy and Action Plan.

Part 3: Adaptive Climate Services for Resilient Communities

Enhancing community preparedness in urban areas and engaging in planning of community level risk reduction plans to mainstream climate dimensions in social protection policy design and operations through:

National level: Malawi

3.1. Expanding Social Registry in Urban Areas

Redesigning and rolling out an urban social registry, enhancing resilience of beneficiaries to floods, cyclones and droughts in selected cities, including the design of an urban Proxy Means Test (PMT) to be used as a prioritization criterion for *ex-post* household-focused interventions, preparation of *ex ante* emergency action plans, and development of prevention and adaptation strategies for climate change-exacerbated floods, droughts, and cyclones.

3.2. Design and Pilot Urban Climate Smart Public Works Program

Supporting central government units and urban councils in:

- (a) designing an urban public works program (UPWP) that combines aspects of climate smart operational maintenance of public infrastructure and land restoration activities across green spaces and urban watersheds, including maintenance of urban drainage canals, peri-urban water retention and urban open space rehabilitation activities, through, *inter alia*: (i) the development of UPWP design guidelines and operational manuals; and (ii) training of city councils and relevant community structures; and

- (b) piloting the UPWP in selected urban centers to live test the guidelines and operational manuals.

Regional level: African Union

3.3. Mainstreaming Climate Resilience in Social Protection and Empowering Communities

- (a) Carrying out a study on best practices of adaptive social protection programs in the region.
- (b) Developing of participatory and gender and youth inclusive guidelines for the development of community-level climate risk management plans and projects.
- (c) Providing training to member states to disseminate knowledge and share lessons learned.

Part 4: Project Management

Supporting project management and implementation activities including, *inter alia*, implementation supervision, management of procurement and financial management including carrying out of audits, management of environmental and social aspects, monitoring and evaluation and reporting activities, conducting an impact assessment at baseline, midterm, and completion, knowledge management and communication activities, and supporting the participation of Malawi and the AU in the RCRP RSC to increase coordination and learning across the region, all through the provision of consulting services, non-consulting services, Operating Costs and acquisition of goods for the purpose.

Part 5: Contingent Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish, not later than two (2) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a Project Steering Committee, responsible at the central government level for providing overall policy guidance for and supervision of Project implementation, with mandate, composition, and resources satisfactory to the Association.
2. The Recipient shall establish, not later than two (2) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a Project Technical Committee, responsible for coordinating Project implementation across the relevant ministries, departments and agencies at the central government level, with mandate, composition, and resources satisfactory to the Association.
3. The Recipient shall establish, not later than three (3) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project:
 - (a) a Project Coordination Unit (“PCU”), within the Department of Economic Planning and Development, responsible for the management, coordination, supervision, and monitoring of all Project activities, with functions, staffing, and resources satisfactory to the Association;
 - (b) a Project Implementation Unit, within the Roads Authority, responsible for the reconstruction of road infrastructure under Part 2.1 of the Project, with functions, staffing, and resources satisfactory to the Association; and
 - (c) a Project Implementation Unit, within the National Local Government Finance Committee, responsible for the overall management, implementation, and coordination of activities under Part 2.2 of the Project.
4. The Recipient shall not later than two (2) months after the Effective Date, acquire, customize to the Project and install an accounting and financial system within the Department of Economic Planning and Development under terms of reference satisfactory to the Association.
5. The Recipient shall designate the coordinator of the PCU to be a member of the Regional Steering Committee established for the Regional Project.

B. Project Implementation Manual

1. The Recipient shall:

- (a) prepare and furnish to the Association for its review, a Project Implementation Manual (“PIM”), containing detailed arrangements and procedures for implementation of the Project, including, *inter alia*: (i) the respective roles and responsibilities of the agencies involved in the implementation of the Project; (ii) disbursement and flow of funds arrangements; (iii) institutional arrangements; (iv) fiduciary arrangements, including financial management, procurement, and anti-corruption (including the Anti-Corruption Guidelines); (v) environment and social management systems; (vi) monitoring and evaluation, reporting and communication; (vii) eligibility criteria and procedures for selection of PBG Beneficiaries and Sub-projects and provision of PBG; and (viii) such other administrative, financial, technical and organizational arrangements, procedures and necessary terms of reference as shall be required for the Project;
- (b) not later than two (2) months after the Effective Date, adopt the PIM approved by the Association and, thereafter, implement the Project in accordance with the approved PIM; and
- (c) not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the PIM, or any provision thereof, without the prior written consent of the Association.

2. In the event of any conflict between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

C. Annual Work Plan and Budget

The Recipient shall:

- (a) prepare and furnish to the Association not later than November 30 each Financial Year during the implementation of the Project, a work plan and budget (each an “Annual Work Plan and Budget”) containing all the activities proposed to be carried out during the following Financial Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date;

- (b) afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed Work Plan and Budget and thereafter, without limitation to the pertinent provisions of this Agreement, ensure that the Project is implemented during said following Financial Year in accordance with such Work Plan and Budget as shall have been approved by the Association. Only the activities included in the Annual Work Plan and Budget expressly approved by the Association are eligible for financing from the proceeds of the Financing; and
- (c) not make or allow to be made any material change to the approved Annual Work Plan and Budget without prior approval, in writing, by the Association.

D. Performance-Based Grants (PBG)

1. With respect to Part 2.2 of the Project, the Recipient shall make a PBG to a PBG Beneficiary to carry out a PBG Sub-project in accordance with eligibility criteria and procedures acceptable to the Association, as more particularly set out in the PIM, which shall include the requirement that no proposed PBG Sub-project shall be eligible for financing under a PBG, unless the Recipient shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the PIM, that:
 - (a) eligibility for the PBG and the amount of the performance element will be determined by an annual Local Authority Performance Assessment (LAPA). Eligibility will be determined based on two basic requirements, namely: (i) minimum access conditions which are assessed based on Local Authorities performance in the previous financial year including submission of annual financial statements and compliance with the investment menu; and (ii) triggers which are designed to ensure that Local Authorities have basic fiduciary safeguards in place to manage the coming financial year's grant. Each Local Authority shall meet all minimum access conditions and triggers before any PBG is made to the Local Authority. The performance dimension of the PBG will be scored based on the two clusters of performance measures, including the availability of adequate technical staffing, and development of implementable spatial plans. The details of the LAPA will be further detailed in the PIM; and
 - (b) the proposed PBG Sub-project: (i) consists of specific development activities set forth in Part 2.2 of the Project as further elaborated in the PIM and complies with all applicable laws and regulations of the Recipient; and (ii) if, pursuant to the ESMF, additional environmental and social instruments are required, such instruments have been prepared and approved by the Association in accordance with the ESMF and all measures required to be carried out under the environmental and social

instruments and/or prior to commencement of the activities covered by the environmental and social instruments have been carried out.

2. The Recipient shall make each PBG under a PBG Agreement with the respective PBG Beneficiary on terms and conditions approved by the Association, which shall include the following:
 - (a) the PBG shall be made on a grant basis without any fees payable thereon; and
 - (b) 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 PBG Beneficiary to use the proceeds of the PBG, obtain a refund of all or any part of the amount of the PBG then withdrawn, upon the PBG Beneficiary's failure to perform any of its obligations under the PBG Agreement; and
 - (ii) require each PBG Beneficiary to: (A) carry out its PBG 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 the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient and with the ESCP; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the PBG in accordance with the provisions of this Agreement; (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 PBG Sub-project and the achievement of its objectives; (E) (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 the operations, resources and expenditures related to the PBG 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; (F) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (G) 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.

3. The Recipient shall exercise its rights under each PBG Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any PBG Agreement or any of its provisions.

E. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if

any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
 - 6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

F. Contingent Emergency Response

- 1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:
 - (a) not later than three (3) months after the Effective Date, an annex to the PIM to guide the activation and implementation of the Contingent Emergency Response Part (“CERC Annex”) is prepared and thereafter adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and

- procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Emergency Response Part is carried out in accordance with the CERC Annex and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Annex or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Annex or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Annex are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.
3. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Annex and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

B. Mid-Term Review

1. No later than three (3) years after the Effective Date, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the “Mid-Term Review”), covering the progress achieved in the implementation of the Project.
2. For the purpose of facilitating the Mid-Term Review, the Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association not less than one (1) month prior to the beginning of the Mid-Term Review, a report integrating the results of the Project’s monitoring and evaluation activities, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date.
3. Following the Mid-Term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, measures recommended to ensure the efficient completion of the Project and the achievement of its objective as well as any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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 finance Eligible Expenditures, in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training for the Project, except Parts 1.2, 2.1, 2.2, 3.2, 4, and 5	11,418,000	100%

(2) Goods, works, non-consulting services, consulting services, Performance-Based Grants, Operating Costs, and Training for Parts 2.2 and 3.2 of the Project	66,229,000	100%
(3) Goods, works, non-consulting services, consulting services, Operating Costs, and Training for Part 2.1 of the Project	76,125,000	100%
(4) Goods, works, non-consulting services, consulting services, Operating Costs, and Training for Part 1.2 of the Project	13,702,000	100%
(5) Goods, Operating Costs, and Training for Part 4 of the Project	11,419,000	100%
(6) Emergency Expenditures	3,807,000	100%
TOTAL AMOUNT	182,700,000	

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 Signature Date;
 - (b) under Category (2) until and unless the Recipient has recruited or appointed a social safeguards specialist and an environmental safeguards specialist within the National Local Government Finance Committee

Project Implementation Unit, with terms of reference, qualifications, and experience satisfactory to the Association;

- (c) under Category (3) until and unless the Recipient has recruited or appointed a social safeguards specialist and an environmental safeguards specialist within the Roads Authority Project Implementation Unit, with terms of reference, qualifications, and experience satisfactory to the Association;
- (d) under Category (4) until and unless the Recipient has recruited or appointed a social safeguards specialist, an environmental safeguards specialist, and a project civil engineer within the Department of Economic Planning and Development PCU, with terms of reference, qualifications, and experience satisfactory to the Association; or
- (e) for Emergency Expenditures under Category (6), unless and until all of the following conditions have been met in respect of said expenditures:
 - (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (6); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (ii) the Recipient has adopted the Emergency Action Plan, in form and substance acceptable to the Association.

2. The Closing Date is December 29, 2028.

APPENDIX

Definitions

1. “African Union” or “AU” means the union established by the Constitutive Act of the African Union adopted on July 11, 2000.
2. “Africa Multi-hazard Early Warning and Early Action System’ or “AMHEWAS” means the institutional and operational Framework for Multi-Hazard Early Warning and Early Action System endorsed by the 35th Assembly of AU Heads of State and Government in February 2022.
3. “Anti-Corruption Guidelines” means, for purposes of 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 and as of July 1, 2016.
4. “AU Climate Change and Resilient Development Strategy and Action plan” means the strategy and action plan of the African Union which provides a roadmap for member states to achieve their climate change commitments and promote sustainable economic growth.
5. “AU Water Investment Program” means the program adopted by the Assembly of the AU Heads of State and Government that aims to close the water investments gap across Africa to meet the continent’s growing needs and Sustainable Development Goal 6 on water and sanitation.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “CERC Annex” means the annex to the PIM referred to in Section I.F of Schedule 2 to this Agreement, as such annex may be updated from time to time with the agreement of the Association, and which is an integral part of the PIM.
8. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.
9. “Early Warning Systems” or the acronym “EWS” means a warning system that can be implemented as a chain of information communication systems and comprise of sensors, event detection and decision subsystems for early identification of hazards.
10. “Department of Economic Planning and Development” means the department of MoFEA responsible for policy guidance to the government of the Republic of Malawi on sustainable economic development, or any successor thereto.

11. “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.
12. “Emergency Action Plan” means the plan referred to in Section I.F of Schedule 2 to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
13. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Annex referred to in Section I.F of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
14. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 16, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
15. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
16. “ESMF” means the framework to be prepared by the Recipient, and disclosed, consulted upon, and adopted for the Project, as set out in the ESCP, in accordance with the ESSs, that includes the description of a screening process to identify the PBG Sub-projects’ potential environmental and social risks and determine relevant

risk assessments and mitigation plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

17. “Financial Year” or “FY” means the Recipient’s fiscal year commencing April 1 and ending March 31 of the following year.
18. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
19. “Incident Command System” means a standardized and defined approach to the command, control and coordination of emergency response.
20. “LA” or “Local Authority” means the district level administrative subdivision of the Republic of Malawi , and “LAs” or “Local Authorities” means, more than one such district.
21. “Local Authority Performance Assessment” or “LAPA” means the performance assessment of Local Authority to be carried out under Part 2.2 of the Project.
22. “MoFEA” means the Recipient’s Ministry of Finance & Economic Affairs, and any successor thereto.
23. “National Emergency Operations Center” means the Recipient’s center for coordinating emergency and recovery operations.
24. “National Local Government Finance Committee” means the committee established pursuant to Section 149 of the Constitution of the Recipient.
25. “Operating Costs” means the reasonable incremental operating expenses incurred by the Recipient on account of Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, *per diem*, additional staff costs, but excluding the salaries of officials and public servants of the Recipient.
26. “PBG Agreement” means an agreement between the Recipient and a PBG Beneficiary setting out terms and conditions for the provision of a PBG for the purpose of carrying out a PBG Sub-project, as further elaborated in Section I.D.2 of Schedule 2 to this Agreement, and “PBG Agreements” means more than one such agreement.
27. “PBG Beneficiary” means a District Local Authority that satisfies that satisfies the criteria set out in the PIM for receiving a PBG to carry out a PBG Sub-project, and “PBG Beneficiaries” means more than one such beneficiary.

28. “PBG Sub-project” means a sub-project consisting of activities under Part 2.2 of the Project and as further elaborated in the PIM, to be carried out by a PBG Beneficiary using the proceeds of PBG Grant, and “PBG Sub-projects” means more than one such sub-project.
29. “Performance-Based Grant” or “PBG” means a performance-based grant to be provided under Part 2.2 of the Project for a PBG Sub-project to be carried out by a PBG Beneficiary, and “PBGs” means more than one such PBG.
30. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
31. “Proxy Means Test” or “PMT” means an econometric methodology for poverty targeting where household or individual characteristics correlated with welfare levels are used in a formal algorithm to represent household income, welfare or need.
32. “Regional Steering Committee” means the Regional Steering Committee established under the first RCRP project.
33. “Roads Authority” means the Roads Authority established and operating pursuant to the Roads Authority Act (Cap 69:07) of the laws of the Recipient, or any successor thereto.
34. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
35. “SRB” means Shire River Basin.
36. “Training” means the cost arising under the Project for approved training including, seminars, workshops, knowledge sharing activities and study tours, and covers the following costs associated with such activity: travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.
37. “Urban Public Works Program” or “UPWP” means the government of the Republic of Malawi-led public works program for the working age poor who live in urban areas focusing on small investment sub-projects, mainly for land and water conservation and for routine maintenance of infrastructure, as further defined in the PIM.