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**CREDIT NUMBER 6870-MW**  
**GRANT NUMBER D804-MW**

# **Financing Agreement**

**(Southern Africa Trade and Connectivity Project)**

**between**

**REPUBLIC OF MALAWI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 6870-MZ**  
**GRANT NUMBER D804-MZ**

## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF MALAWI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). 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 and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
  - (a) an amount equivalent to fifty-two million two hundred thousand Special Drawing Rights (SDR 52,200,000) (“Grant”); and
  - (b) an amount equivalent to fifty-two million two hundred thousand Special Drawing Rights (SDR 52,200,000) (“Credit”).
- 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are January 15<sup>th</sup> and July 15<sup>th</sup> 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. To this end, the Recipient shall: (a) carry out Parts 1.1(a), 1.2(a) (except for Parts 1.1(a)(ii), 1.2(a)(i) and (iv)), 1.3(a), 2(a) and 3(a) (“MOTPW Parts”) of the Project; and (b) cause the Project Implementing Entity to carry out Parts 1.1(a)(ii), 1.2(a)(i) and (iv), 4.1(a) and 4.2(a) (“PIE Parts”) of the Project; all in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement; and
  - (b) the RFA’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the RFA to perform any of its obligations under the Project Agreement.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Recipient and the Project Implementing Entity have adopted the Project Operations Manual in a manner satisfactory to the Association;
  - (b) the Subsidiary Agreement has been executed among the Recipient, the Project Implementing Entity and the RFA in a manner satisfactory to the Association; and
  - (c) the Project Agreement has been executed between the Association and the Project Implementing Entity.
- 5.02. The Effectiveness Deadline is the date ninety days (90) days after the Signature Date.

- 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 (20) after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01 The Recipient's Representative is its minister responsible for finance, economic planning and development.

- 6.02 The Recipient's Address is:

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

- (b) Facsimile:

+265 1789173

- 6.03. 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**

*Hon. Felix Mlusu*

\_\_\_\_\_  
**Authorized Representative**

**Name:** Hon. Felix Mlusu  
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**Title:** Dr  
\_\_\_\_\_

**Date:** 15-Jul-2021  
\_\_\_\_\_

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Hugh Riddell*

\_\_\_\_\_  
**Authorized Representative**

**Name:** Hugh Riddell  
\_\_\_\_\_

**Title:** Country Manager  
\_\_\_\_\_

**Date:** 15-Jul-2021  
\_\_\_\_\_

## SCHEDULE 1

### Project Description

The objective of the Project is to support Malawi and Mozambique in increasing regional trade coordination, reducing trade costs and time, developing regional value chains, and improving access to infrastructure.

The Project consists of the following parts:

#### Part 1: Reduce trade costs

##### 1.1. Enabling digital trade: development of trade ICT systems

- (a) **With respect to Malawi:** provision of support to: (i) update Malawi Revenue Authority's customs systems (ASYCUDA world system) in line with good practices and enhance ICT infrastructure and systems, including a disaster recovery site; (ii) cause the Roads Authority to implement the second phase of a new single window system; (iii) develop an IT system with necessary ICT infrastructure for Malawi's immigration department within MOHS; (iv) install backup power supplies for border offices; (v) automate the management of import and export of agricultural products for trade; (vi) develop a disaster recovery site for data storage; (vii) integrate ICT infrastructure between Malawi and Mozambique, including adopting a new electronic cargo tracking system and strengthening data and documentation exchange between institutions in Malawi and Mozambique; (viii) develop and implement ICT readiness for remote work on the policy and procedural fronts, along with broadening applications of ICT infrastructure to respond to the Covid-19 crisis; and (ix) enhance the use of ICT systems to respond to Covid-19 crisis and climate and health emergencies, including providing support to business continuity for front line border agencies and providing personal protective equipment, ICT equipment for remote work and training for safe handling of cargo.
- (b) **With respect to Mozambique:** provision of support to: (i) install backup power supplies for border offices; (ii) automate the management of import and export of agricultural products for trade; (iii) integrate ICT infrastructure between Malawi and Mozambique by strengthening data and documentation exchange between institutions in Malawi and Mozambique; (iv) develop and implement ICT readiness for remote work on the policy and procedural fronts, along with broadening applications of ICT infrastructure to respond to the Covid-19 crisis; and (v) enhance the use of ICT systems to respond to Covid-19 crisis and climate and health emergencies, including providing support to business continuity for front

line border agencies and providing personal protective equipment, ICT equipment for remote work and training for safe handling of cargo.

## 1.2. **Improving borders and their management**

- (a) **With respect to Malawi:** provision of support to: (i) rehabilitate one border post located in Muloza in the Nacala Corridor, including detailed design and construction supervision; (ii) implement a coordinated border management model across Malawi's borders; (iii) NTFC to support the implementation of the World Trade Organization's trade facilitation agreement, including, implementing pre-clearance, risk management, post clearance audit, and authorized economic operators; (iv) build inland examination centers in Lilongwe and Blantyre, including detailed design and construction supervision; (v) set up mobile cargo scanners integrated with customs systems; (vi) implement simplified trade regimes and border residency cards with Mozambique; and (vii) streamline agriculture trade requirements between Malawi and Mozambique, including regulatory border procedures and strategic capacities in testing, equipment and infrastructure.
  
- (b) **With respect to Mozambique:** provision of support to: (i) rehabilitate five (5) border posts in Milange in the Nacala corridor, Zobue, Calomue and Cassacatiza in the Beira corridor, and Ponto do Ouro in the Maputo corridor, including detailed design and construction supervision; (ii) develop and implement a coordinated border management model across Mozambique's borders; (iii) NTFC to support the implementation of the World Trade Organization's trade facilitation agreement including, providing technical assistance to implement pre-clearance, risk management, post clearance audit, and authorized economic operators; (iv) implement simplified trade regimes and border residency cards with Malawi; and (v) streamline agriculture trade requirements between Malawi and Mozambique, including regulatory border procedures and strategic capacities in testing, equipment and infrastructure.

## 1.3. **Strengthening trade and connectivity institutional capacity**

- (a) **With respect to Malawi:** provision of support to MOTPW and PPPC to improve their institutional capacity and strategies on transport, trade, connectivity and logistics, including, providing support to: (i) set up a rail and marine regulator, carry out feasibility studies, and develop appropriate legislation for those sectors; (ii) implement the national transport master plan; (iii) expand expertise in key sectors to attract public-private partnerships; and (iv) conduct feasibility studies for setting up international bus terminals and border markets for small traders.

- (b) **With respect to Mozambique:** provision of support to MTC to improve its institutional capacity and strategies on transport, connectivity and logistics, including, providing support to: (i) set up a port and railways regulator; (ii) prepare a national logistics strategy providing a holistic view on logistics and transport development; (iii) prepare a ports master plan and a civil aviation master plan; and (iv) build capacity to assess current strategies for the integrated development of transport systems.

## **Part 2: Strengthen regional coordination and Project implementation**

- (a) **With respect to Malawi:** provision of support to Malawi's relevant entities, organs and working group committees participating at the NDCTC to strengthen the existing NDCTC processes to reduce barriers to trade and investment, including: (i) developing and implementing pandemic and climate-related responses to ensure adequate trade flows; (ii) removing non-tariff barriers, facilitating trade and developing value chains between member countries; (iii) implementing transport, transit, logistic and immigration procedures; (iv) establishing a corridor measurement and monitoring system; (v) implementing a corridor trip monitoring system; and (vi) supporting the functioning of MOTPW's PIU and the relevant Project Implementing Entity to: (A) carry out Project management and coordination activities, including technical, fiduciary, environmental and social safeguards, communications and citizen engagement, monitoring and evaluation related aspects; (B) hire a third-party monitoring firm to monitor environmental and social compliance, including sexual exploitation and abuse/gender based violence; and (C) monitor civil works in vulnerable areas.
- (b) **With respect to Mozambique:** provision of support to Mozambique's relevant entities, organs and working group committees participating at the NDCTC to strengthen the existing NDCTC processes to reduce barriers to trade and investment, including: (i) developing and implementing pandemic and climate-related responses to ensure adequate trade flows; (ii) removing non-tariff barriers, facilitating trade and developing value chains between member countries; (iii) implementing transport, transit, logistic and immigration procedures; (iv) establishing a corridor measurement and monitoring system; and (v) implementing a corridor trip monitoring system; and (vi) supporting the functioning of MTC's PIU and the relevant Project Implementing Entity to: (A) carry out Project management and coordination activities, including technical, fiduciary, environmental and social safeguards, communications and citizen engagement, monitoring and evaluation related aspects; (B) hire a third-party monitoring firm to monitor environmental and social compliance, including sexual exploitation and abuse/gender based violence; and (C) monitor civil works in vulnerable areas.



### **Part 3: Strengthen value chains for regional integration**

- (a) **With respect to Malawi:** provision of support to: (i) finance public upstream investments to generate private sector participation, as well as design studies, environmental and social instruments, and supervision services; (ii) build capacities of small-scale cross-border traders; (iii) build capacities of small-scale producers, emerging farmers and firms through a regional integration lens; (iv) develop Bank and microfinance institutions' innovative financial solutions to support opportunities for regional integration; and (v) extend Innovation Grants, Matching Grants and technical assistance to Selected Beneficiaries to support demand-driven risk sharing solutions.
  
- (b) **With respect to Mozambique:** provision of support to: (i) finance public upstream investments to generate private sector participation, as well as design studies, environmental and social instruments, and supervision services; (ii) build capacities of small-scale cross-border traders; (iii) build capacities of small-scale producers, emerging farmers and firms through a regional integration lens; (iv) develop Bank and microfinance institutions' innovative financial solutions to support opportunities for regional integration; and (v) extend Innovation Grants, Matching Grants and technical assistance to Selected.

### **Part 4: Strengthen transport infrastructure to improve market access**

#### **4.1. Upgrading Roads**

- (a) **With respect to Malawi:** provision of support to upgrade, rehabilitate and maintain Priority Roads in selected areas with increased activity along the Nacala Corridor, including: (i) carrying out engineering and design studies, environmental and social instruments and supervision services; (ii) developing a spatial tool for road prioritization; (iii) carrying out a climate vulnerability assessment to support the development of a road asset management strategy; (iv) carrying out workshops and training to sensitize construction industry practitioners on performance based road contracting for upgrading and maintenance and to better manage environmental and social risks; (v) developing, operationalizing and maintaining a grievance redress mechanism to respond to grievances including gender-based violence cases; and (vi) hiring a gender-based violence service provider to respond to sexual exploitation and abuse/gender based violence.

- (b) **With respect to Mozambique:** provision to upgrade, rehabilitate and maintain Priority Roads in selected areas with increased activity along the Nacala Corridor, including: (i) carrying out engineering and design studies, environmental and social instruments and supervision services; (ii) carrying out workshops and training to sensitize construction industry practitioners on performance based road contracting for upgrading and maintenance and to better manage environmental and social risks; and (iii) hiring a third-party monitoring firm to monitor environmental and social compliance, including sexual exploitation and abuse/gender based violence, citizen engagement and Project indicators.

#### 4.2. **Improving road safety**

- (a) **With respect to Malawi:** provision of support to improve road safety measures along the Targeted Corridors, including: (i) piloting an iRAP Star Rating for Schools (SR4S) program and implementing identified related spot improvements; (ii) building semi-permanent weighbridge stations, including multideck scales for inland stations; (iii) building road safety management and institutional capacity for enforcing traffic laws and regulations and regional reporting of road accidents data to ARSO; and (iv) improving road safety culture and training key road safety stakeholders using safe system approaches.
- (b) **With respect to Mozambique:** provision of support to improve road safety measures along the Targeted Corridors, including: (i) developing and implementing an accident blackspot improvement program; (ii) piloting a safe school program through an iRAP Star Rating for Schools (SR4S) program and implementing identified safety related spot improvements; (iii) building road safety management and institutional capacity for enforcing traffic laws and regulations and regional reporting of road accident data to ARSO; (iv) assessing vehicle inspections systems and stations; (v) improving road safety culture and providing training to key road safety stakeholders using safe system approaches; (vi) developing road safety strategy and action plan; (vii) developing and implementing integrated speed management plan; and (viii) supporting the preparation of future road safety projects.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

##### **1. National Technical Committee: Corridor Transport Development Management Committee**

The Recipient shall maintain, during implementation of the Project, the Corridor Transport Development Management Committee, which shall be: (a) chaired by Malawi Revenue Authority with MOT as its secretariat; (b) comprised of public, private and civil society stakeholders related to trade facilitation, including MOTPW and the Project Implementing Entity; and responsible for: (i) providing oversight during the implementation of the Project; (ii) providing overall policy guidance on all issues relating to the Project; and (iii) facilitating coordination among the relevant ministries and agencies involved in the Project.

##### **2. Technical Oversight Committee**

By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain, during the implementation of the Project, a technical oversight committee, for each Part of the Project, which shall be: (a) chaired by MOTPW; (b) comprised of all the relevant entities and agencies supporting implementation of the Project; and (c) responsible for providing support to MOTPW in overseeing activities under the Project.

##### **3. Project Implementation Unit**

1. For purposes of implementing the MOTPW Parts of the Project, the Recipient shall maintain, during the implementation of the Project, a unit within MOTPW (“MOTPW’s PIU”), with the necessary autonomy and technical capacity to undertake the management, coordination, supervision, monitoring and evaluation of activities under the MOTPW Parts of the Project. Notwithstanding the aforementioned, the Recipient shall maintain MOTPW’s PIU, during the implementation of the Project, with key staff in a number and with functions, experience, responsibilities and qualifications acceptable to the Association as described in the Project Operations Manual, including, *inter alia*: a PIU coordinator, a social safeguards specialist, an environmental safeguards specialist, a financial management specialist, a procurement specialist, a monitoring and evaluation specialist, and technical experts (including a fund manager) as needed.

2. Notwithstanding the provisions set out in Section I.A.3.1 above, the Recipient shall ensure that prior to the commencement of any activity under Part 3(a) of the Project, a technical advisory team has been set up and thereafter maintain, during the implementation of the Project, which shall be: (a) chaired by a manager; (b) comprised, *inter alia*, a technical lead, financial management specialist, safeguards specialist and communications specialist; and (c) responsible for providing support to MTOPW's PIU in implementing activities under Part 3(a) of the Project.
3. Without limitations upon Sections I.A.3.1 and 2 above, the Recipient shall:
  - (i) not later than three (3) months after the Effective Date, recruit a financial management specialist, under terms of reference and with qualifications and experience acceptable to the Association;
  - (ii) not later than four (4) months after the Effective Date, procure and install computerized accounting software for the Project; and
  - (iii) not later than six (6) months after the Effective Date, recruit a procurement specialist, under terms of reference and with qualifications and experience acceptable to the Association.

**B. Project Manuals**

**Project Operations Manual**

1. The Recipient shall, and shall cause the Project Implementing Entity, to carry out the Project in accordance with the Project Operations Manual, in a manner satisfactory to the Association, which shall contain detailed guidelines, methods and procedures for the implementation of the Project, including, *inter alia*: (a) administration and coordination; (b) performance indicators for the Project; (c) monitoring and evaluation; (d) financial, procurement and accounting procedures; (e) social and environmental safeguards; (f) corruption and fraud mitigation measures; (g) Personal Data collection and processing in accordance with applicable national law and good international practice, including to ensure legitimate, appropriate and proportionate treatment of such data; and (h) roles and responsibilities of various agencies in the implementation of the Project; and such other arrangements and procedures as shall be required for the effective implementation of the Project. Except as the Association shall otherwise agree in writing, the Recipient shall not, and shall cause the Project Implementing Entity to not amend or waive or permit to be amended or waived any provision of the Project Operations Manual. In case of conflict between the provisions of the Project Operations Manual and this Agreement, those of this Agreement shall prevail.

### **Grant Manual for Part 3(a) of the Project**

2. By not later than six (6) months after the Effective Date or any other date acceptable to the Association, the Recipient shall, and shall cause the Project Implementing Entity, to adopt and thereafter maintain, during the implementation of the Project, a grant manual (“Grant Manual”). The Recipient shall, and shall cause the Project Implementing Entity to carry out Part 3(a) of the Project in accordance with the Grant Manual, in a manner satisfactory to the Association, which shall contain detailed guidelines, methods and procedures for the implementation of Part 3(a) of the Project, including, *inter alia*: procedures and criteria for selecting and providing Innovation Grants and Matching Grants, and such other arrangements and procedures as shall be required for the effective implementation of the Project. Except as the Association shall otherwise agree in writing, the Recipient shall not, and shall cause the Project Implementing to not amend or waive or permit to be amended or waived any provision of the Grant Manual. In case of conflict between the provisions of the Grant Manual and this Agreement, those of this Agreement shall prevail.

### **C. Subsidiary Agreement**

1. To facilitate the carrying out of the PIE Parts of the Project, the Recipient shall make the proceeds allocated under Category (2) of the table set out in Section III.A of this Schedule available to the RFA under a subsidiary agreement between the Recipient, the Project Implementing Entity, and the RFA, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall include:
  - (a) the obligation of the RFA to transfer the proceeds of the Financing to the Project Implementing Entity pursuant to arrangements adequate to ensure the prompt and efficient implementation of the Project by the PIE Parts of the Project Implementing Entity;
  - (b) the obligation of the RFA to, acting as an agent of the Recipient and the Project Implementing Entity, manage and carry out the financial management functions for the PIE Parts of the Project, including management of Project designated accounts, preparation of disbursement requests, processing of payments for invoices, audits, and financial reporting for the Project, in accordance with the provisions of Section II.B of this Schedule and Section II.B of the Schedule to the Project Agreement, and the arrangements and procedures therefor;
  - (c) the obligation of the RFA to maintain at all times during the implementation of the PIE Parts of the Project, competent and qualified staff in adequate numbers for purposes of performing its obligations under the Subsidiary Agreement, such staff to include financial management

specialists whose term of reference, qualifications and experience shall be satisfactory to the Association; and

- (d) the obligation of the Project Implementing Entity to implement the PIE Parts of the Project in accordance with the provisions of this Agreement, the Project Agreement and the Subsidiary Agreement.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
  3. In case of any conflict between the provisions of the Subsidiary Agreement on the one hand, and the provisions of this Agreement or the Project Agreement on the other, the provisions of this Agreement and the Project Agreement shall prevail.

**D. Annual Work Plans and Budget**

The Recipient shall prepare and furnish to the Association for its approval, not later than February of each year during the implementation of the Project, or such later date as the Association may agree, an annual work plan and budget containing all activities to be carried out in the following fiscal year, modified in a manner satisfactory to the Association, taking into account the Association's comments and views on the matter ("Annual Work Plan and Budget").

**E. Subprojects**

For the purposes of providing the Innovation Grants and/or Matching Grants ("Grants" or individually referred to as "Grant") under Part 3(a) of the Project, the Recipient shall:

- (a) after having selected a Subproject in accordance with the guidelines and procedures set forth in the Grant Manual, enter into an agreement with the Selected Beneficiary ("Subproject Agreement"), under terms and conditions approved by the Association and included in the Grant Manual, for the provision of the Grants, as the case may be, for the implementation of said Subproject;
- (b) ensure that each Subproject Agreement is prepared based on the model included in the Grant Manual, in which 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 Selected Beneficiary, as the case may be, to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Selected

Beneficiary's failure to perform any of its obligations under the Subproject Agreement; and (ii) require each Selected Beneficiary, as the case may be, to: (A) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and the Safeguard Instruments; (B) provide, promptly as needed, the resources required for the carrying out of the Subproject; (C) procure the goods, works, non-consulting services and consultants' services to be financed out of Grant in accordance with the provisions included in the Grant Manual; (D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the pertinent Subproject and the achievement of its objectives; (E) maintain a simplified financial management system and records 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 Subproject; (F) enable the MOTPW's PIU and the Association to inspect the pertinent Subproject, 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; and

- (c) exercise its rights and carry out its obligations under the Subproject Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce any Subproject Agreement or any provisions thereof.

**F. Safeguards**

1. The Recipient shall ensure, or cause to be ensured, that the Project is carried out in accordance with the Safeguard Instruments, including the guidelines, rules and procedures defined in said Safeguard Instruments.
2. The Recipient shall take, or cause to be taken, the following actions in a manner acceptable to the Association:
  - (a) Project activities shall be screened in accordance with the ESMF and RPF to determine if any ESMP, or RAP is needed;
  - (b) Whenever an ESMP would be required on the basis of the ESMF: (i) each ESMP shall be prepared in accordance with the requirements of the ESMF, adopted and disclosed by the Recipient or the Project

Implementing Entity, as the case may be, and subject to prior approval by the Association; (ii) each ESMP shall include the necessary measures to help prevent and, as necessary, respond appropriately to the risks and incidences of sexual exploitation and abuse and sexual harassment against women, children and other vulnerable groups; and (iii) the Recipient or the Project Implementing Entity, as the case may be, shall refrain from tendering any civil works contract during the implementation of the Project unless and until such ESMP has been prepared in accordance with the ESMF, adopted and disclosed by the Recipient or the Project Implementing Entity, as the case may be, and approved by the Association; and

- (c) whenever a RAP would be required on the basis of the RPF: (i) each such RAP shall be prepared in accordance with the requirements of the RPF, adopted and disclosed by the Recipient or the Project Implementing Entity, as the case may be, and subject to prior approval by the Association; (ii) the Recipient or the Project Implementing Entity, as the case may be, shall refrain from tendering any civil works contract during the implementation of the Project unless and until such RAP has been prepared in accordance with the RPF, adopted, disclosed and implemented by the Recipient or the Project Implementing Entity, as the case may be, and approved by the Association; and (iii) no works under the Project shall be commenced until: (A) all measures required to be taken under said RAP prior to the initiation of said works have been taken; (B) the Recipient or the Project Implementing Entity has prepared and furnished to the Association a report in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP; and (C) the Association has confirmed that said works may be commenced.
3. If any activity under the Project would involve Affected People, the Recipient shall, and shall cause the Project Implementing Entity to: (a) ensure that no physical or economic displacement, limitation of access to natural resources shall occur before resettlement measures under the relevant ESMP and RAP, including, in the case of either physical or economic displacement, full payment to Affected People of fair compensation at replacement value and of other assistance required for relocation and livelihoods restoration, have been implemented; and (b) provide from its own resources, any financing required for any measures under sub-paragraph (a) above but no limited to any costs associated with land acquisition required under PIE Parts of the Project.
  4. The Recipient shall take all measures necessary for carrying out the requirements of the Safeguard Instruments in a timely manner.



5. Without limitation to Section III.A of this Schedule, no works shall be eligible for financing unless:
  - (a) prior to the commencement of such works: (i) an ESMP was prepared, adopted and disclosed by the Recipient or the Project Implementing Entity, as the case may be, and approved by the Association; and (ii) in case such works are expected to cause involuntary resettlement, a RAP was prepared, adopted, disclosed and implemented by the Recipient or the Project Implementing Entity, as the case may be, and approved by the Association; or
  - (b) to the extent that such works have already commenced, an Environmental and Social Audit of such works was completed, under terms of reference and by an independent entity satisfactory to the Association, and the recommendations under said Environmental and Social Audit have been implemented in a manner satisfactory to the Association.
  
6. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II of this Schedule adequate information on the implementation of the Safeguard Instruments, giving details of:
  - (a) measures taken in furtherance of such Safeguard Instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and
  - (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments.
  
7. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Affected People under the Project, 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.
  
8. If sixty (60) days prior to the Closing Date, the Bank determines that there are measures and actions specified in the Safeguard Instruments which will not be completed by the Closing Date, the Recipient shall, and shall cause the Project Implementing Entity to: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions; and (b) thereafter, carry out said

action plan in accordance with its terms and in a manner acceptable to the Association.

9. The Recipient shall ensure, and shall cause the Project Implementing Entity to ensure, that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities: (a) to comply with the relevant aspects of Safeguard Instruments; (b) to adopt and implement measures to assess and manage the risks and impacts of labor influx and workers' camps; and (c) to adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, gender-based violence and violence against women, children and other vulnerable groups; all as applicable to such civil works commissioned or carried out pursuant to said contracts.
10. The Recipient shall ensure that all technical assistance under the Project, application of whose results would have environmental and social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory to the Association, such terms of reference shall ensure that the technical assistance takes into account, and calls for application of the Association's environmental and social safeguards policies.
11.
  - (a) By not later than four (4) months after the Effective Date, the Recipient shall adopt, and thereafter maintain, during the implementation of the Project the Stakeholder Engagement Plan. The Recipient shall carry out, and cause the Project Implementing Entity to carry out, the Stakeholder Engagement Plan with due diligence and efficiency and to communicate it to the Project stakeholders: (i) to achieve their participation and support of the Project all along the period of Project implementation; and (ii) to ensure its measures and recommendations are implemented throughout Project implementation, in particular with a focus on the inclusion of Project Affected People including disadvantaged and vulnerable groups. Except as Association shall otherwise agree, the Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the Stakeholder Engagement Plan is not amended, suspended or waived. In case of any inconsistencies between the provisions of the Stakeholder Engagement Plan and the provisions of this Agreement, the provisions of this Agreement shall prevail.
  - (b) Without limitation upon any of its reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to regularly collect, compile, and submit to the Association, and promptly in a separate report whenever the Association may require, information on the status of compliance with the Stakeholder Engagement Plan. Such information shall include: (i) measures taken in furtherance of the Stakeholder Engagement Plan; (ii) conditions, if any, which interfere or

threaten to interfere with the smooth implementation of the Stakeholder Engagement Plan; and (iii) remedial measures taken or required to be taken to address such conditions.

12. (a) The Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the Project is implemented in accordance with the systemic approach to the management of labor issues set forth in the Labor Management Procedures (“LMP”) and that its measures are implemented with due diligence and efficiency, in particular those addressing issues of child and forced labor, labor influx, terms and conditions of employment and non-discrimination and equal opportunity. Except as the Association shall otherwise agree, the Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the LMP is not amended, suspended or waived. In case of any inconsistencies between the provisions of the LMP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- (b) Without limitation upon any of its reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to regularly collect, compile, and submit to the Association, and promptly in a separate report whenever the Association may require, information on the status of compliance with the Labor Management Plan or Procedures. Such information shall include: (i) measures taken in furtherance of the Labor Management Plan; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Labor Management Plan or Procedures; and (iii) remedial measures taken or required to be taken to address such conditions.

#### **H. Third-Party Monitoring**

By no later than six (6) month after the Effective Date, the Recipient shall: (a) hire and thereafter maintain, during the implementation of the Project, a third-party monitoring agency, with qualifications, experience and under terms of reference satisfactory to the Association, to monitor the compliance of Project-related environmental and social aspects and Project monitoring and evaluation indicators; and (b) cause the third-party monitoring agency to furnish to the Association a monitoring report, not later than one month after the end of each calendar semester, covering the calendar semester, in form and substance acceptable to the Association.

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

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

**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 (a) Eligible Expenditures and (b) repay the Preparation Advance; in in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the IDA Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed out of the IDA Credit and the IDA Grant (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Innovation Grants, Matching Grants, Training Costs and Operational Costs for Parts 1.1(a), 1.2(a) (except for Parts 1.1(a)(ii), 1.2(a)(i) and (iv)), 1.3(a), 2(a) and 3(a) (“MOTPW Parts”) of the Project	23,200,000	24,300,000	50% IDA Credit, 50% IDA Grant
(2) Goods, works, non-consulting services, consulting services, Training Costs and Operational Costs for Parts 1.1(a)(ii), 1.2(a)(i) and (iv), 4.1(a) and 4.2(a) (“PIE Parts”) of the Project	27,900,000	27,900,000	50% IDA Credit, 50% IDA Grant
(3) Refund of the Preparation Advance	1,100,000		Amount payable pursuant to Section 2.07 (a) of the General Conditions
<b>TOTAL AMOUNT</b>	52,200,000	52,200,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date; and
  - (b) in respect of Category (2) above, unless: (i) the Recipient has hired the third-party monitoring agency as referred to and in accordance with Section I.H of this Schedule 2; and (ii) the Project Implementing Entity has recruited one (1) social safeguards specialist and one (1) environmental safeguards specialist, under terms of reference and with qualifications and experience acceptable to the Association.
2. The Closing Date is June 30, 2027.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 <sup>th</sup> and July 15 <sup>th</sup> , commencing July 15, 2027, to and including January 15, 2059	<b>1.5625%</b>

## APPENDIX

1. “Affected People” means a person or group of persons who as a result of: (a) the involuntary taking of land under the Project is affected in any of the following ways: (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 the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and/or a person or group of persons who is affected by gender based violence.
2. “Annual Work Plan and Budget” means the work plan and budget prepared annually for the Project, in accordance with Section I.D of Schedule 2 to this Agreement and Section I.D of the Schedule to the Project Agreement.
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. “ASYCUDA” means the computerized customs management system which covers most foreign trade procedures. It is designed by the United Nations Conference on Trade and Development (UNCTAD).
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Corridor Transport Development Management Committee” means the group referred to in Section I.A.1 of Schedule 2 to this Agreement.
7. “Covid-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
8. ”Environmental and Social Management Framework” or “ESMF” means the Recipient and Project Implementing Entity’s environmental and social management framework disclosed on December 1, 2020 and approved by the Association, describing, *inter alia*, the modalities to be followed in screening Project activities in order to assess and determine the need to prepare an ESMP, including the measures to be taken to offset, reduce, or mitigate adverse environmental and social impact, including, the risks and incidences of sexual exploitation and abuse and sexual harassment against women, children and other vulnerable groups, procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as the same may be amended from time to time with the prior written agreement of the Association.



9. “Environmental and Social Management Plan” or “ESMP” means: (a) an environmental and social management plan, to be prepared, adopted and disclosed by the Recipient and/or the Project Implementing Entity, and acceptable to the Association, and giving details of the magnitude of the environmental and social impacts, including procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as well as the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies; and (b) the Recipient and Project Implementing Entity’s environmental and social management plans disclosed on December 1, 2020, acceptable to the Association, for the border post located in Muloza, as the same may be amended from time to time with the prior written agreement of the Association.
10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
11. “ICT” means information, communication and technology.
12. “Innovation Grant” means a grant made out of the proceeds of the Financing from the Recipient to a Selected Beneficiary, for the financing of an eligible Subproject, subject to the specific terms and conditions set forth in the Grant Manual and in the relevant Subproject Agreement; and “Innovation Grants” means two or more grants.
13. “iRAP” means International Road Assessment Program.
14. “IT” means information technology.
15. “Labor Management Plan or Procedures” or “LMP” means the procedures to be adopted by the Recipient and the Project Implementing Entity, acceptable to the Association, setting forth of the terms and conditions in which Project workers will be managed and a systematic approach to the management of labor issues under the Project.
16. “Matching Grant” means a grant made out of the proceeds of the Financing from the Recipient to a Selected Beneficiary, for the partial financing of an eligible Subproject, subject to the specific terms and conditions set forth in the Grant Manual and in the relevant Subproject Agreement; and “Matching Grants” means two or more grants.
17. “Malawi Revenue Authority” means the Recipient’s revenue authority.

18. “MOHS” means the Recipient’s Ministry of Homeland Security.
19. “MOT” means the Recipient’s Ministry of Trade.
20. “MOTPW” means the Recipient’s Ministry of Transport and Public Works.
21. “MOTPW’s PIU” means the unit referred to Section I.A.3 of the Schedule to this Agreement.
22. “NDCTC” means the Nacala Development Corridor Tripartite Committee.
23. “Operational Costs” means the incremental expenses incurred by the Recipient and the Project Implementing Entity (which would have not been incurred absent the Project), related to Project technical and administrative management, monitoring and supervision required under the Project, including *inter alia*, administrative and operational support staff, office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, reasonable bank charges, reasonable insurance costs as per the Annual Work Plans, and logistics services.
24. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
25. “PMP” means the pest management plan to be prepared, adopted and disclosed by the Recipient and approved by the Association, for purposes of addressing the environmental risks and putting in place mitigation measures related to the implementation of activities under Part 3(a) of the Project.
26. “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 December 10, 2020.
27. “Priority Roads” means: (a) in the case of Malawi, the roads to be identified and listed in the Project Operations Manual; and (b) in the case of Mozambique, the road identified in the Provinces of Nampula and Niassa, which are part of the Nacala Corridor and listed in the Project Operations Manual.

28. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
29. “Project Implementing Entity” means the Roads Authority, the autonomous legal entity of the same name established and operating pursuant to Section 3 of the Project Implementing Entity’s Legislation; or any successor thereto.
30. “Project Implementing Entity’s Legislation” means the Roads Authority Act Cap. 69:07 of the laws of the Recipient, as such Act may be amended from time to time.
31. “Project Operations Manual” means the manual to be adopted by the Recipient and the Project Implementing Entity, and referred to in Section I.A.5 of Schedule 2 to this Agreement and Section I.D of the Schedule to the Project Agreement, setting forth all procedures and arrangements governing the implementation of the Project, as such manual may be amended by the Recipient from time to time with the prior agreement of the Association.
32. “PPPC” means the Recipient’s Public Private Partnership Commission.
33. “Resettlement Action Plan” or “RAP” means in respect of any activity involving resettlement, a resettlement plan for such activity prepared, adopted, disclosed and implemented by the Recipient and/the Project Implementing Entity, and acceptable to the Association, such resettlement plan to include a program of actions, measures and policies for compensation and resettlement of Affected People, and setting forth the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements designed to ensure proper implementation of, and regular feedback on, compliance with such RAP; as the same may be amended from time to time with the prior written agreement of the Association.
34. “Resettlement Policy Framework” or “RPF” means Recipient and Project Implementing Entity’s resettlement policy framework disclosed on December 1, 2020, and approved by the Association, setting forth the modalities for resettlement and compensation of Affected People under the Project, as the same may be amended from time to time with the prior written agreement of the Association.
35. “RFA” means the Roads Fund Administration, the autonomous legal entity of the same name established pursuant to Section 3 of the Roads Fund Administration Act Cap. 69:08 of the laws of the Recipient; or any successor thereto.
36. “RFA’s Legislation” means the Roads Fund Administration Act Cap. 69:08 of the laws of the Recipient, as such Act may be amended from time to time.

37. “Safeguard Instruments” means the ESMF, the RPF, the PMP and related ESMPs and RAPs, for the Project.
38. “Selected Beneficiary” means the entity eligible to receive an Innovation Grant or a Matching Grant, which was selected pursuant to the criteria and procedures established in the Project Operations Manual.
39. “Stakeholder Engagement Plan” means the communication framework to be adopted by the Recipient and the Project Implementing Entity, acceptable to the Association, setting forth measures to ensure stakeholder engagement and participation throughout the carrying out of the Project, and including a social communication strategy that includes, *inter alia*, measures to address risks of sexual exploitation and abuse and sexual harassment against women, children and other vulnerable groups, as such framework may be amended from time to time with the prior written concurrence of the Association.
40. “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.
41. “Star Rating for Schools (SR4S)” means the systematic and evidence-based tool for measuring, managing and communicating the risk children are exposed to on school journeys.
42. “Subprojects” means any eligible investment proposed by any of the Selected Beneficiary, to be partly financed with an Innovation Grant or a Matching Grant under the relevant Subproject Agreement, for the activities described in Part 3(a) of the Project.
43. “Subproject Agreement” means each agreement to be entered into between the Recipient and a Selected Beneficiary, as specified in Section I.E of Schedule 2 to this Agreement.
44. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement Section I.C of the Schedule to the Project Agreement.
45. “Targeted Corridors” means the selected national, regional and specific corridors supported under the Project, which have met the criteria set forth in the Project Operations Manual, including: (a) Beira Corridor; (b) Maputo Corridor; and (c) Nacala Corridor.

46. "Training Costs" means the costs associated with the training, workshops and study tour participation of personnel involved in Project activities, as specified in the Annual Work Plan and Budget approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants' services), including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation.