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CONFORMED COPY

GEF GRANT NUMBER TF092100

Global Environment Facility Grant Agreement

(Agricultural Development Program Support Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated September 9, 2009

GEF GRANT NUMBER TF092100

**GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT**

AGREEMENT dated September 9, 2009, entered into between:

REPUBLIC OF MALAWI (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in the Financing Agreement, or in this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”) and the Program. To this end, the Recipient shall carry out the Project through its ministry at the time responsible for agriculture in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million eight hundred thousand United States Dollars (\$5,800,000) (“Grant”) to assist in financing Parts 1 (a), (b), and (c), 2 (a), and 3 of the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
- (a) The Recipient has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges, or any other amount due to the International Development Association (“Association”) or the World Bank: (i) under the Financing Agreement; or (ii) under any other agreement between the Recipient and the Association; or (iii) under any agreement between the Recipient and the World Bank; or (iv) in consequence of any guarantee extended or other financial obligation of any kind assumed by the Association or the World Bank to any third party with the agreement of the Recipient.
 - (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof shall be carried out.

- (c) (i) The agreement (“Co-financing Agreement”) between the Recipient and the Kingdom of Norway (“Co-financier”) providing for financing in an amount equivalent to Norwegian Kroner 50,000,000 (“Co-financing”) to assist in financing the Project, has failed to become effective three (3) months after the Effective Date, or such later date as the World Bank has established by notice to the Recipient; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under this Agreement.
- (ii) Subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of the Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement; or (B) the Co-financing has become due and payable prior to its agreed maturity.
- (iii) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, termination, or pre-maturing was not caused by the failure of the recipient of the Co-financing to perform any of its obligations under the Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement.
- (d) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

- (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.
 - (b) The execution and delivery of the Financing Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.
 - (c) The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association, for purposes of Project implementation.
 - (d) The Recipient has established, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the:
 - (i) Program Executive Management Committee;
 - (ii) Program Management Working Group;
 - (iii) Program Secretariat, headed by a Secretariat Coordinator, who shall also serve as Project Manager, and including at least a Project Management Advisor and a secretary to the Secretariat Coordinator;
 - (iv) Capacity Strengthening Team, headed by the Controller of Human Resources in said ministry;
 - (v) Sustainable Productivity Growth Team, headed by the Controller of Agricultural Extension and Technical Services in said ministry; and
 - (vi) Risk Management Team, headed by a senior officer of the Department of Planning, all with a composition, institutional framework, functions, and resources satisfactory to the Association, including, where applicable, staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Program and Project implementation.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matter: on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible for finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

265-1-789173

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

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

REPUBLIC OF MALAWI

By /s/ Ken Edward Kandodo

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility**

By /s/ Timothy Gilbo

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to improve the effectiveness of investments aimed at food security and sustainable agricultural growth, and strengthen the natural resource base in agricultural lands through a doubling of the area under sustainable land management as a basis for securing ecosystem services and sustainable agricultural productivity.

The Project, which is part of the Program, consists of the following parts:

1. Institutional Development and Capacity Building in Preparation of Sector-Wide Approach in Agriculture
 - (a) Program Management and Coordination Support
 - (i) Provision of capacity-building support to Program Secretariat, including coordination between departments of Recipient's ministry at the time responsible for agriculture, participating ministries, and development partners, facilitation of joint programming, harmonization, and results orientation in sector, and reform of said ministry.
 - (ii) Provision of capacity-building support to Capacity Strengthening Team with regard to strengthening capacity of said ministry to implement a harmonized sectoral development program.
 - (iii) Provision of leadership and management skills training to key staff of said ministry through short public sector management skills courses, international public sector governance workshops, management mentoring arrangements, and regional exchanges.
 - (iv) Organization of Program orientation events for key government and non-government stakeholders.
 - (v) Strengthening of coordination and implementation of sustainable land management and adaptation activities by various ministries, ministerial departments, and development partners.

- (b) Sector Planning and Monitoring and Evaluation Support
 - (i) Carrying out of assessment of strategic medium-term investment planning and policy choices in sector.
 - (ii) Provision of capacity-building support to Department of Planning, Agricultural Development Divisions, and District Agricultural Development Offices with regard to public expenditure tracking and review in sector.
 - (iii) Development of sectoral annual work plan and budget planning at District, Agricultural Development Division, and central levels.
 - (iv) Strengthening of coordinated District-level sector planning.
 - (v) Carrying out of monitoring and evaluation, including development of Program monitoring and evaluation system, carrying out of agricultural and land degradation data collection and analysis by Department of Planning of said ministry, and provision of capacity-building support to National Statistics Office.
 - (vi) Strengthening of Program policy and planning framework for sustainable land management, including at District level, including carrying out of assessment of said framework and tracking of sustainable land management-related public expenditures.
- (c) Technical Systems and Skills Development
 - (i) Provision of selective diploma- and degree-level professional training in relation to Program implementation to staff of said ministry.
 - (ii) Provision of capacity-building support to and awareness creation in said ministry at central and District levels in relation to sustainable land management issues.

(d) Administrative Systems Development

Further development and strengthening of financial management, human resources management, procurement, and administration systems in said ministry, through acquisition of office equipment and vehicles and provision of technical advisory services and Training.

2. Sustainable Food Security

(a) Sustainable Productivity Growth, with Linkages to the Agricultural Input Subsidy Program

(i) Provision of capacity-building support to smallholder maize-based production systems with regard to investments relating to use of improved technology options such as seed, crop nutrient management, sustainable land and rainwater management, and post-harvest pest control, including integrated pest and nutrient management, composting, use of planting basins and pits, minimum tillage, agro-forestry, in-situ rainwater harvesting, and reduction in burning, through acquisition of office, laboratory, and field equipment and vehicles, rehabilitation of laboratories, and provision of technical advisory services and Training.

(ii) Provision of capacity-building support with regard to agricultural research, technical, and extension services, including strengthened leadership and teamwork of technology providers, farmer empowerment, strengthened information flows to farmers, improvements in mobility and communication, and provision of key research and regulatory services, and carrying out of in-service training in alternative or participative extension methodologies and selected priority technical subjects, including sustainable land management, through acquisition of office and field equipment and vehicles, rehabilitation of extension staff housing, and provision of technical advisory services and Training.

(b) Market-Based Agricultural Risk Management

(i) Strengthening of rainfall index-based early warning models and promotion of use of such models in national early warning systems.

- (ii) Carrying out of training in weather derivatives mechanics and analysis for development of macro weather insurance.
- (iii) Provision of capacity-building support in relation to development of agricultural credit-linked micro weather insurance programs.
- (iv) Provision of capacity-building support in relation to evaluation and implementation of maize supply and price hedging strategies.
- (v) Carrying out of training for Recipient and private sector personnel in warehouse management, grain grading, and grain handling and fumigation, and refurbishment of warehouse, for development of warehouse receipts system.
- (vi) Provision of capacity-building support to Food Security Task Force in relation to integrated commodity risk management.

3. Project Coordination

Project coordination, management, and monitoring and evaluation, through acquisition of office equipment and vehicles, provision of technical advisory services, and financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Ministry at the Time Responsible for Agriculture

1. The Recipient's ministry at the time responsible for agriculture shall be responsible for Project coordination and management in accordance with the following institutional arrangements.
2. The Department of Finance and Administration of said ministry shall be responsible for financial and administrative management under the Project.
3. The Recipient shall, designate, in the Department of Finance and Administration of said ministry, no later than one (1) month after the Effective Date, a principal accountant, two (2) internal auditors, and a procurement specialist, and maintain, throughout Project implementation, such staff, or satisfactory replacements, all with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Project implementation.
4. Without prejudice to the provisions of paragraph 3 above and in the event of a vacancy with regard to one of the positions referred to therein, the Recipient shall make every effort to fill said vacancy within 60 days.

Program Executive Management Committee

5. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Program Executive Management Committee referred to in Section 5.01 (d) of this Agreement, with a composition, institutional framework, functions, and resources satisfactory to the Association, for purposes of Project implementation.

6. The Program Executive Management Committee shall be responsible for provision of strategic orientation and guidance and overall managerial responsibility with regard to the Project, including review and approval of the Project Reports referred to in Section II.A.1 (a) of this Schedule and the annual work plans and budgets referred to in Section V.B of this Schedule.

Program Management Working Group

7. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Program Management Working Group referred to in Section 5.01 (d) of this Agreement, with a composition, institutional framework, functions, and resources satisfactory to the Association, for purposes of Project implementation.
8. The Program Management Working Group shall be responsible for regular technical review of Project implementation, the Project Reports referred to in Section II.A.1 (a) of this Schedule, and the work plans and budgets referred to in Section V.B of this Schedule.

Program Secretariat

9. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Program Secretariat referred to in Section 5.01 (d) of this Agreement, headed by a Secretariat Coordinator, who shall also serve as Project Manager, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, including at least a Project Management Advisor and a secretary to the Secretariat Coordinator, for purposes of Project implementation.
10. Without prejudice to the provisions of paragraph 2 above, the Program Secretariat, particularly the Project Management Advisor, shall be responsible for implementation of Part 3 of the Project.

Capacity Strengthening Team

11. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Capacity Strengthening Team referred to in Section 5.01 (d) of this Agreement, headed by the Controller of Human Resources in said ministry, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Project implementation.
12. The Capacity Strengthening Team shall be responsible for implementation of Part 1 (a), (c), and (d) of the Project.

Sustainable Productivity Growth Team

13. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Sustainable Productivity Growth Team referred to in Section 5.01 (d) of this Agreement, headed by the Controller of Agricultural Extension and Technical Services in said ministry, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Project implementation.
14. The Sustainable Productivity Growth Team shall be responsible for implementation of Part 2 (a) of the Project.

Risk Management Team

15. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Risk Management Team referred to in Section 5.01 (d) of this Agreement, headed by a senior officer of the Department of Planning, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Project implementation.
16. The Risk Management Team shall be responsible for implementation of Part 2 (b) of the Project.

Department of Planning

17. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, a Department of Planning, with an institutional framework, functions, and resources satisfactory to the World Bank, including staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, including a Director of Planning, for purposes of Project implementation.
18. The Department of Planning, particularly the Director of Planning, shall be responsible for implementation of Part 1 (b) of the Project.
19. The Department of Planning shall involve the Agricultural Development Divisions and District Executive Committees in said task.

Districts

20. The Recipient shall maintain, throughout Project implementation, the Districts targeted under the Project, with an institutional framework, including District Assemblies and District Executive Committees, functions, and resources satisfactory to the Association, including, where applicable, staff with qualifications, experience, and terms of reference in accordance with the Recipient's public service regulations, for purposes of Project implementation.
21. The District Agricultural Development Office of each District targeted under the Project shall be responsible, under the supervisory authority of the Sustainable Productivity Growth Team, for implementation of District-level activities under Part 2 (a) of the Project.
22. Without prejudice to the provisions of paragraphs 2, 13, and 20 above, the District Assembly of each of the Districts targeted under the Project shall be responsible for financial management and procurement under District-level activities under Part 2 (a) of the Project.

Ministry at the Time Responsible for Finance

23. The Central Internal Audit Unit shall be responsible for the carrying out of internal financial audits under the Project.

B. Manual

The Recipient shall: (i) carry out the Project in accordance with the Project Implementation Manual; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

C. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Environmental and Social Impact Assessment, including the Environmental and Social Management Plan, the Monitoring Plan, and the Pesticides Management and Monitoring Plan, and, except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. The Departments of Land Resources and Conservation, and Crops, respectively, shall be jointly responsible for implementation of the Environmental and Social Impact Assessment, including the Environmental and Social Management Plan, the Monitoring Plan, and the Pesticides Management and Monitoring Plan.

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

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

No.	Indicator	Target
1.	Increased share of donor funding to agricultural sector committed to Program (percentage)	70
2.	Increased national maize yield average (metric tons / hectare)	1.7
3.	Increased levels of soil organic matter in conservation farming application areas (grams / 100 grams of soil)	1.5
4.	Maximum variation in intra-annual maize price in selected markets (percentage)	= / < 60

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works, and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”) in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; and (d) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection; and (f) Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) each contract for goods or works procured on the basis of Direct Contracting; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (f) each contract for consultants' services procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures consisting of goods, works, consultants' services (including audits), Training, and Operating Costs under Parts 1 (a), (b), and (c), 2 (a), and 3 of the Project as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants’ services, and Training under Part 1 (a), (b), and (c) of Project:		22
(a) Ministry at the time responsible for agriculture	1,500,000	
(b) Districts	300,000	
(2) Goods, works, consultants’ services, and Training under Part 2 (a) of Project:		13
(a) Ministry at the time responsible for agriculture	2,360,000	
(b) Districts	1,560,000	
(3) Goods, consultants’ services (including audits), and Operating Costs under Part 3 of Project (Ministry at the time responsible for agriculture)	80,000	12
TOTAL AMOUNT	5,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:
 - (a) payments made prior to the date of this Agreement; or
 - (b) under Category (1) (b) or (2) (b), until and unless a determination has been made by the Association, following an assessment carried out by the Association, that the respective District has satisfactory financial management capacity for purposes of Project implementation.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 15, 2013.

Section V. Other Undertakings

A. Agricultural Input Subsidy Program

The Recipient shall maintain, throughout Project implementation, the Agricultural Input Subsidy Program, with an institutional framework and resources satisfactory to the Association, or alternative arrangements satisfactory to the Association, for purposes of implementation of Part 2 (a) of the Project.

B. Annual Work Plans and Budgets

The Recipient shall furnish to the Association as soon as available, but in any case not later than September 1 of each year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, 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.

C. Midterm Review

The Recipient shall:

- (a) carry out jointly with the Association, no later than 30 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of Schedule 2 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) annual work plans and budgets; (iv) progress on procurement and disbursement; (v) Project implementation arrangements; and (vi) a possible transition to and arrangements for a Sector-Wide Approach; and make adjustments to the Project and reallocate funds to improve performance, if needed;
- (b) prepare and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (c) review, jointly with the Association, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

APPENDIX**Definitions**

1. “Agricultural Development Division” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for agriculture, established and operating pursuant to the Recipient’s laws, and which is responsible for oversight of regional-level activities of said ministry.
2. “Agricultural Input Subsidy Program” means the Recipient’s program designed to provide farmers affordable inputs, and set forth or referred to in the Recipient’s Malawi Growth and Development Strategy (as hereinafter defined) and Food Security Policy (as hereinafter defined).
3. “Capacity Strengthening Team” means the entity referred to in Section 5.01 (d) of this Agreement, and whose responsibilities are set out in Section I.A.12 of Schedule 2 to this Agreement.
4. “Central Internal Audit Unit” means the unit responsible for internal audit in the Recipient’s ministry at the time responsible for finance.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “Department of Crops” means the department responsible for crops in the Recipient’s ministry at the time responsible for agriculture.
7. “Department of Land Resources and Conservation” means the department responsible for land resources and conservation in the Recipient’s ministry at the time responsible for agriculture.
8. “Department of Planning” means the department responsible for planning in the Recipient’s ministry at the time responsible for agriculture.
9. “District” means an administrative area of the Recipient, established pursuant to the Recipient’s Regional and District Boundaries and Place Names Act, Chapter 18:04, representing a designated area within the territory of the Recipient.

10. “District Agricultural Development Office” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for agriculture, established and operating pursuant to the Recipient’s laws, and which is responsible for oversight of District-level activities of said ministry.
11. “District Assembly” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for local government, established and operating pursuant to the Recipient’s Local Government Act, Chapter 22:01, and which is responsible for District governance and administration.
12. “District Executive Committee” means the Recipient’s entity, under the supervisory authority of the respective District Assembly, established and operating pursuant to the Recipient’s laws, and which is responsible for District-level development planning and monitoring and evaluation.
13. “Environmental and Social Impact Assessment” means the Recipient’s assessment, dated March 7, 2008, agreed with the Association and setting out the potential adverse environmental and social impact of the Project and measures for the offsetting, reduction, or mitigation of such impact, as the same may be modified from time to time with the concurrence of the Association, and such term includes any schedules to said Assessment, including the Environmental and Social Management Plan (as hereinafter defined), the Monitoring Plan (as hereinafter defined), and the Pesticides Management and Monitoring Plan (as hereinafter defined).
14. “Environmental and Social Management Plan” means the Recipient’s plan, dated March 7, 2008, part of the Environmental and Social Impact Assessment, agreed with the Association and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the concurrence of the Association, and such term includes any schedules to said Plan.
15. “Financing Agreement” means the agreement of even date between the Recipient and the International Development Association, providing for the Financing (as hereinafter defined).
16. “Financing” means an amount of nineteen million five hundred thousand Special Drawing Rights (as hereinafter defined), to be provided by the International Development Association to assist in financing the Project.

17. “Food Security Policy” means the Recipient’s policy of August 2006 the objective of which is to significantly improve the food security of the population through the promotion of agricultural growth and diversification.
18. “Food Security Task Force” means the entity, under the supervisory authority of the Recipient’s ministry at the time responsible for agriculture, charged with the monitoring and evaluation of food security in the territory of the Recipient.
19. “Malawi Growth and Development Strategy” means the Recipient’s strategy designed to promote growth and achieve sustainable reductions in poverty and covering the period from 2006-11.
20. “Monitoring Plan” means the Recipient’s plan, dated March 7, 2008, part of the Environmental and Social Impact Assessment, agreed with the Association and setting out the measures to be taken to monitor implementation of the Environmental and Social Management Plan, as the same may be modified from time to time with the concurrence of the Association, and such term includes any schedules to said Plan.
21. “National Statistics Office” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for economic planning, established and operating pursuant to the Recipient’s laws, and which is responsible for collection, analysis, and reporting of national statistics.
22. “Operating Costs” means the incremental expenses incurred by the Recipient’s ministries at the time responsible for agriculture and local government, respectively, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, on account of Project implementation, management, and monitoring and evaluation, including for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.
23. “Pesticides Management and Monitoring Plan” means the Recipient’s plan, dated March 7, 2008, part of the Environmental and Social Impact Assessment, agreed with the Association and setting out the measures to be taken for the development and implementation of integrated pest management and safe handling of pesticides in the course of Project implementation, as the same may be modified from time to time with the concurrence of the Association, and such term includes any schedules to said Plan.

24. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 8, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. “Program” means the Recipient’s Agricultural Development Program designed to achieve the growth and poverty alleviation objectives of the Malawi Growth and Development Strategy, and, specifically, an annual growth rate of six percent in the agricultural sector, and set forth or referred to in the letter dated May 6, 2008 from the Recipient to the Association.
27. “Program Executive Management Committee” means the entity, under the supervisory authority of the Recipient’s ministry at the time responsible for agriculture, referred to in Section 5.01 (d) of this Agreement, responsible for provision of strategic direction to the Program, related inter-ministerial coordination, oversight of policy decisions, endorsement of Program annual work plans, and monitoring of Program progress, and whose responsibilities under the Project are set out in Section I.A.6 of Schedule 2 to this Agreement.
28. “Program Management Working Group” means the entity, under the supervisory authority of the Recipient’s ministry at the time responsible for agriculture, referred to in Section 5.01 (d) of this Agreement, responsible for coordination of dialogue between government and development partners on Program financial management, human resources management, planning, and monitoring and evaluation, and provision of support to line departments of said ministry in these areas, and whose responsibilities under the Project are set out in Section I.A.8 of Schedule 2 to this Agreement.
29. “Program Secretariat” means the entity, under the supervisory authority of the Recipient’s ministry at the time responsible for agriculture, referred to in Section 5.01 (d) of this Agreement, responsible for facilitation of Program implementation, and whose responsibilities under the Project are set out in Section I.A.10 of Schedule 2 to this Agreement.

30. “Project Implementation Manual” means the Recipient’s manual, referred to in Section 5.01 (c) of this Agreement, agreed with the Association and outlining implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to said Manual.
 31. “Risk Management Team” means the entity referred to in Section 5.01 (d) of this Agreement, and whose responsibilities are set out in Section I.A.16 of Schedule 2 to this Agreement.
 32. “Sector-Wide Approach” means an approach to support a locally owned program for a coherent sector in a comprehensive and coordinated manner, moving toward use of country systems.
 33. “Special Drawing Right” means the special drawing right of the International Monetary Fund as valued by it in accordance with its Articles of Agreement.
 34. “Sustainable Productivity Growth Team” means the entity referred to in Section 5.01 (d) of this Agreement, and whose responsibilities are set out in Section I.A.14 of Schedule 2 to this Agreement.
 35. “Training” means the training of persons involved in Project-supported activities, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity include 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 course preparation and implementation.
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