



**GRANT NUMBER E2660-MW**

# **Project Agreement**

**De-risking Importation of Strategic Commodities Project**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**RESERVE BANK OF MALAWI**



## **PROJECT AGREEMENT**

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the RESERVE BANK OF MALAWI (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the REPUBLIC OF MALAWI (“Recipient”) and the Association, concerning Grant No. E 2660-MW. The Association and the Project Implementing Entity hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

### **ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

### **ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 10.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

### **ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity’s Representative is the Governor.
- 4.02. For purposes of Section 11.01 of the General Conditions:
  - (a) the Association’s address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America; and

(b) the Association's Electronic Address is:

Telex:                      Facsimile:  
248423(MCI) or              1-202-477-6391

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

(a) the Project Implementing Entity's address is:

Governor  
Reserve Bank of Malawi  
Convention Drive  
P.O. Box 30063  
Lilongwe 3; and

(b) the Project Implementing Entity's Electronic Address is:

E-mail:

[wtbanda@rbm.mw](mailto:wtbanda@rbm.mw)

AGREED as of the later of the two dates written below.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



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

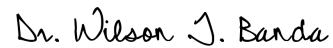
**Name:** Hugh Riddell \_\_\_\_\_

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

**Date:** 07-Dec-2023 \_\_\_\_\_

**RESERVE BANK OF MALAWI**

**By**



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

**Name:** Dr. Wilson T. Banda \_\_\_\_\_

**Title:** Governor \_\_\_\_\_

**Date:** 07-Dec-2023 \_\_\_\_\_

## **SCHEDULE**

### **Execution of the Project**

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

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

1. The Project Implementing Entity shall ensure that all throughout the implementation of the Project it is supported by the FINES PIU; and not later than six (6) months after the Effectiveness Date, assign or recruit an environmental and social specialist and a finance specialist with adequate resources, with skills, experience and under terms of reference acceptable to the Association.
2. Without limitation to the provisions of paragraph 1 above, the Project Implementing Entity shall: (a) prepare environmental and social management instruments; (b) compile and submits to the Association documentation for confirming defaults on payment for Letters of Credit or occurrence of an Eligible Event in cases when it occurs; (c) reports on all the trade finance transactions supported by the Project; and (d) takes appropriate actions against the defaulting PFI.
3. The Project Implementing Entity shall be responsible for the costs incurred in connection with the implementation of the Project.

##### **B. Project Operations Manual**

1. Without limitation to the provisions of Article V of the General Conditions, the Project Implementing Entity shall carry out the Project in accordance with the Project Operations Manual (POM) which sets forth procedures for implementation of the Project and institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including timetables of actions required to be carried out under the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), modalities for accessing the IFC Global Trade Finance Facility and the Project Trade Finance Facility including a model Confirming Bank Agreement and a model PFI Agreement, monitoring and evaluation arrangements including the Verification Protocol, model PFI Agreement and selection criteria for the PFIs and the Exclusion List of activities not financed by the Project.

2. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend, waive, suspend or abrogate any provision of the POM and in case of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

**C. Operation of the Trade Financing Facility and use of the Grant Proceeds**

1. Upon a PFI's notification to the Recipient and the Project Implementing Entity of its issuance of a Letter of Credit (LC or an Eligible Instrument) to the Correspondent Bank for an LC to import Essential Commodities, the Project Implementing Entity shall: (a) verify the eligibility of the transaction, the environmental systems of the PFI and Confirming Bank to ensure they have updated their systems to include trade finance transaction and their operationalization in accordance with the Verification Protocol and that the Confirming Bank has adequate staff to implement the ESMS, with skills and experience satisfactory to the Association, and (b) thereafter, enter on behalf of the Recipient, into the following agreements: (i) a PFI Agreement with each PFI, to outline the obligations of the parties in connection with the Guaranteed Amount to be made to the Confirming Bank in the event the PFI defaults on its payment obligations to the Confirming Bank; and, (ii) a Confirming Bank Agreement with each Confirming Bank to guarantee payment of the Guaranteed Amount.
2. In the event, of occurrence of an Eligible Event or a Selected PFIs failure meet its payment obligations to the Confirming Bank, the Project Implementing Entity shall verify the default in accordance with the Verification Protocol in the POM, and there after issue a letter to the Recipient and the Association confirming that the Eligible Event has occurred prior to the Closing Date, accompanied by: (a) a copy of the original Letter of Credit that was issued; (b) a copy of the Notice of Unpaid Claim; and (c) instruction to the Recipient and Association that a payment of the Guaranteed Amount be made to the Correspondent Bank.
3. The Project Implementing Entity shall conduct its operations and affairs in accordance with consistently applied financial standards and practices acceptable to the Association; to reflect the Project Implementing Entity's operation and financial condition.

**D. Performance Standards**

1. The Project Implementing Entity shall carry out the Project in accordance with the Performance Standards, the ESMS, the Exclusion List, and the ESAP, all in a manner acceptable to the Association.
2. Without limitation upon paragraph 1, the Project Implementing Entity shall ensure that:

- (a) each PFI and Commitment Bank have dedicated staff for ensuring effective implementation of their respective ESMSs.
  - (b) adequate resources are made available to ensure that the implementation of the ESMS is continued and effective and that the ESMS is operated, and the social and environmental performance of the Project is managed in a manner consistent with the Performance Standards;
  - (c) qualified and experienced staff in adequate numbers are retained to implement the ESMS;
  - (d) No later than thirty (30) days after the end of each calendar semester, covering the calendar semester, an environmental and social performance report shall be furnished to the Association, providing information on the status of compliance with the ESMS, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) compliance with the Performance Standards and the Exclusion List; (ii) the status of implementation of the ESMS; (iii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESMS; (iii) corrective and preventive measures taken or required to be taken to address such conditions; (iv) details of Project-related complaints, and setting out the action being taken to ensure compliance and/or address Project-related complaints; and
  - (e) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, *inter alia*, cases of sexual exploitation and abuse, sexual harassment, fatalities or serious workplace related injuries, child labor, forced labor, as set out in the ESAP.
3. No later than thirty (30) days after the Effective Date, the Project Implementing Entity shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

**E. Verification Protocol.**

The Recipient shall:

- (a) ensure that the Project Implementing Entity prepares and provides verification reports with relevant data and any other evidence for: (i) monitoring and evaluation of the Eligible Events in case they occur; and

(ii) verifying that the PFIs and Confirming Bank have met their eligibility requirements in accordance with the Verification Protocol; and

- (b) verify the results of the Project Implementing Entity regarding the occurrence of Eligible Events prior to advising the Association to disburse the Guaranteed Amounts to eligible Correspondent Banks.

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

**A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester and shall be furnished to the Recipient not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than thirty (30) days, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.