

CA 4980-MW  
H715-MW

**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.

(202) 477-1234  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

March 31, 2016

Honourable Goodall E. Gondwe  
Minister of Finance, Economic Planning and Development  
Ministry of Finance, Economic Planning and Development  
P.O. Box 30049  
Lilongwe 3  
Malawi

Honourable Minister:

**Re: *Energy Sector Support Project***  
***Credit Number 4980-MW***  
***Grant Number H715-MW***  
***Second Amendment to Financing Agreement***

We refer to the Financing Agreement for the above referenced Project between the Republic of Malawi ("Recipient") and the International Development Association ("Association") dated November 2, 2011 (Credit Number 4980-MW; Grant Number H715-MW) ("Agreement") and to your request dated January 12, 2016.

We are pleased to inform you that the Association hereby agrees to your request. To this effect, the Association proposes to amend the Agreement as set forth in the Attachment to this letter.

All other provisions of the Agreement, except as herein amended, shall remain in full force and effect.

Please confirm your agreement with the proposed amendment, on behalf of the Recipient, by countersigning and dating the two original copies of this amendment letter and returning one countersigned and dated original to us. Upon receipt by the Association of the countersigned and dated original copy, the amendment shall become effective as of the date of countersignature.

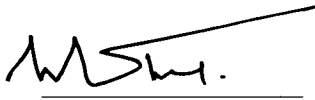
Sincerely,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

Bella Bird  
Country Director for Malawi  
Africa Region

16

AGREED:

REPUBLIC OF MALAWI

By: 

Name: GODALL E. GONDWE.

Title: Minister of Finance, Econ. Plan. & Dev.

Date: 27/4/2016.

Enclosures:

*Attachment  
Financing Agreement  
Credit Number 4980-MW  
Grant Number H715-MW*

**Second Amendment**

1. Schedule 1 (*Project Description*) to the Agreement is amended variously as follows:
  - (a) Paragraph 1 of Part A (*Electricity Network Strengthening and Expansion*) is amended to read as follows:
    - “1. *Distribution and Transmission Uprating and Expansion*
      - (a) Construction of new substations and associated lines.
      - (b) Uprating of existing substations.
      - (c) Construction of new 33kV and 11kV lines, including installation of capacitor banks.
      - (d) Rehabilitation of 33 kV lines.
      - (e) Acquisition of generation spare parts.”
  - (b) Sub-paragraph 2(b) of Part A (*Low Voltage Reticulation Reinforcement and Technical Implementation Support*) is amended to read as follows:
    - “(b) Carrying out of a program of activities aimed at enhancing ESCOM technicians’ capacity to implement the low voltage reticulation works, including provision of operating costs and goods required for the purpose.”
  - (c) Part C is amended to read as follows:
    - “C. *Automatic Meter Reading Supply and Installation*  
Design and installation of an automatic meter reading system.”
  - (d) Paragraph 1 of Part D (*Capacity Building and Technical Assistance*) is amended to read as follows:
    - “1. *ESCOM*  
Carrying out of a program of activities aimed at building the capacity of ESCOM for Project implementation, including, provision of technical advisory services, necessary software to support distribution planning, acquisition of hardware and equipment for training and office purposes,

financing Project audits, provision of training and financing of incremental operating costs.”

2. Paragraph 2 of Section III.B (*Particular Methods of Procurement of Goods, Works and Non-consulting Services*) of Schedule 2 (*Project Execution*) to the Agreement is amended to read as follows:

“2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to modifications set forth in paragraph 3 below.
(b) Limited International Bidding
(c) Shopping
(d) Direct Contracting
(e) Force Account

”

3. The table under paragraph 2 of Section IV.A (*Withdrawal of the Proceeds of the Financing; General*) of Schedule 2 (*Project Execution*) to the Agreement is amended to read as follows:

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

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services and Training for Part A of the Project	12,000,000	23,100,000	100%
(2) Consultants' services for Part B.1 of the Project		5,860,000	100%
(3) Goods, works, non-consulting services and consultants' services for Part C of the Project		1,409,000	100%
(4) Consulting services, goods, Training and Operating Costs for Part D.1 of the Project		1,031,000	100%
(5) Consulting services, goods, Training and Operating Costs for Part D.2 of the Project		5,233,000	100%
(6) Compensation Payments payable under each respective RAP		723,000	100%
(7) Refinancing of the Preparation Advance		0	Amount payable pursuant to Section 2.07 of the General Conditions
(8) Unallocated		0	
(9) Consultants' services for Part B.2 of the Project		1,944,000	100%
(10) Operating Costs for Part A.2(b) of the Project		1,100,000	100%
<b>TOTAL AMOUNT</b>	<b>12,000,000</b>	<b>40,400,000</b>	

4. Paragraph 2 of Section IV.B (*Withdrawal Period*) of Schedule 2 (*Project Execution*) to the Agreement is amended to read as follows:
  - “2. The Closing Date is July 31, 2018.”
5. The Appendix (*Definitions*) to the Agreement is amended variously as follows:
  - (a) Paragraph 15 is amended to read as follows:

“Operating Costs” means incremental recurrent expenditures incurred on account of Project implementation, including: local contractual support staff salaries; travel expenditures and other travel-related allowances; equipment rental and maintenance; meeting room rental and meetings-related expenses; vehicle rental, operation (including fuel), maintenance and repair; office materials and supplies; media information campaigns and communications’ expenses, but excluding the salaries of officials and public servants of the Recipient’s civil service.”
  - (b) Paragraph 28 is amended to read as follows:

“Subsidiary Financing” means for the Project Implementing Entity, the proceeds of the Financing allocated from time to time under Categories (1), (3), (4), (6), (9) and (10) to the Project Implementing Entity.”