
**CREDIT NUMBER 7176-MW
GRANT NUMBER E097-MW**

Financing Agreement

(Emergency Power Restoration Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7176-MW
GRANT NUMBER E097-MW

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF MALAWI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 seventeen million nine hundred thousand Special Drawing Rights (SDR 17,900,000) (“Grant”); and
 - (b) an amount equivalent to twenty-six million eight hundred thousand Special Drawing Rights (SDR 26,800,000) (“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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are January 15 and July 15 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 objective of the Project. To this end, the Recipient shall cause the Project Implementing Entities to carry out their Respective Parts of the Project the in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date hundred and twenty (120) days after the Signature Date.
- 4.02. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Recipient's Minister of Finance and Economic Affairs.
- 5.02. For purposes of Section 11.01 of the General Conditions:

- (a) The Recipient's address is:

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

- (b) The Recipient's Electronic Address is:

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

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

- (a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

- (b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

REPUBLIC OF MALAWI

By:



Authorized Representative

Name: Sosten Alfred Gwengwe

Title: Hon

Date: 01-Aug-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Preeti Arora

Title: Acting Country Director

Date: 28-Jul-2022

SCHEDULE 1

Project Description

The objective of the Project is to rehabilitate and increase resilience of the Kapichira Hydropower Dam and spillways, and transmission and distribution infrastructure damaged by Tropical Storm Ana.

The Project consists of the following parts (“Components”):

Component 1: Kapichira Dam Rehabilitation and Strengthening

Rehabilitating and upgrading/strengthening the Kapichira Dam and its spillways, in order to return the Kapichira Hydropower Plant to operation and increase its resilience and reviewing/improving EGENCO’s operation and maintenance practices therefor.

Component 2: Transmission and Distribution Network Restoration

Reconstructing, rehabilitating and/or upgrading power transmission and distribution infrastructure damaged by the Tropical Storm Ana including steel towers, wooden poles and structures, transformers, conductors and insulators, among others as well as reviewing and improving ESCOM’s operation and maintenance practices therefor.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish within the MoE, by not later than thirty (30) days after the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project steering committee (the "PSC") chaired by the Principal Secretary (MoE) and comprised of senior staff from MoE, MoF, EGENCO and ESCOM, which committee shall: (a) have a mandate, terms of reference and resources satisfactory to the Association; and (b) meet periodically (at least every two months during the first two years of Project implementation and quarterly thereafter) to: (i) provide oversight and high-level coordination of Project implementation, address any issues raised by the Project Implementing Entities, including facilitating any authorizations or approvals required for Project implementation, and provide interinstitutional coordination; and (ii) monitor the implementation of the Project, evaluate the progress achieved, and discuss and approve the Project Reports.

B. Subsidiary Agreement

1. To facilitate the carrying out of their Respective Parts of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Categories (1) and (2) of the table set forth in Section III.1 of this Schedule available to the Project Implementing Entities under their respective subsidiary agreements to be entered between the Recipient and each of the Project Implementing Entities, under terms and conditions approved by the Association (each such agreement a "Subsidiary Agreement" and collectively the "Subsidiary Agreements").
2. The Recipient shall exercise its rights under the Subsidiary 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 or waive the Subsidiary Agreements or any of their provisions, whether in whole or in part.
3. In the event of any inconsistency between a provision of a Subsidiary Agreement and those of this Agreement and/or the Project Agreement, the provisions of this Agreement and/or the Project Agreement shall prevail.

C. Environmental and Social Standards

1. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entities to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entities to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement and/or the Project Agreement, the provisions of this Agreement and/or the Project Agreement shall prevail.
4. Without limitation upon the provisions of paragraph 2 above, if ninety (90) days prior to the Closing Date, the Association determines that there are measures and/or actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall ensure that the Project Implementing Entity/ies responsible for those measures and/or actions shall:
 - (a) not later than ninety (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and/or actions, including a timetable and budget allocation for such measures and/or actions (which action plan shall be considered an amendment of the ESCP); and
 - (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.

5. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
6. The Recipient shall, and shall cause the Project Implementing Entities to, 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.
7. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish, or cause the Project Implementing Entities to furnish, to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed inSDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services, under Component 1 the Project	19,970,000	13,340,000	100%
(2) Goods, works, non-consulting services, and consulting services under Component 2 the Project	6,830,000	4,560,000	100%
TOTAL AMOUNT	26,800,000	17,900,000	

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, except that withdrawals up to an aggregate amount not to exceed: (i) three million Special Drawing Right (SDR 3,000,000) under Category (1) from the Grant portion of the Financing; and (ii) two million two hundred fifty thousand Special Drawing Right (SDR 2,250,000) under Category (2) from the Grant portion of the Financing, may be made for payments made prior to this

date but on or after January 26, 2022, for the finance of Eligible Expenditures; or

- (b) under Category (1) until and unless EGENCO has: (i) executed and delivered the Subsidiary Agreement with the Recipient and all conditions precedent to its effectiveness or to the right of EGENCO to make withdrawals under them have been fulfilled; (ii) established and staffed with key personnel (including the environmental and social specialists) the EGENCO-PIU pursuant to Section I.A.1(a) of the Schedule to the Project Agreement; and (iii) prepared and adopted its respective Project Implementation Manual pursuant to Section I.C of the Schedule to the Project Agreement; all in a manner and substance satisfactory to the Association; or
- (c) under Category (2) until and unless ESCOM has: (i) executed and delivered the Subsidiary Agreement with the Recipient and all conditions precedent to its effectiveness or to the right of ESCOM to make withdrawals under them have been fulfilled; (ii) established and staffed with key personnel (including the environmental and social specialists) the ESCOM-PIU pursuant to Section I.B.1 of the Schedule to the Project Agreement; and (iii) prepared and adopted its respective Project Implementation Manual pursuant to Section I.C of the Schedule to the Project Agreement; all in a manner and substance satisfactory to the Association.

2. The Closing Date is November 30, 2026.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15, commencing July 15, 2028 to and including January 15, 2060	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05(b) of the General Conditions.

APPENDIX

Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project to be prepared by the Project Implementing Entities pursuant to the provisions of Section I.D of the Schedule to the Project Agreement.
2. “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.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “D&S Engineer” means the engineering consulting firm to be hired by ESCOM as design and supervision engineer, pursuant to Section I.B.1(b) of the Schedule to the Project Agreement.
5. “EGENCO-PIU” means the Project implementation unit to be established by EGENCO pursuant to Section I.A.1(a) of the Schedule to the Project Agreement.
6. “Electricity Generation Company (Malawi) Limited” and the term “EGENCO” mean the limited liability company/utility incorporated under the Recipient’s Companies Act (Cap. 46.03) on September 7th, 2016, pursuant to Registration No MBRS1013789 for purposes of developing, operating and maintaining the Recipient’s public power generation capacity.
7. “Electricity Supply Corporation of Malawi Limited” and the term “ESCOM” mean the limited liability company/utility incorporated under the Recipient’s Companies Act (Cap. 46.03) on March 21, 2006, pursuant to Registration No. 5081, for purpose of developing, operating and maintaining the national electricity grid and provide power distribution services to customers.
8. “Emergency Preparedness Plan” means the plan to be prepared by EGENCO pursuant to Section I.F.1(b) of the Schedule to the Project Agreement, setting forth the specific roles or responsible parties when dam failure is considered imminent, or when expected operational flow release threatens downstream life, property or economic operations that depend on river flow levels; such plan to include: (a) clear statement of responsibilities for dam operations, decision-making and for the related emergency communications; (b) maps outlining inundation levels for various emergency conditions; (c) flood warning system characteristics, and (d) procedures for evacuating threatened areas and mobilizing emergency forces and equipment.

9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 24, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
10. “Environmental and Social Standards” or “ESSs” means, collectively:
 - (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”;
 - (ii) “Environmental and Social Standard 2: Labor and Working Conditions”;
 - (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”;
 - (iv) “Environmental and Social Standard 4: Community Health and Safety”;
 - (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”;
 - (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”;
 - (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”;
 - (viii) “Environmental and Social Standard 8: Cultural Heritage”;
 - (ix) “Environmental and Social Standard 9: Financial Intermediaries”;
 - (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”;effective on October 1, 2018, as published by the Association.
11. “ESCOM-PIU” means the Project implementation unit to be established by ESCOM pursuant to Section I.B.1(a) of the Schedule to the Project Agreement.
12. “Financial Year” means the twelve-month financial reporting period of the Recipient beginning April 1 of each year and finishing on March 30 of the next following calendar year.
13. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
14. “Instrumentation Plan” means the instrumentation plan to be prepared by EGENGP pursuant to Section I.F.1(a) of the Schedule to the Project Agreement setting forth the tailored instrumentation requirements for measuring, collecting and analyzing data of key parameters of Kapichira Dam and its associated structures so as to properly monitor and evaluate the safe performance of the dam during its rehabilitation/reconstruction, the impoundment period and throughout its operational life.

15. “International Panel of Dam- Safety-Experts” and the term “IPDSE” mean the panel of experts on dam safety to be established by EGENCO pursuant to Section I.A.1(c) of the Schedule to the Project Agreement.
16. “Kapichira Dam” and “Kapichira Hydropower Dam” mean the dam located at the Kapichira Falls on the Shire River (coordinates 15°54'04" S – 34°45'11" E), including all infrastructure and areas required to ensure safe hydraulic conditions for generating hydroelectricity at Kapichira Hydropower Plan, including the embankment dam, spillways, hydro-mechanical equipment, tunnels the impounded area, the access roads and other ancillary facilities.
17. “Kapichira Hydropower Plant” means the generation plant located within the Kapichira Dam, including all civil work and electro-mechanical equipment required for the generation of hydropower electricity.
18. “MoE” means the Recipient’s Ministry of Energy, or any successor thereto acceptable to the Association.
19. “MoF” means the Recipient’s Ministry of Finance, or any successor thereto acceptable to the Association.
20. “O&M Plan” means the operation and maintenance plan to be prepared by EGENCO pursuant to Section I.F.1(c) of the Schedule to the Project Agreement, setting forth: (a) the organizational structure, staffing, technical expertise, and training required, as well as the equipment and facilities needed to operate and maintain Kapichira Dam; (b) the operation and management procedures, and arrangements for funding therefor, including long-term maintenance, and safety inspections, as well as any changes in Kapichira Dam’s structure, or in the nature of the impounded material that may be expected over a period of years.
21. “Owner’s Engineer” means the engineering consulting firm to be hired by EGENCO pursuant to Section I.A.1(b) of the Schedule to the Project Agreement.
22. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
23. “Project Implementation Manuals” means, collectively, the manuals to be prepared by the Project Implementing Entities pursuant to Section I.C.1 of the Schedule to the Project Agreement, in order to carry out their Respective Parts of the Project. And the term “Project Implementation Manual” means either of such manuals individually considered, as the context may determine.
24. “Project Implementing Entity” means either ESCOM or EGENCO individually considered. The term “Project Implementing Entities” means both such entities.

25. “PSC” means the Project steering committee to be established by the Recipient pursuant to Section I.A.1 of Schedule 2 to this Agreement.
26. “Respective Parts of the Project” means:
 - (a) in respect of EGENCO: the activities under Component 1 of the Project; and
 - (b) in respect of ESCOM: the activities under Component 2 of the Project.
27. “Shire River” means the river crossing the southern part of Malawi, which constitutes the only outlet of Lake Malawi and is a tributary to the Zambezi River.
28. “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.
29. “Subsidiary Agreement” means each of the agreements to be entered between the Recipient and each of the Project Implementing Entities pursuant to Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior concurrence of the Association.
30. “Tropical Storm Ana” means the tropical depression that developed in the north-east of Madagascar, in the Indian Ocean, on January 21, 2022, and intensified overnight into a tropical storm on January 24, 2022, making landfall on the Mozambique coast and heading inland toward north-west, reaching southern Malawi on January 26, 2022.