

Date: 20-Jan-2021

Honourable Felix Mlusu
Minister of Finance
Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Re: Republic of Malawi: Advance Agreement for the Preparation
of the Proposed Mpatamanga Hydropower Project
Project Preparation Advance No. IDA V357-MW

Honourable Minister:


In response to the request for financial assistance made on behalf of the Republic of Malawi (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed six million Dollars (\$6,000,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase hydropower generation capacity through a public private partnership in the Recipient’s territory (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 
Deborah L. Wetzel
Director of Regional Integration
Africa and Middle East & North Africa

AGREED:
REPUBLIC OF MALAWI

By 
Authorized Representative
Name Felix Mlusu
Title Dr
Date 22-Jan-2021

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, including the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following part:

Technical assistance for the advancing and completion of technical workstreams, including: (a) the review of Project feasibility and preparation of baseline solutions with estimated costs; (b) the engagement of dam safety and environmental and social panel of experts; (c) the contracting of services of an owner’s engineer, EPC tender agent and other advisers; as well as (d) the preparation of the Project resettlement action plan.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through an Implementation Unit in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.02 above, the Recipient shall:

- (a) Maintain, throughout the Refinancing Date, the Implementation Unit with terms of reference, resources and functions satisfactory to the World Bank, and with adequate staff with experience and qualifications satisfactory to the World Bank, to be responsible for the day-to-day management of the Activities, including financial management and procurement.
- (b) (i) prepare within thirty (30) days of signing of this Letter Agreement, and furnish to the World Bank for review and concurrence, a draft work plan and budget for the activities proposed for financing under this Advance (WP&B), of such scope and detail as the World Bank shall have reasonably requested;

- (ii) thereafter, carry out the Activities pursuant to the final WP&B as concurred by the World Bank. Only those activities that are included in the concurred WP&B shall be eligible for financing out of the proceeds of this Advance; and
 - (iii) the WP&B may be revised as needed during Project implementation subject to the World Bank's prior written approval.
- (c) Select and appoint/hire, within one (1) month of effectiveness of this Agreement, and thereafter maintain throughout the implementation of the Activities, a dedicated full-time environmental and social specialist, with qualifications and experience and under terms of reference acceptable to the World Bank, to be responsible for:
 - (i) facilitating the preparation of social and environmental documents required for the Project as per the World Bank's Safeguard Policies; and
 - (ii) reviewing and monitoring the Recipient's and its consultant's compliance with the aforesaid social and environmental documents and the World Bank's Safeguard Policies, in the carrying out of the Activities financed hereunder.

2.04. **Safeguards.** The Recipient shall ensure that the Activities are carried out in accordance with the World Bank's Safeguards Policies, in a manner acceptable to the World Bank. To this end:

- (a) The Recipient shall ensure, or cause to ensure, that the terms of reference for any consultants' services in respect of any Activity financed under this PPA shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate all the applicable World Bank's Safeguards Policies as applied to the advice conveyed through such technical assistance.
- (b) The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of the 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 World Bank.
- (c) The Recipient shall ensure that:
 - (i) all measures necessary are taken to collect, compile, and furnish to the World Bank through regular reports, with the frequency reasonably required by the World Bank, information on the status of compliance with the World Bank's Safeguards Policies and the environmental and social instruments prepared thereunder, all such reports in form and substance acceptable to the World Bank, setting out, inter alia: (A) the status of implementation of the World Bank's Safeguard Policies; (B) conditions, if any, which interfere or threaten to interfere with the implementation thereof; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (ii) the World Bank is promptly notified (within 48 hours of its occurrence) of any incident or accident related to or having an impact on the Activities or the proposed 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 World Bank's Safeguard Policies and/or the environmental and social instruments prepared thereunder..

2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.08. **Procurement.** All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 and August 2018 ("Procurement Regulations") and the provisions of the Recipient's procurement plan for the Activities dated August 2020 ("Procurement Plan") provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III Withdrawal of the Advance

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, non-consulting services, consulting services, Training and Incremental Operating Costs, inclusive of Taxes.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is September 30, 2021.

Article IV Terms of the Advance

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent ($3/4$ of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent ($3/4$ of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its minister responsible for finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

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

Facsimile:

265-1-789173

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex:

Facsimile:

248423 (MCI) or
64145 (MCI)

1-202-477-6391

APPENDIX

Definitions

1. “WPB” means the work plan of Activities, together with the related budget, to be financed under this Advance, which plan and budget shall be prepared by the Recipient and approved/concurred by the World Bank pursuant to the provisions of Section 2.03.(b) of the Annex to this Letter Agreement, as the same may be revised from time to time with the prior written approval of the World Bank.
2. “EPC” means an engineering procurement and construction contract.
3. “Implementation Unit” means the unit established and operating within the Recipient’s ministry in charge of natural resources, energy and mining, pursuant to the IDA financing for the Malawi Electricity Access Project, dated October 18, 2019 (Credit 6461-MW and Grant D501-MW).
4. “Incremental Operating Costs” means the reasonable incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle and equipment operation and maintenance, communication and advertisement expenses and insurance costs, office administration and maintenance costs, bank charges, translation costs, utilities, rental, consumables, salaries of contractual staff (other than consultants), accommodation, and travel and *per diem* of Project staff, but excluding the salaries of the Recipient’s civil servants.
5. “Training” means the reasonable costs for training of persons involved in implementing the Activities, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.
6. “World Bank’s Safeguards Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.03, 4.12, 4.37 and 7.50, or any successor thereof, as said manual is published under www.WorldBank.org/opmanual