

CONFORMED COPY

CREDIT NUMBER 3395-MAI

Project Agreement

(Privatization and Utility Reform Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

MALAWI POSTS CORPORATION

Dated September 28, 2000

CREDIT NUMBER 3395-MAI

PROJECT AGREEMENT

AGREEMENT, dated September 28, 2000, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and MALAWI POSTS CORPORATION (MPC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Malawi (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-one million eight hundred thousand Special Drawing Rights (SDR 21,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that the Malawi Posts Corporation agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Borrower and the Malawi Posts Corporation, the proceeds of the Credit allocated to Part C of the Project under the Development Credit Agreement will be made available to the Malawi Posts Corporation on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS the Malawi Posts Corporation, in consideration of the Association's entering into the Development Credit Agreement with the

Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) MPC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and postal services practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) MPC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part C of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, MPC shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and MPC, a plan designed to ensure the sustainability of Part C of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with MPC on said plan.

Section 2.04. MPC shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, MPC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) MPC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and

under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

(b) MPC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by MPC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

### ARTICLE III

#### Management and Operations of MPC

Section 3.01. MPC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and postal services practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. MPC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and postal services practices.

Section 3.03. MPC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) MPC shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) MPC shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited, and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said

auditors, as the Association may from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of MPC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify MPC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Facsimile:	Cable address:	Telex:
477-6391	INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)

For Malawi Posts Corporation:

Unit House  
Victoria Avenue  
P.O. Box 602

Blantyre, Republic of Malawi

Facsimile: Cable address: Telex:

265-620188

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Malawi Posts Corporation may be taken or executed by the Postmaster General or such other person or persons as he or she shall designate in writing, and Malawi Posts Corporation shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox  
Acting Regional Vice President  
Africa

MALAWI POSTS CORPORATION

By /s/ Tony Kandiero  
Authorized Representative

