
CREDIT NUMBER 7007-MW
GRANT NUMBER D935-MW

Project Agreement

(Additional Financing for the Lilongwe Water and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LILONGWE WATER BOARD

CREDIT NUMBER 7007-MW
GRANT NUMBER D935-MW

PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and LILONGWE WATER BOARD (“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 Credit No. 7007-MW and Grant No. D935-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 its Chief Executive Officer.
- 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:

Lilongwe Water Board
P.O. Box 96
Lilongwe,
Malawi; and

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

Facsimile: E-mail:
+265-1-757-343 madzi@lwb.mw

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Hugh Riddell

Authorized Representative

Name: Hugh Riddell

Title: Country Manager

Date: 31-Mar-2022

LILONGWE WATER BOARD

By

Silli Mbewe

Authorized Representative

Name: Silli Mbewe

Title: Mr.

Date: 09-Apr-2022

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for the management (including financial management and procurement) and monitoring and evaluation of the Project and implementation of Parts 1, 3 (a), and 4 (a) of the Project.

Project Implementation Unit

2. To this end, the Project Implementing Entity shall maintain, throughout Project implementation, the Project Implementation Unit with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Association for such purpose.

B. Implementation Agreement

1. The Project Implementing Entity shall cause Parts 2, 3 (b), and 4 (b) of the Project to be carried out by Lilongwe City Council, and, to this end, and prior to the award of any contract for the implementation thereof, the Project Implementing Entity shall make part of the proceeds of the Financing available to Lilongwe City Council under an Implementation Agreement, under terms and conditions acceptable to the Association, which shall include the following:
 - (a) the provision of such part of the proceeds of the Financing on a grant basis;
 - (b) the right of the Project Implementing Entity to suspend or terminate the right of Lilongwe City Council to use such part of the proceeds, or obtain a refund of all or any part of the amount of such part of the proceeds then withdrawn, upon Lilongwe City Council's failure to perform any of its obligations under such agreement; and
 - (c) the obligation of Lilongwe City Council to:
 - (i) carry out said Parts of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, and social standards and practices satisfactory to the Association, including the provisions of the Anti-Corruption Guidelines;
 - (ii) carry out said Parts of the Project in accordance with the provisions of the Safeguards Instruments, and without any right or

authority, except as the Association shall otherwise agree in writing, to assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said instruments;

- (iii) provide, promptly as needed, the resources required for said Parts of the Project;
- (iv) procure the goods and services to be financed out of such part of the proceeds in accordance with the provisions of the Procurement Regulations, as said provisions may be further elaborated in the Procurement Plan;
- (v) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with the indicators set forth in the Implementation Manual, the progress of said Parts of the Project and the achievement of its objective;
- (vi) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources, and expenditures related to said Part of the Project; and (B) at the Recipient's or the Association's request, have the statements referred to in the preceding subparagraph audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
- (vii) enable the Recipient and the Association to inspect said Parts of the Project, its operation, and any relevant records and documents; and
- (viii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall exercise its rights under the Implementation Agreement in such manner as to protect its interests and those of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said agreement.

3. In the event of a conflict between the provisions of said agreement and those of this Agreement, the latter shall govern.

C. Implementation Manual

1. The Project Implementing Entity shall: (a) ensure that the Project is carried out in accordance with the Implementation Manual; and (b) except as the Association shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said manual.
2. In the event of a conflict between the provisions of said manual and those of this Agreement, the latter shall govern.

D. Annual Work Plans and Budgets

The Project Implementing Entity shall:

- (a) prepare and furnish to the Association for approval and to the Recipient, as soon as available, but in any case not later than February 28 of each year, an annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
- (b) thereafter ensure that the Project is carried out in accordance with such plan and budget as approved by the Association.

E. Safeguards

Safeguards Instruments

1. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments, and, except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said instruments.
2. In the event of a conflict between the provisions of any of said instruments and those of this Agreement, the latter shall govern.
3. No Subproject with significant environmental or social impacts shall be eligible for financing under the Project.
4. The Project Implementing Entity shall ensure that each contract for a Subproject includes the obligation of the respective contractor to implement and monitor and evaluate the applicable Safeguards Instruments.

5. The Project Implementing Entity shall, for the purposes of Parts 1(b), 2, 3, and 4 of the Project, and prior to the award of (a) contract(s) for the implementation thereof, proceed to have Additional Environmental and Social Management Plans and Additional Resettlement Action Plans as may be required under the Environmental and Social Management Framework and the Resettlement Policy Framework, respectively:
 - (a) prepared in form and substance satisfactory to the Association;
 - (b) except as otherwise agreed with the Association, submitted to the Association for review and approval; and
 - (c) thereafter, adopted and publicly disclosed.
6. The Project Implementing Entity shall:
 - (a) take all necessary actions to minimize to the extent possible any Involuntary Resettlement; and
 - (b) prior to taking possession of land, commencing Involuntary Resettlement, or awarding a contract for the implementation of works which would result in Involuntary Resettlement, ensure that all Affected Persons have been compensated and provided with applicable resettlement and rehabilitation benefits in accordance with the provisions of the applicable Safeguards Instruments.
7. The Project Implementing Entity shall finance exclusively out of its own or other resources, and not out of the proceeds of the Financing, and provide, promptly as needed, the resources needed for the following: (a) all land acquisition required for purposes of the Project; and (b) resettlement and rehabilitation payments and other assistance to Affected Persons in accordance with the provisions of the applicable Safeguards Instruments.
8. The Project Implementing Entity shall uniformly apply the provisions of the Safeguards Instruments to all parts of the Project, regardless of the source of financing.
9. The Project Implementing Entity shall take all measures necessary to regularly collect, compile, and submit to the Association, as part of the Project Reports, and/or separate reports whenever the circumstances so warrant, information on the status of compliance with said instruments, providing details of:
 - (a) measures taken in furtherance of said instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said instruments; and

- (c) remedial measures taken or required to be taken to address such conditions.
10. The Project Implementing Entity shall be responsible for the implementation of the Safeguards Instruments in relation to Parts 1, 3(a), and 4(a) of the Project and monitoring and evaluation of the Safeguards Instruments through the Project Implementation Unit.

Dam Safety

11. The Project Implementing Entity shall maintain, throughout Project implementation, for purposes of implementation of Part 4(a)(iii) of the Project, the Panel of Dam Safety Experts, with an institutional framework, composition, functions, and resources satisfactory to the Association for such purpose.
12. The Project Implementing Entity shall regularly collect, compile, and submit to the Association and the Recipient, as part of the Project Reports, and/or separate reports whenever the circumstances so warrant, information on the implementation of priority safety measures in relation to Kamuzu Dam I under the Lilongwe Water Resources Efficiency Program, as well as of priority safety measures in relation to Kamuzu Dam II under Part 4(a)(ii) of the Project, providing details of:
- (a) actions taken in furtherance of all such measures;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such measures; and
 - (c) remedial measures taken or required to be taken to address such conditions.
13. Following the passage of the closing date set out in the financing agreement for the Lilongwe Water Resources Efficiency Program, or if said agreement terminates prior to the termination of this Agreement, and notwithstanding such passage or termination, the Project Implementing Entity shall continue to perform, in a manner satisfactory to the Association, all of its obligations relating to Kamuzu Dam I under said agreement, including implementation of the related safety measures referred to in the preceding paragraph.
14. The Project Implementing Entity shall prepare and adopt, by not later than three (3) months of the Effective Date, and thereafter carry out the Project in accordance with, a sexual exploitation, abuse and harassment prevention and response plan (the “SEAH Prevention and Response Plan”) aimed at mitigating and/or addressing any Project-related incidents of sexual harassment, abuse or exploitation and/or other forms of gender-based violence, as well as considerations related to child protection, in a manner and substance satisfactory to the

Association. Once approved, the Project Implementing Entity shall refrain from amending, abrogating, voiding, or waiving the SEAH Prevention and Response Plan, except as the Association shall otherwise agree in writing.

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, as set forth in the Implementation Manual. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later than two (2) 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 four (4) months after the Closing Date, 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.

B. Semi-Annual Reviews

The Project Implementing Entity shall review the Project Reports jointly with the Recipient, the Association, and the Lilongwe City Council, not later than one (1) month after the transmittal of each such report to the Association, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

Section III. Other Undertakings

1. Except as the Association shall otherwise agree, the Project Implementing Entity shall produce for each of its financial years, total revenues equivalent to not less than the sum of its (i) total operating expenses; and (ii) debt service requirements.
2. Before July 31, in each of its financial years, the Project Implementing Entity shall, based on forecasts prepared by the Project Implementing Entity and satisfactory to the Association, review whether it would meet the requirements set forth in the preceding subparagraph in respect of such year and the next following financial year and shall furnish to the Association the results of such review upon its completion.
3. If any such review shows that the Project Implementing Entity would not meet said requirements for the Project Implementing Entity's financial years covered by such

review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, financial restructuring, promotion of private sector participation, promotion of efficiency, and making a request of adjustments of the structure or levels of its tariffs and/or of financial assistance to the Recipient) in order to meet such requirements.

4. For purposes of this Section:
- (a) The term “total revenues” means the sum of total operating revenues and net non-operating income.
 - (b) The term “total operating revenues” means revenues from all sources related to operations.
 - (c) The term “net non-operating income” means the difference between:
 - (i) revenues from all sources other than those related to operations; and
 - (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in the preceding subparagraph.
 - (d) The term “total operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than two percent (2%) per annum of the average current gross value of the Project Implementing Entity’s fixed assets in operation, or other basis acceptable to the Association, but excluding interest and other charges on debt.
 - (e) The average current gross value of the Project Implementing Entity’s fixed assets in operation shall be calculated as one half of the sum of the gross value of its fixed assets in operation at the beginning and at the end of the financial year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.
 - (f) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
 - (g) Whenever for the purposes of this Section III it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be based on the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for

the purposes of servicing such debt, or, in the absence of such rate, a rate of exchange acceptable to the Association.