

29-Nov-2020

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 Southern African Trade and Connectivity Project
Project Preparation Advance No. V352

Dear Honourable Minister:

In response to the request for financial assistance made on behalf of 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 one million four hundred thousand Dollars (\$1,400,000) (“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 reduce trade and transport costs and increase private investment along targeted corridors in the Participating Countries (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

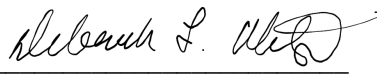
The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the 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 notice of effectiveness from the World Bank to the Recipient, confirming in accordance with the provisions of Section 6.02 of the annex to this Agreement that

the World Bank has accepted the supporting document provided by the Recipient to the World Bank to establish that the condition of effectiveness listed in Section 6.01 of the Agreement has been satisfied.

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: Honourable Felix Mlusu
Authorized Representative
Name: Honourable Felix Mlusu
Title: Dr
Date: 10-Dec-2020

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 parts:

(a) Setting up the Project implementation unit through the recruitment of staff, and the acquisition of vehicles and office equipment.

(b) Conducting Project key technical studies as well as consultations for both public and private citizen engagements.

(c) Preparing Project documents, including environmental social impact assessments, environmental and social management plans, resettlement action plans as well as the Project implementation manual.

(d) Providing technical assistance for the preparation of terms of reference, requests for proposals, bidding documents, feasibility studies, designs, concept notes, specifications as part of the implementation of Project ICT systems.

(e) Supporting bilateral discussions between the Participating Countries towards the preparation of tripartite agreements.

(f) Supporting capacity building of local authorities on topics related to Project design and implementation.

(g) Providing Operating Costs for the purpose of Project preparation.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause the Activities to be carried out by the Implementing Entity in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; (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; and (d) the Subsidiary Agreement.

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

(a) The Recipient shall make the proceeds of the Advance available to the Implementing Entity under an agreement, in form and substance satisfactory to the World Bank, to be entered between the Recipient and the Implementing Entity (“Subsidiary Agreement”), which shall include:

(i) The obligation of the Recipient to transfer the proceeds of the Advance to the Implementing Entity pursuant to arrangements adequate to ensure the prompt and efficient implementation on the Activities by the Implementing Entity;

(ii) the obligation of the Implementing Entity to carry out the Activities with due diligence and efficiency, in conformity with appropriate administrative, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement;

(iii) the obligation of the Implementing Entity to procure the goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance, in accordance with the provisions of Section 2.07 of this Annex;

(iv) the obligation of the Implementing Entity to promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the progress of the Activities and the performance of its obligations under the Subsidiary Agreement; and

(v) the obligation of the Implementing Entity to implement the Activities in accordance with the provisions of this Agreement.

(b) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interest of the Recipient and the World Bank and to accomplish the purposes of the Advance. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

(c) In case of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2.04. ***Safeguards***

1. The Recipient shall ensure or cause to be ensured that the terms of reference for any consultants’ services in respect of any activity financed under the Advance 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 Safeguards Policies as applied to the advice conveyed through such technical assistance. Without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Activities in an environmentally and socially responsible manner, the Recipient shall ensure that a proper grievance redress mechanism sensitive to gender-based violence and sexual exploitation and abuse risks and impacts is developed, disseminated and applicable in Project areas, and ensure communities participation in decision

making process as applied to any consultations, information gathering and advice conveyed through such studies, technical assistance and capacity building activities.

2. The Recipient hereby acknowledges and agrees that: (a) as of the date of this Agreement, the World Bank has not been requested to and has not committed to fund and/or supervise the implementation of the potential investments with respect to which technical assistance has been provided under this Agreement; (b) the World Bank shall not be responsible for any liabilities associated with the implementation of potential investments in the event that the Recipient obtains financing for such potential investments other than the World Bank and/or applies national standards, the standards of other financiers, or any other standards in the design, construction and/or operation of such potential investments.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall cause the Implementing Entity to 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) 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.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, 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 the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. 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.

2.07. **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 May 25, 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 Eligible Expenditures as set forth in the following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to this Category, and the percentage of expenditures to be financed for Eligible Expenditures in said Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants’ services, Operating Costs and Training under the Activities	1,400,000	100%
TOTAL AMOUNT	1,400,000	

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 April 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 Additional Remedies

5.01. *Additional Events of Suspension.* The Additional Events of Suspension consist of the following, namely, the Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Implementing Entity to perform any of its obligations under the Implementation Agreement.

Article VI Effectiveness; Termination

6.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition, namely, the Subsidiary Agreement has been executed on behalf of the Recipient and the Implementing Entity.

6.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 6.01 of this Annex ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

6.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VII
Recipient's Representative; Addresses

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

7.02. **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

7.03. **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. “ICT” means information and communication technology.
2. “Implementing Entity” means the Roads Authority, an autonomous legal entity established and operating pursuant to Section 3 of the Implementing Entity’s Legislation.
3. “Implementing Entity’s Legislation” means the Roads Authority Act Cap. 69:07 of the laws of the Recipient, as such Act may be amended from time to time.
4. “Operating Costs” means the reasonable costs incurred on account of the Activities implementation, including, *inter alia*, office supplies, transportation, office administration, insurance, publication of training materials, reasonable bank charges relating to operation of the designated account, and salaries of locally contracted staff, but excluding consultant fees and salaries of the Recipient’s civil servants.
5. “Participating Countries” means the Republic of Mozambique and the Recipient.
6. “Subsidiary Agreement” means the agreement referred to in Section 2.03(a) of the Annex to this Agreement.
7. “Training” means the reasonable costs associated with training and workshops participation under the Activities, consisting of travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.
8. “World Bank 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, 4.04, 4.36, 4.09, 4.10, 4.11, 4.12, 4.37 and 7.50 as said manual is published under www.WorldBank.org/opmanual.