

GRANT NUMBER H242-MAI

Project Agreement

(Infrastructure Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOUTHERN REGION WATER BOARD

Dated September 4, 2006

PROJECT AGREEMENT

Agreement dated September 4, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the Southern Region Water Board (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the Republic of Malawi (“Recipient”) and the Association (the “Financing Agreement”). 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) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project 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 and the Program. To this end, the Project Implementing Entity shall carry out its Respective Part of Part C of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds provided by the Recipient, facilities, services and other resources required for its Respective Part of Part C of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of Part C of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III- REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is its General Manager.

3.02. The Association's Address is:

International Association for Reconstruction and Development
1818 H Street, NW
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS

248423(MCI) or

1-202-477-6391

Washington, D.C.

64145(MCI)

3.03. The Project Implementing Entity's Address is:

Southern Region Water Board
Private Bag 72
Zomba, Malawi

Facsimile:

(265) 1 5252 054

AGREED at Lilongwe, Malawi, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Timothy R. Gilbo

Authorized Representative

SOUTHERN REGION WATER BOARD

By /s/ Martin M. Chizalema

Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Institutional Arrangements

1. The Project Implementing Entity shall liaise as necessary during Project implementation with the other Key Project Implementing Entities and the Participating Agencies.
2. The Project Implementing Entity shall ensure that it has representation on the Project Task Force throughout Project implementation to ensure the provision of technical sectoral inputs required for its Respective Part of Part C of the Project.
3. The Project Implementing Entity shall ensure that competent staff are assigned to work on its Respective Part of Part C of the Project throughout Project implementation. The designated staff shall include persons competent in procurement and financial management who shall be responsible for undertaking these tasks with respect to the Project Implementing Entity's Respective Part of Part C of the Project.
4. The Project Implementing Entity shall work closely with the MEP&D and the PMU, and provide all such information as the PMU shall require with respect to its Respective Part of Part C of the Project to enable the PMU to carry out its role as coordinator of the Project in a satisfactory manner.

Section II. Implementation Arrangements

1. Project Implementation Plan

The Project Implementation Entity shall carry out its Respective Part of Part C of the Project in accordance with the PIP, provided, however, that in case of any conflict between the PIP and the provisions of this Agreement, the provisions of this Agreement shall prevail. Except as the Association shall otherwise agree, the Project Implementation Entity shall not amend, abrogate or waive any provision of the PIP, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of its Respective Part of Part C of the Project.

2. Environmental and Social Safeguards

(a) The Project Implementing Entity shall carry out its Respective Part of Part C of the Project in accordance with the Environmental and Social Management Framework and the Resettlement Policy Framework and, wherever applicable, prepare and implement Resettlement Action Plans and Environmental Management Plans.

(b) The Project Implementing Entity shall not amend or waive, or permit to be amended or waived, the ESMF, RPF, EMP and RAP, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of its Respective Part of Part C of the Project.

(c) The Project Implementing Entity shall ensure that: (i) all measures for carrying out the recommendations of the ESMF, RPF, EMP and RAP are taken in a timely manner; and (ii) the Project Reports referred to in Part A of Section III of this Schedule include adequate information on monitoring the measures defined in the said ESMF, RPF, EMP and RAP.

(d) The Project Implementing Entity shall liaise, as necessary, with the Environmental Affairs Department of the Ministry of Mines, Natural Resources and Environment for such assistance as may be required in the course of implementation of its Respective Part of Part C of the Project.

Water Management in Market Centers

3. The Project Implementing Entity shall assist Market Centers falling within its part of the Project Area to establish water user associations to manage the water supply and sanitation services, and a local utility operator to handle routine operations and maintenance. The Project Implementing Entity shall also assist the Market Centers to prepare business plans that are satisfactory to the Association for the effective management and design of the water supply and sanitation services.

Section III. Project Monitoring, Reporting, and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of Part C of the Project and prepare Project Reports for its Respective Part of Part C of the Project in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of six months, commencing from the Effective Date, and shall be furnished to the Recipient not later than two 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.

(b) The performance indicators referred to above in sub-paragraph (a), which shall be measured within the Project Area, consist of the following:

- (i) Number of market centers with improved water and sanitation services (water production serving current population, plus well functioning Water User Association and utility operator);
- (ii) Number of households, public institutions and business enterprises with access to reliable water and sanitation services; and
- (iii) Proportion of population with improved water and sanitation services.

(c) Without limitation to the generality of sub-paragraph (a) above, the Project Implementing Entity shall carry out jointly with the Recipient and the Association on or about December 1, 2008, a comprehensive mid-term review to assess the status of Project implementation including but not limited to the Project's institutional arrangements, Category

Grant allocations, and environmental and social safeguards management. The Project Implementing Entity shall provide to the Recipient, not later than two months before such review, a report on its Respective Part of Part C of the Project for incorporation and forwarding by the Recipient to the Association for purposes of such review.

2. The Project Implementing Entity shall provide to the Recipient, not later than three months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management; Financial Reports; Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of Part C of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section IV. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of Part C of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.