

CONFORMED COPY

CREDIT NUMBER 2753 MAI

Project Agreement

(National Water Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LILONGWE WATER BOARD

Dated November 1, 1995

CREDIT NUMBER 2753 MAI

PROJECT AGREEMENT

AGREEMENT, dated November 1, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and LILONGWE WATER BOARD (LWB).

WHEREAS (A) by the Development Credit Agreement of even date herewith between 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 fifty million three hundred thousand Special Drawing Rights (SDR 50,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that LWB agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Financing agreement to be entered into between the Borrower and LWB, a portion of the proceeds of the credit provided for under the Development Credit Agreement will be made available to LWB on the terms and conditions set forth in said Financing Agreement; and

WHEREAS LWB, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. LWB 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 Parts A.5 and C.1 (b) (i) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A.5 and C.1 (b) (i) of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A.5 and C.1 (b) (i) of 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) LWB 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 LWB Project Agreement and Parts A.5 and C.1 (b) (i) of the Project.

(b) Without limitation upon the provisions of Article IX of the General Conditions, LWB shall:

- (i) prepare 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 Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of Parts A.5 and C.1 (b) (i) of the Project;
- (ii) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and
- (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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

Section 2.05. (a) LWB shall, at the request of the Association, exchange views with the Association with regard to

the progress of Parts A.5 and C.1 (b) (i) of the Project, the performance of its obligations under this Agreement and under the LWB Financing Agreement, and other matters relating to the purposes of the Credit.

(b) LWB shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A.5 and C.1 (b) (i) of the Project, the accomplishment of the purposes of the Credit, or the performance by LWB of its obligations under this Agreement, the Performance Agreement, and under the LWB Financing Agreement.

Section 2.06. LWB shall take all measures necessary to prepare and furnish to the Program Leader:

(a) periodic quarterly and annual Project progress reports pursuant to paragraph 8 of Schedule 4 to the Development Credit Agreement; and

(b) such reports as shall be necessary for carrying out the review referred to in Section 3.03 of the Development Credit Agreement.

ARTICLE III

Management and Operations of LWB

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

Section 3.02. LWB 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 public utility practices.

Section 3.03. LWB 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) LWB shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) LWB shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), and the LWB Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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 its financial statements for such year as so audited and (B) the 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 said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. LWB shall take all measures necessary to perform all its obligations under the Performance Agreement and to establish and maintain water rates in accordance with Section 4.02 (b) of the Development Credit Agreement.

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 LWB 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 twenty five 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 LWB 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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For LWB:

Lilongwe Water Board
P.O. Box 96
Lilongwe

Malawi

Telex:

44517 Madzi MI

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 LWB may be taken or executed by General Manager or such other person or persons as General Manager shall designate in writing, and LWB 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/ Edward V.K. Jaycox

Regional Vice President
Africa

LILONGWE WATER BOARD

By /s/ W. Chokani

Authorized Representative

