

Public Disclosure Authorized

**CONFORMED COPY**

**GRANT NUMBER H185-MAI**

# **Financing Agreement**

**(Emergency Recovery Project)**

**between**

**REPUBLIC OF MALAWI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

Public Disclosure Authorized

**Dated October 12, 2005**

**GRANT NUMBER H185-MAI**

**FINANCING AGREEMENT**

AGREEMENT, dated October 12, 2005, between REPUBLIC OF MALAWI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

The Recipient and the Association hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II**

**The Financing**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twenty million eight hundred thousand Special Drawing Rights (SDR20,800,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollars.

### **ARTICLE III**

#### **The Project**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Reserve Bank of Malawi in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV**

#### **Termination**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient shall terminate is 20 years after the date of this Agreement.

### **ARTICLE V**

#### **Representative; Addresses**

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance  
P.O. Box 30049  
Lilongwe 3  
Malawi

Cable address:	Telex:	Facsimile:
FINANCE Lilongwe	44407 (MI)	(265) -1- 789173

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

**REPUBLIC OF MALAWI**

**By /s/ Goodall Gondwe**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Hartwig Schafer**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the restoration of assets and production in order to contribute to the Recipient's economic recovery, following the drought-induced emergency in early 2005.

The Project consists of supporting the Recipient's efforts to recover from the drought-induced emergency through the financing of critical imports by the private sector, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

1. The Recipient shall establish and maintain at all times during the implementation of the Project appropriate arrangements acceptable to the Association, setting forth roles and responsibilities of its executing agencies.
2. Notwithstanding the provision of paragraph 1 above and other provisions of this Agreement, the Recipient shall:
  - (a) cause the Ministry of Finance and the Reserve Bank of Malawi to cooperate in carrying out the Project activities; and
  - (b) authorize and cause the Reserve Bank of Malawi, to administer and execute the Project through its Department of International Operations.

#### **Section II. Project Monitoring, Reporting, Evaluation**

##### **A. Project Reports.**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) The Recipient's economy has attained levels of Gross Fixed Capital Formation during 2005 equivalent to or higher than MKW 19 billion, which was the level attained in 2004; and
  - (ii) The Recipient's economy has attained levels of imports of US\$976 million during the Fiscal Year 2005/06, in line with current projections.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than April 30, 2007.

**B. Financial Management, Financial Reports and Audits.**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, not later than one month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Audit of the Financial Statements shall cover the entire Project period. The audited Financial Statements for such period shall be furnished to the Association not later than six months after the Closing Date.

**Section III. Procurement**

**A. General.**

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines.

**B. Methods of Procurement of Goods.**

All goods and commodities shall be procured through established international commodity markets, in accordance with Paragraph 2.68 of the Procurement Guidelines, or in accordance with established Private or Commercial Practices which have been found acceptable to the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General.**

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to finance 100% of the following Eligible Expenditures: (a) petroleum and fuel products; (b) agricultural imports and equipment; (c) construction materials and equipment; (d) spare parts, raw materials, intermediate inputs and machinery for industry and services; and (e) motor vehicles and spare parts.

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR6,300,000 equivalent may be made for payments made prior to this date but on or after April 1, 2005, for Eligible Expenditures.

2. The Closing Date is December 31, 2006.



## **APPENDIX**

### **Definitions**

1. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
2. “Gross Fixed Capital Formation” means a measure of the net new investment by enterprises in the domestic economy of the Recipient in fixed capital assets;
3. “Malawi Kwacha” or “MKW ” means the Recipient’s currency;
4. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
5. “Reserve Bank of Malawi” means the Recipient’s central bank.