

CONFORMED COPY

CREDIT NUMBER 2696 MAI

Project Agreement

(Railways Restructuring Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

MALAWI RAILWAYS LIMITED

Dated August 14, 1995

CREDIT NUMBER 2696 MAI

PROJECT AGREEMENT

AGREEMENT, dated August 14, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and MALAWI RAILWAYS LIMITED (MR).

WHEREAS 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 eleven million two hundred thousand Special Drawing Rights (SDR 11,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that MR agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS MR, 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. MR 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 Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and railway management practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 2.02. MR 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 Project Agreement and Part A of the Project.

Section 2.03. (a) MR shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) MR shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by MR of its obligations under this Agreement.

ARTICLE III

Management and Operations of MR

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

Section 3.02. MR 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 railway management practices.

Section 3.03. MR 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.

Section 3.04. MR shall carry out Part A of the Project in a manner consistent with the Implementation Plan referred to in Paragraph 1 of Schedule 4 to the Development Credit Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) MR shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) MR shall:

(i) have its records, accounts and financial statements (balance sheets, statements of

income and expenses and related statements) 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 (6) 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.

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 MR 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 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 MR 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 MR:

Malawi Railways Limited
P.O. Box 5144, Limbe
Malawi

Telex:

44810 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 MR may be taken or executed by the General Manager or such other person or persons as the General Manager shall designate in writing, and MR 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/ Kevin Cleaver

Acting Regional Vice President
Africa

MALAWI RAILWAYS LIMITED

By /s/ W. Chokani

Authorized Representative

