Re: Malawi: Cities Alliance – Grant for Lilongwe City Development Strategy
Phase 3 Trust Fund Grant No. TF010015

Dear Honorable Lipenga:

In response to the request for financial assistance made on behalf of the Republic of Malawi ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors"), under the Cities Alliance Multi-Donor Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed two hundred forty nine thousand United States Dollars (U.S.$249,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION

By
Kundhavi Kadiresan
Country Director
Malawi, Zambia and Zimbabwe
Africa Region

AGREED:

THE REPUBLIC OF MALAWI

By
Authorized Representative

Name
Minister of Finance

Date: 13/08/12

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("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, and the following term has the following meaning:

"City Development Strategy Plan" or "CDS" means a pro-poor, strategic action plan developed through a participatory process for inclusive and equitable growth in cities and their surrounding regions to improve the quality of life for all citizens, dated 2010, setting forth goals and strategies that will enable Lilongwe City to contribute to the achievement of the millennium development goals by 2015.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support implementation of the CDS for the City of Lilongwe. The Project consists of the following parts:

(a) Finalization of the Recipient’s business plan and departmental score cards;
(b) Establishment of a unit within the office of the Recipient’s Chief Executive to be responsible for implementation of the CDS;
(c) Development and implementation of a reporting system for the CDS;
(d) Undertaking feasibility investigations of proposed Iconic Projects that have been identified in the CDS;
(e) Carrying out a program of advocacy and awareness raising activities aimed at increasing the communities’ awareness of CDS;
(f) Initiation and facilitation of CDS projects that are aligned with the established priorities;
(g) Coordination of year 1 thematic priorities outlined in the CDS; and
(h) Monitoring and reporting on the progress and outcome of the implementation of the 2009 stabilization plan.

2.02. **Project Execution Generally.**

The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through Lilongwe City Assembly in accordance with the provisions of:
(a) Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) calendar days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three (3) months before the Closing Date.

(c) The Recipient shall furnish to the World Bank a copy of all deliverables produced under the Project. If the deliverable is a conference or workshop, the Recipient shall provide the World Bank with an agenda of the event and any reports or papers resulting from the event on a timely basis as agreed with the World Bank. The World Bank may make these deliverables available to Cities Alliance members. The Cities Alliance shall be clearly identified as a sponsor on all Project deliverables.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) calendar days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were 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 such period. Unless the World Bank shall otherwise agree, the Recipient’s final audit report on completion of the Project shall be furnished to the World Bank, one (1) month before the Closing Date.

2.05. **Procurement**

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of goods, works, and Non-consultant Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the World Bank in January, 2011 (“Procurement Guidelines”), in the case of goods and non-consultant services;
(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” published by the World Bank in January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this section as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the project in accordance with paragraph 1.18 of the Procurement Guidelines, and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurrient methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Section II and III of the Procurement Guidelines, or Section II, III, IV, and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-Consultant Services

(i) Except as the World Bank may otherwise agree, goods and non-consultant services shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection of Individual Consultants; and (B) Single Source Procedures for the Selection of Individual Consultants as set forth in paragraph 5.6 of the Consultant Guidelines.

(e) Review by the World Bank of Procurement Decisions. The procurement plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. Each contract for individual consultants’ services whose value exceeds US$50,000 shall be subject to prior review by the World Bank; and all individual consultant contract for services provided under Single Source Selection shall be subject to Prior Review by the World Bank. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant services including audit, and training</td>
<td>249,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>249,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this Section, the term "Training" means the costs associated with training, workshops, and seminars carried out under the Project, including travel and subsistence costs for participants, fee and travel costs associated with speakers and trainers, rental of facilities, preparation and reproduction of materials, and other costs directly related to training and workshop preparation and implementation.

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, except that withdrawals up to an aggregate amount not to exceed US$24,900 equivalent may be made for payments made prior to this date but on or after August 31, 2011 for Eligible Expenditures under the Category.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time in charge of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

    Ministry of Finance  
    P.O. Box 30049; Capital City  
    Lilongwe 3; Malawi

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:
International Bank for Reconstruction and Development and International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391