

No. 9308

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INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
MALAWI

Development Credit Agreement—*Lilongwe Agricultural Development Project* (with annexed Credit Regulations No. 1, as amended). Signed at Washington, on 5 February 1968

*Official text: English.*

*Registered by the International Development Association on 20 November 1968.*

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ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
MALAWI

Contrat de crédit de développement — *Projet relatif au développement agricole de Lilongwe* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington, le 5 février 1968

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 20 novembre 1968.*

No. 9308. DEVELOPMENT CREDIT AGREEMENT <sup>1</sup> (*LILONGWE AGRICULTURAL DEVELOPMENT PROJECT*) BETWEEN THE REPUBLIC OF MALAWI AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 5 FEBRUARY 1968

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AGREEMENT, dated February 5, 1968, between the REPUBLIC OF MALAWI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

*Article I*

CREDIT REGULATIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961 as amended February 9, 1967 <sup>2</sup> (said Development Credit Regulations No. 1 being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Unless the context otherwise requires, the following terms, wherever used in the Development Credit Agreement, have the following meanings :

- (a) " FMB " means the Farmers Marketing Board of the Borrower, established under the Farmers Marketing Ordinance, as amended in 1963.
- (b) " Subsidiary Loan Agreement " means the loan agreement between the Borrower and FMB, referred to in Section 4.02 of this Agreement.
- (c) " Program Area " means the area of Lilongwe Plain covering approximately 500,000 acres in the Central Region of the Borrower as defined in Government Notice No. 250 of December 6, 1967.
- (d) " Project period " means the period during which the proceeds of the Credit will be disbursed.

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<sup>1</sup> Came into force on 15 March 1968, upon notification by the Association to the Government of Malawi.

<sup>2</sup> See p. 152 of this volume.

*Article II*

## THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to six million dollars (\$ 6,000,000).

*Section 2.02.* The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled to withdraw from the Credit Account:

- (a) such amounts as shall have been expended for the reasonable foreign currency cost of the goods required to carry out the Project ;
  - (b) the equivalent of a percentage or percentages as may be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing sub-section (a) ; and
  - (c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under the foregoing sub-section (a) ;
- provided, however, that no withdrawals shall be made on account of expenditures made prior to the date of this Agreement.

*Section 2.04.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

*Section 2.05.* Service charges shall be payable semi-annually on April 1 and October 1 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 1978 and ending October 1, 2017, each installment to and including the installment payable on October 1, 1987 to be one-half of one per cent ( $1/2$  of 1 %) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1 1/2$  %) of such principal amount.

*Section 2.07.* The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for purposes of Section 3.02 of the Regulations.

*Article III*

## USE OF THE PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project described in the Schedule to this Agreement. The specific allocation of the proceeds of the Credit, and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

*Article IV*

## PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall carry out the Project, or cause the Project to be carried out, with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering, and financial practices, and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) Except as the Association shall otherwise agree, the construction works for the Project shall be carried out by contractors satisfactory to the Borrower and the Association and employed under contracts satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ qualified and experienced staff.

(d) During the Project period, the Borrower shall obtain prior agreement of the Association with respect to any appointment to the posts of Program Manager, Deputy Program Manager and Assistant Program Manager.

(e) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the reports, plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

*Section 4.02.* (a) The Borrower shall relend a part of the proceeds of the Credit, or the equivalent of such proceeds, to FMB on terms and condi-

tions satisfactory to the Association pursuant to a loan agreement satisfactory to the Association.

(b) The Borrower shall exercise its right under the loan agreement referred to in the foregoing sub-section (a) in such manner as to protect the interest of the Borrower and the Association ; and, except as the Association shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of such loan agreement.

*Section 4.03.* The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof) and shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods to be financed out of the proceeds of the Credit, and the operations with respect to the Project of FMB and of the Ministries of the Borrower responsible for carrying out the Project.

*Section 4.04.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

*Section 4.05.* The Borrower shall establish and maintain separate accounts for the Project and shall cause such accounts and the accounts of FMB relating to the Project to be audited at least once a year by an independent auditor acceptable to the Association, and, unless the Association shall otherwise agree, not later than four months after the end of the Borro-

wer's fiscal year transmit to the Association certified copies of such accounts and a signed copy of such auditor's report.

*Section 4.06.* The Borrower shall continue to carry out the extension and credit operations referred to in Part IV of the Schedule to this Agreement at a level to be agreed between the Borrower and the Association for a period of four years after the completion of the Project, and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

*Section 4.07.* The Borrower shall cause all works, facilities and equipment related to the Project to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound agricultural and engineering practices.

*Section 4.08.* Except as the Borrower and Association shall otherwise agree, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely useable by the Borrower to replace or repair such goods.

*Section 4.09.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall use the proceeds of payments which it receives from FMB under the Subsidiary Loan Agreement and which are not currently required to service the Credit, for the purpose of agricultural development within the Program Area. The Borrower and the Association shall consult from time to time as to the procedure for ensuring effective use of such proceeds.

*Section 4.10.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.11.* This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

*Article V*

## REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in Section 5.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

*Section 5.02.* For the purposes of Section 5.02 (k) of the Regulations, the following additional event is specified :

The Borrower shall have amended the Farmers Marketing Ordinance, as amended in 1963, in such a way as to substantially alter the organization, powers or responsibilities of FMB, without the consent of the Association.

*Article VI*

## EFFECTIVE DATE ; TERMINATION

*Section 6.01.* The following event is specified as an additional condition to the effectiveness of this Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations : namely, the Subsidiary Loan Agreement has been duly executed in form satisfactory to the Association and has become fully effective and binding on the parties thereto in accordance with its terms subject only to the effectiveness of the Development Credit Agreement.

*Section 6.02.* The following is specified as an additional matter within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association : namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

*Section 6.03.* If this Development Credit Agreement shall not have come in force and effect by April 10, 1968, this Development Credit Agreement and all the obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes

a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such date.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1972, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 7.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

The Secretary to the Treasury  
Ministry of Finance  
P.O. Box No. 53  
Zomba, Malawi

Alternative address for cables :

Finsec  
Zomba

For the Association :

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

Alternative address for cables :

Indevas  
Washington, D.C.

*Section 7.03.* The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Malawi :

By N. W. MBEKEANI

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President



## SCHEDULE

## DESCRIPTION OF THE PROJECT

The Project is the first four-year phase of the Lilongwe Development Program, a long-term program for the development of infrastructure and the improvement of smallholder agricultural production in the Program Area. The Project consists of the following :

- I. *Land Development.* This includes, in about one-third of the Program Area :
  - (a) the preparation of detailed land use plans and the construction and maintenance of soil conservation and drainage works ;
  - (b) the construction and maintenance of about 165 miles of crop extraction roads ; and
  - (c) the drilling and maintenance of about 125 working boreholes, equipped with hand-operated pumps, for village water supply.
- II. *Land Reorganization and Registration.* This includes :
  - (a) the establishment, staffing and equipping of a Survey Office in Lilongwe ;
  - (b) the completion of aerial topographic surveys and the preparation of large-scale maps of the entire Program Area ;
  - (c) the initiation of aerial cadastral surveys and the demarcation, reorganization and registration of holdings in part of the Program Area ; and
  - (d) the establishment and staffing of a Land Registry Office in Lilongwe.
- III. *The Provision of Marketing and Storage Facilities.* This includes :
  - (a) the construction and equipping of eleven markets within the Program Area ; and
  - (b) the construction and equipping of a new 8,500 ton crop storage facility in Lilongwe.
- IV. *Extension, Supply and Credit Services.* This includes : the provision of intensive agricultural extension services, fertilizer and other farm inputs, credit to farmers for such goods and the supervision of the use and collection of the credits in the one-third of the Program Area in which land development will be concentrated during the first phase.
- V. *The Provision of Program Management, Administrative Services and Staff Training.* This includes :
  - (a) the establishment and staffing of an Agricultural Development Branch located in Lilongwe, within the Department of Agriculture ;
  - (b) the establishment and staffing of a Program Organization under the Agricultural Development Branch with headquarters in Lilongwe ;
  - (c) the recruitment of qualified managerial, professional, technical and administrative staff and the provision of in-service training ;

- (d) the construction, equipping and maintenance of houses and offices for Program staff in Lilongwe and in the Program Area ;
- (e) the purchase, operation and maintenance of vehicles, machinery and equipment ; and
- (f) the provision of administrative services.

VI. The review and evaluation of progress achieved under the Project and the preparation of detailed plans for subsequent phases of the Program.

The Project is expected to be completed by January 1972.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,  
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER  
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 617, p. 60.*]