

No. 9307

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
MALAWI

Development Credit Agreement—*Highway 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.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
MALAWI

Contrat de crédit de développement — *Projet relatif au
réseau routier* (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. 9307. DEVELOPMENT CREDIT AGREEMENT ¹ (*HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF MALAWI AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 5 FEBRUARY 1968

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

WHEREAS the Borrower has requested the Association to make available a development credit to assist in financing the reconstruction of the highway more particularly described in the Schedule to this Agreement, and the Association is willing to make a development credit to the Borrower for the said purpose and for the related study and services referred to in the said Schedule, on the terms and conditions hereinafter in this Agreement set forth ;

WHEREAS by a development credit agreement dated October 4, 1966 ², between the Borrower and the Association, the Association granted to the Borrower a development credit in various currencies equivalent to four hundred and ninety thousand dollars (\$ 490,000) (hereinafter called the First Development Credit) to assist in financing the detailed engineering and related studies of certain highways of the Borrower including the above-mentioned highway ; and

WHEREAS the Association is prepared to refund the First Development Credit out of the proceeds of the development credit provided for herein ;

NOW THEREFORE the parties hereto hereby agree as follows :

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,

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

² United Nations, *Treaty Series*, Vol. 584, p. 215.

1961 as amended February 9, 1967¹ (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.

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 eleven million five hundred thousand dollars (\$ 11,500,000).

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. (a) The Association shall withdraw from the Credit Account and pay to itself, on behalf of the Borrower, the amount required to refund the principal amount withdrawn and outstanding together with the accrued service charge thereon of the First Development Credit on the Effective Date of this Agreement. Any amount remaining unwithdrawn in the First Development Credit shall automatically be cancelled on the same date.

(b) Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled to withdraw from the Credit Account :

- (i) 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 Part I of the Project ;
 - (ii) such amounts as shall have been expended for the foreign currency cost of the services required to carry out Parts II and III of the Project ; and
 - (iii) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under the foregoing subsection (ii) ;
- provided, however, that no withdrawals shall be made on account of expenditures made prior to December 1, 1967.

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.

¹ See p. 132 of this volume.

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 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 with due diligence and efficiency and in conformity with sound engineering, administrative, 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 highway referred to in Part I of the Schedule to this Agreement shall be constructed by contractors satisfactory to the Borrower and the Association, 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 Parts II and III of the Project, employ consultants

acceptable to, and to an extent and upon terms and conditions satisfactory to the Association.

(d) The general design standards to be used for the highway included in the Project shall be determined from time to time by agreement between the Borrower and the Association.

(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. The Borrower shall cause the main and secondary road system of the Borrower and the district roads in the service area of the highway included in the Project to be adequately maintained and shall cause all necessary repairs thereof to be made promptly, all in accordance with sound engineering practices and shall provide, promptly as needed, the funds facilities, services and other resources required for the foregoing.

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 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 general program for road development of the Borrower shall be discussed and agreed upon between the Borrower and the Association. During the construction period of the Project the Borrower shall not undertake any major road construction works not included in the program without prior consultation with the Association.

Section 4.06. The Borrower shall establish and maintain sound accounting procedures and a data collecting system as are required to assess the technical, economic and financial aspects of the Borrower's road system.

Section 4.07. 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 4.08. 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 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.

Article VI

MISCELLANEOUS ; TERMINATION

Section 6.01. The Closing Date shall be June 30, 1971, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by April 10, 1968, this Development Credit Agree-

ment 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.

Section 6.03. 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 6.04. 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 consists of the following parts :

I. The reconstruction and bituminous paving of the main highway M-1 between Zomba and Lilongwe ; (about 180 miles)

II. The engineering supervision of the works of the above-mentioned Zomba - Lilongwe highway ;

III. The carrying out of a study of the Borrower's regulations governing road transport and of road-rail coordination in Malawi ; and

IV. The refunding of the First Development Credit.

The Project is expected to be completed by the end of 1970.

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.*]