DUTCH GRANT AGREEMENT

AGREEMENT, dated July 2, 1992, between REPUBLIC OF MALAWI (the Grantee) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as Administrator (the Administrator) of the Dutch Grant (as hereinafter defined) provided by the Minister for Development Cooperation of the Netherlands (the Minister).

WHEREAS the Grantee has requested the assistance of the International Development Association (the Association) and the Minister in the financing of a program of actions, objectives and policies, designed to achieve structural adjustment of the agricultural sector of its economy, described in a letter from the Grantee to the Association, dated March 12, 1990 (the Program);

WHEREAS the Association has granted a Credit for this purpose on the terms and conditions set forth in a Development Credit Agreement (Credit Number 2121 MAI), dated April 11, 1990, between the Grantee and the Association (the Development Credit Agreement);

WHEREAS the Minister wishes to make available to the Grantee a grant in the amount of five million Dutch guilders (Dfls. 5,000,000) (the Dutch Grant) to assist the Grantee in carrying out the Program on the terms and conditions hereinafter set forth;

WHEREAS by an amendment letter, dated February 20, 1992, between the Minister, the International Bank for Reconstruction and Development and the Association (the Arrangements), the Minister has requested the Association, and the Association has agreed, to administer, inter alia, the Dutch Grant in accordance with the provisions of the Arrangements; and

WHEREAS the Grantee acknowledges that the financial assistance extended to the Grantee under this agreement (the Dutch Grant Agreement) shall be considered part of the bilateral development aid extended by the Government of the Netherlands to the Grantee;
NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I
General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (the General Conditions), constitute an integral part of this Agreement, subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association acting as Administrator of the Dutch Grant pursuant to the Arrangements, except in the phrase "member of the Association" in Sections 2.01 (5), 4.02 (b) and 6.02 (e);

(b) the term "Development Credit Agreement", whenever used in the General Conditions, means this Agreement;

(c) the term "Credit", whenever used in the General Conditions, means the Dutch Grant extended to the Grantee under this Agreement;

(d) the term "Credit Account", whenever used in the General Conditions, means the Dutch Grant Account opened by the Administrator on its books, in the name of the Grantee, to which the amount of the Dutch Grant is credited;

(e) Section 2.01, paragraph 9, shall be modified to read:

"the term 'Project' means the goods that may be financed out of the proceeds of the Dutch Grant pursuant to the provisions of the Schedule to the Dutch Grant Agreement."

(f) in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;

(g) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date, or such later date as may be agreed for this purpose between the Grantee and the Administrator, the Grantee shall prepare and furnish to the Administrator a report of such scope and in such detail as the Administrator shall reasonably request, on the execution of the program referred to in the Preamble to the Dutch Grant Agreement, the performance by the Grantee and the Administrator of their respective obligations under the Dutch Grant Agreement and the accomplishment of the purposes of the Dutch Grant";

(h) Sections 3.02, 3.03, 3.04, 3.05, 4.01, 4.02, 4.03, 4.06, 6.05, 7.01, 8.01 (a), 12.02 and 12.05 are deleted.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, the Preamble to this Agreement and the Development Credit Agreement have the respective meanings therein set forth, and the terms "Dutch guilders" and "f." mean the currency of the Netherlands.

ARTICLE II
The Grant

Section 2.01. The Administrator agrees to extend to the Grantee, on the terms and conditions herein set forth or
referred to, a grant in an amount of five million Dutch guilders (Dfls.5,000,000).

Section 2.02. The proceeds of the Dutch Grant may be withdrawn from the Dutch Grant Account for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of the goods required for the Project in accordance with the provisions of the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement between the Grantee and the Administrator.

Section 2.03. (a) Except as the Administrator shall otherwise agree, contracts for goods to be financed out of the proceeds of the Dutch Grant shall be procured in accordance with the provisions of Schedule 2 to the Development Credit Agreement which is hereby incorporated into this Agreement with the same force and effect as if it were fully set forth herein. It is understood that references to the "Association' and the "Credit Account" in said Schedule are references to the Association acting as Administrator of the Dutch Grant and the Dutch Grant Account, respectively.

(b) If the Administrator shall have reasonably determined that the procurement of any item is inconsistent with the procedures set forth or referred to in paragraph (a) above, no expenditures for such item shall be financed out of the proceeds of the Dutch Grant, and the Administrator may, without in any way restricting or limiting any other right, power or remedy of the Administrator under this Agreement, by notice to the Grantee, cancel such amount of the Dutch Grant as, in the Administrator’s reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Dutch Grant.

Section 2.04. The Closing Date shall be December 31, 1992, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Grantee of such later date.

ARTICLE III

Execution of the Project

Section 3.01. Except as otherwise expressly provided herein, Sections 3.01, 3.02, and 3.04 of the Development Credit Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein. It is understood that all references to the "Association" in said Sections are references to the Association acting as Administrator of the Dutch Grant under this Agreement, and all references to the Credit and the Credit Account are references to the Dutch Grant and the Dutch Grant Account, respectively.

ARTICLE IV

Representation; Transfer of Rights and Obligations

Section 4.01. The Minister of Finance of the Grantee shall be the representative of the Grantee for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Grantee:

Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi
Section 4.03. In accordance with the Arrangements, the rights and obligations of the Administrator under this Agreement may be transferred to the Minister. The Grantee accepts and agrees that, upon notice by the Administrator to the Grantee to that effect, the Minister shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if the Minister had been an original party to this Agreement, without any further action or formality being required on the part of any party and, from such date, the Administrator shall cease to have any rights or obligations as a party under this Agreement.

ARTICLE V

Effectiveness

Section 5.01. This Agreement shall become effective as of the date first above written and shall continue in effect until the Dutch Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereto duly authorized, 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.

REPUBLIC OF MALAWI

By /s/ R. B. Mbaya
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of Dutch Funds
Provided by The
MINISTER FOR DEVELOPMENT COOPERATION
OF THE NETHERLANDS

By /s/ F. J. Aguirre-Sacasa
Acting Regional Vice President
Africa

SCHEDULE
Withdrawal of the Proceeds of the Dutch Grant

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Dutch Grant may be withdrawn from the Dutch Grant Account for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

   (a) expenditures for goods included in the following SITC groups or sub-groups or any successor groups or sub-groups under future revisions to the SITC, as designated by the Administrator by notice to the Grantee:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>-</td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td>-</td>
<td>Tobacco, unmanufactured tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td>-</td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td>-</td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td>-</td>
<td>Pearls, precious and semi-precious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td>-</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

   (b) expenditures in the currency of the Grantee or for goods supplied from the territory of the Grantee;

   (c) payments made for expenditures prior to November 15, 1991;

   (d) expenditures for goods procured under contracts costing less than $5,000 equivalent;

   (e) expenditures for goods supplied under a contract which any national or international financing institution or agency, other than the Association, shall have financed or agreed to finance; and

   (f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.