CONFORMED COPY

July 2, 2010

His Excellency Ken E. Kandodo
Minister of Finance
Ministry of Finance
Lilongwe 3
Republic of Malawi

European Commission Grant
Public Financial Management Project
(Grant No. TF090947)
Amendment to the Letter Agreement

Excellency:

We refer to the Letter Agreement (the Agreement) for the above mentioned Project (“Project”) dated December 18, 2007, between the Republic of Malawi (“Recipient”) and the International Development Association (“World Bank”), acting as administrator of grant funds provided by the European Community, represented by the Commission of the European Communities (“European Commission”) (“Donor”) under the Malawi Public Financial Management Trust Fund Trust Fund (“Trust Fund”).

As you know, the Closing Date of the above mentioned Project Grant was April 30, 2010, with a grace period until August 31, 2010. The total Donor’s commitment towards the Trust Fund was €1,900,000, to be provided in three separate installments to the World Bank. Accordingly, the Agreement between the Recipient and the World Bank was signed for an initial amount of €1,000,000. As per the Agreement, remaining balance of €900,000 was to be provided to the Recipient through amendments to the Agreement. However, due to different reasons, the Agreement was never amended for the remaining balance until this date. In order to provide the remaining balance and to release the payments for the pending withdrawal applications (already received by the World Bank) against those expenses which incurred on or before the Closing Date of April 30, 2010, the World Bank proposes to amend the Agreement in respect of the provisions below:

1. First paragraph of the Agreement is amended to read as follows:

“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 Development Association (“World Bank”), acting as administrator of grant funds provided by the European Community, represented by the Commission of the European Communities (“European Commission”) under the Malawi Public Financial Management Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million nine hundred thousand Euros (€1,900,000) (“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”).
2. The table in Article III of the Annex to the Agreement is deleted in its entirety and is replaced with the Annex attached to this amendment letter.

   Please confirm your agreement to these amendments by signing the form of confirmation set forth below, and returning to us one fully executed original of this amendment letter at your earliest convenience, and retaining the other original for your records.

   This amendment letter shall become effective as of June 10, 2010.

   Sincerely,

   INTERNATIONAL DEVELOPMENT ASSOCIATION

   By: Olivier P. Godron
   Acting Country Director
   Malawi, Zambia, and Zimbabwe
   Africa Region

   AGREED:
   REPUBLIC OF MALAWI

   By: His Excellency Ken E. Kandodo
   Authorized Representative

   Name: His Excellency Ken E. Kandodo
   Title: Minister of Finance

   Date: August 3, 2010

   Copy to:
   1. Office of President and Cabinet, Capital Hill, Lilongwe 3, Malawi
   2. Accountant General’s Department, Lilongwe 3, Malawi
   3. Central Internal Audit Unit, Lilongwe 3, Malawi
   4. National Audit Office, Lilongwe 3, Malawi
### REVISED TABLE IN ARTICLE III

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>500,845</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works</td>
<td>132,025</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultant Services and Training</td>
<td>1,106,792</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>160,338</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,900,000</strong></td>
<td><strong>---------</strong></td>
</tr>
</tbody>
</table>