Honourable Dr. Ken Lipenga, M.P.
Minister of Finance
Ministry of Finance
Lilongwe 3, Republic of Malawi

Dear Honorable Minister:

Re: IDA Financing: Credit No.4901-MW
Malawi: Mining Governance and Growth Support Project
Additional Instructions: Disbursement

I refer to the Financing Agreement ("Agreement") between the Republic of Malawi ("Recipient") and the International Development Association (the "Association"), dated Nov 2, 2011 for the above-referenced project. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit No. 4901-MW ("Financing"). This second revision includes changes to the currency of the Designated Account for the EU from USD to Euros, and supersedes the previous Disbursement letter dated March 7, 2012. This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date. Any changes to this date will be notified by the Association.
II. Withdrawal of Financing Proceeds

(i) **Authorized Signatures (subsection 3.1).**
A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
Mulanje House
Plot 13/57 Off Presidential Way
P.O. Box 30557
City Centre
Lilongwe 3, Malawi
Attention: Kundhavi Kadiresan, Country Director

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank
The World Bank Group
Regional Disbursement Centre
4 Fricker Road
Ilovo 2196
Johannesburg, South Africa
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) **Terms and Conditions of Use of Tokens to Process Applications.** By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its Agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment (3); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications for Reimbursements, Direct Payments or Special Commitments is USD 300,000 for both DA A and B.
(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):**
  (i) **Designated Account A** – IDA 4901: Segregated
  (ii) **Designated Account B** – EU TF: Segregated

- **Currency of Designated Account (subsection 5.4):**
  Designated Account A: US Dollars
  Designated Account B: Euros

- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):**
  Reserve Bank of Malawi or a commercial bank / financial institution acceptable to the World Bank

- **Ceiling (subsection 6.1):**
  Designated Account A: USD 1,000,000
  Designated Account B: USD 500,000

III. Reporting on Use of Financing Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- For reporting eligible expenditures paid from the Designated Account and for Reimbursements:
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 4)
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices, for payments made under contracts above SOE documentation thresholds: (i) Consulting Firms against contracts valued at USD 100,000 equivalent or more; (ii) Individual Consultants against contracts valued at USD 50,000 equivalent or more; (iii) Goods against contracts valued at USD 50,000 equivalent or more; (iv) Works against contracts valued at USD 500,000 equivalent or more; (v) Non-Consulting Services against contracts valued at USD 50,000 or more;
  - Statement of Expenditure in the form attached (Attachment 3B – Statement of Expenditure – with no supporting documentation, for payments made under all other contracts (below SOE documentation thresholds, above) including Training and Operating Costs (below SOE documentation thresholds, above)
  - A Designated Account activity reconciliation statement and Bank Statement should be submitted with each withdrawal application reporting on the use of Grant proceeds from the Designated Account
• For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Monthly

IV. Other Important Information


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Financing and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Luis Schwarz, Senior Finance Officer at email address LOA-aff@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Luis Schwarz
Senior Finance Officer
Loan Department