Honorable Dr. Ken Lipenga
Minister of Finance
Ministry of Finance
P. O. Box 30049; Capital City
Lilongwe 3, Malawi

Re: Malawi: Cities Alliance – Grant for Lilongwe City Development Strategy - Phase 3
Trust Fund Grant No. TF010015
Additional Instructions: Disbursement

Dear Honorable Lipenga:

I refer to the Letter Agreement ("Agreement") between the International Bank for Reconstruction and Development and International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors under the Cities Alliance Multi-Donor Trust Fund and the Republic of Malawi ("Recipient") for the above-referenced project, of even date herewith. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF010015 ("Grant"). 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 Grant 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:

- Advance
- Reimbursement – for eligible expenditures covered under the final Project audit and in excess of advances disbursed under this Grant.

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the World Bank.
II. Withdrawal of Grant 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
1818 H Street, NW
Washington, DC 20433
United States of America

Attention: William John Cobbett
Program Manager
Mail Stop: MC4-413
Finance, Economics and Urban Development Department

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents to the address indicated below:

The World Bank
1818 H Street, NW
Washington, DC 20433
United States of America

Attention: William John Cobbett
Program Manager
Cities Alliance Secretariat
Mail Stop: MC4-413
Finance, Economics and Urban Development Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank 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 World Bank 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 World Bank agrees, the World Bank 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 World Bank 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) Advances (sections 5 and 6).

- **Type of Designated Account[s] (subsection 5.3):** Pooled
- **Currency of Designated Account[s] (subsection 5.4):** USD
- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** Standard Bank Malawi; Capital City Branch
- **Ceiling (subsection 6.1):** USD100,000

III. Reporting on Use of Grant Proceeds

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

- **For Applications for Advances (subsection 3.3) and for Reporting on the Use Advances (subsection 4.4):**
  - Applications for advances should be accompanied by the documents specified in Attachment 4, including Interim Financial Reports in the agreed format provided in Attachment 5
- **For requests for Reimbursement:**
  - Applications for reimbursement should be accompanied by the documents specified in Attachment 4, including audited Financial Statements referred to in Attachment 4 and as specified in the Agreement.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): The frequency of Application submission for eligible expenditures should be consistent with the periodicity specified in the Agreement for furnishing interim unaudited financial reports (Grant Agreement, section 2.05 (b)).

IV. Other Important Information


From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. 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 Mr. Madhavan Balachandran, Financial Management Specialist at the Cities Alliance, at mbalachandran@worldbank.org using the above reference.

Yours sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Kundalvi Kadiresan
Country Director
Malawi, Zambia and Zimbabwe
Africa Region

Attachments:

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Indicative Schedule of Advance Payments and Final Reimbursement
5. Interim Financial Report Template
Cleared with and cc: Alexandra Sperling, LEGAF
Andrea Zeman, Cities Alliance Task Team Leader
LOA Fiduciary & Controls Division
Trust Fund Accounting Clearance Team

Cc with copies: Ruth J. Goorman,CTRLA
Dear Sir/Madam:

Re: Cities Alliance - Grant for Lilongwe City Development Strategy - Phase 3
Grant No. TF010015
Project ID: P123926

I refer to the Letter Agreement ("Agreement") between the International Bank for Reconstruction and Development and International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors under the Cities Alliance Multi-Donor Trust Fund, and the Republic of Malawi ("Recipient"), dated ______, providing the above Grant. For the purposes of Section 3.04 (b) of the Standard Conditions, as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal under this Grant.

For the purpose of delivering Applications to the World Bank, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the World Bank.

1 Instruction to the Recipient when sending this letter to the World Bank: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. Please delete this footnote in final letter that is sent to the World Bank.

2 Instruction to the Recipient: Stipulate if more than one person needs to jointly sign Applications, if so, please indicate the actual number. Please delete this footnote in final letter that is sent to the World Bank.

3 Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the World Bank.
[This confirms that the Recipient is authorizing such persons to accept Tokens and to deliver the Applications and supporting documents to the World Bank by electronic means. In full recognition that the World Bank shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in 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"), the Recipient represents and warrants to the World Bank that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and will cause such persons to abide by those terms and conditions.]

This Authorization replaces and supersedes any Authorization currently in the World Bank records with respect to this Agreement.

[Name], [position] Specimen Signature: ________________

[Name], [position] Specimen Signature: ________________

[Name], [position] Specimen Signature: ________________

Yours truly,

/ signed /

_____________________
[Position]

---

4 Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the World Bank.

5 Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Tokens and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. Please delete this footnote in final letter that is sent to the World Bank.
Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation

January 20, 2010

The World Bank will provide secure identification devices (Tokens) to permit the Borrower\(^1\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a “Token User”. The Bank will maintain in its database a user account (Account) for each Token User for purposes of
managing the Token of the Token User. Neither the Borrower nor the Token User will have any
access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall
ensure that the Token User has received training materials provided by the Bank in use of the
Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the
manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other
use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the
Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation
and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User)
that each Token User is provided, understands and will abide by, these Terms and Conditions of
Use, including without limitation the following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in
written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application
to the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to
logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token
he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of
any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens
are disabled immediately.

Care of Tokens

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be
handled with due care, and should not be immersed in liquids, exposed to extreme temperatures,
crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate
electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones
and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7 Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. **Replacement**

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account

6. **Reservation of Right to disable Token**

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.
Indicative Schedule of Advance Payments and Final Reimbursement

The Recipient’s requests for withdrawal of Grant proceeds shall be made in accordance with the schedule set forth below, subject to the World Bank’s receipt of the relevant application and supporting documentation, satisfactory to the World Bank. The supporting documentation for all advances excepting the first advance, shall include a Project Report and Interim Financial Report, and copies of any corresponding deliverables, that cover the activities, results and deliverables financed by the preceding advance.

<table>
<thead>
<tr>
<th>Advance</th>
<th>Indicative Timing and Supporting Documents for Application</th>
<th>Disbursement Amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Advance</td>
<td>Upon execution of the Agreement, and after receipt of the original signed Authorized Signatories Form (Attachment 2 of the Disbursement Letter) and original signed Withdrawal Application for the first advance (<em>dually signed by the Authorized Signatories</em>).</td>
<td>100,000</td>
</tr>
</tbody>
</table>
| Second Advance| After receipt of:
* Project Report and Interim Financial Report that cover the expenditures financed by the first advance.
* Original signed Withdrawal Application for the second advance (*dually signed by the Authorized Signatories*).
* All deliverables produced during the period, including:
  1. City scorecard and departmental scorecards
  2. City business plan and CDS aligned operating and capital budget
  3. Documentation of CDS Unit establishment (including role and responsibilities, staffing, equipment).                                                                                                                                                   | 70,000                  |
| Third Advance| After receipt of:
* Project Report and Interim Financial Report that cover the expenditures financed by the first and the second advance.
* Original signed Withdrawal Application for the third advance (*dually signed by the Authorized Signatories*).
* All deliverables produced during the period,                                                                                                                                                                                                 | 65,000                  |
<table>
<thead>
<tr>
<th>Advance</th>
<th>Indicative Timing and Supporting Documents for Application</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>including:</td>
<td>USD</td>
</tr>
<tr>
<td></td>
<td>4. Guidebooks for scorecard development, business plan preparation, CDS budgeting, CDS implementation tracking/monitoring and evaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Documentation on city reporting and oversight quality assurance system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Feasibility studies for iconic projects.</td>
<td></td>
</tr>
<tr>
<td>Final Reimbursement</td>
<td>After the Recipient's completion of the activities financed under this Grant and the receipt and acceptance of:</td>
<td>An amount up to 14,000</td>
</tr>
<tr>
<td></td>
<td>• Original signed Withdrawal Application for the final reimbursement <em>(duly signed by the Authorized Signatories).</em></td>
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<tr>
<td></td>
<td>• Audited Financial Statements.</td>
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<tr>
<td></td>
<td>• All deliverables produced during the period, including:</td>
<td></td>
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<tr>
<td></td>
<td>7. Multi-media DVD of the CDS</td>
<td></td>
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<tr>
<td></td>
<td>8. Report on stakeholder meetings and road shows</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9. Case studies on implementation of thematic priority projects</td>
<td></td>
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<tr>
<td></td>
<td>10. Report on the evaluation/outcome of the implementation of the stabilization plan.</td>
<td></td>
</tr>
</tbody>
</table>
### Attachment 5: Interim Financial Report

**Cities Alliance: Lilongwe City Development Strategy - Phase 3**  
Trust Fund Grant No. TF010015 - Project ID # P12392G

<table>
<thead>
<tr>
<th>Activities Agreed</th>
<th>Total CA approved Project Budget (USD)</th>
<th>Consulting Services</th>
<th>Training/Workshop/Seminars</th>
<th>Dissemination cost</th>
<th>Others/Operating cost</th>
<th>Total for the Semester (USD)</th>
<th>Exchange Rate applied</th>
<th>Cumulative Expenditure up to the reporting period (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds Received from the Cities Alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest earned on Cities Alliance funding</td>
<td></td>
<td></td>
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<tr>
<td>Total Co-finance received for the period, if any</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Project Activities Financed by the Cities Alliance Grant</strong>*</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Planning, scorecard development and budgeting for 2010/11</td>
<td>$7,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Establishing the CDS unit</td>
<td>$10,750</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Reporting and oversight</td>
<td>$3,750</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Feasibility investigations of iconic projects</td>
<td>$94,500</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>CDS popularization, mainstreaming and continued stakeholder engagement</td>
<td>$71,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Facilitation of externally driven projects and programmes</td>
<td>$18,000</td>
<td>$ -</td>
<td>$ -</td>
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<td>$ -</td>
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<tr>
<td>Coordination and reporting on implementation of thematic priorities</td>
<td>$41,500</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Evaluation and reporting on Stabilization Plan implementation</td>
<td>$2,500</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td><strong>Cities Alliance TOTAL Approved Budget</strong></td>
<td><strong>$249,000</strong></td>
<td><strong>$219,500</strong></td>
<td><strong>$13,500</strong></td>
<td><strong>$16,000</strong></td>
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<tr>
<td><strong>Total Project Activities Expenditures charged against the CA grant</strong></td>
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<tr>
<td>Closing Balance</td>
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<tr>
<td>Cities Alliance Funds Carried Forward</td>
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<tr>
<td>Co financing Funds Carried Forward</td>
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</tr>
</tbody>
</table>

**Prepared** by (name) ________________________________  **Authorized Signatory Signature** ________________________________

**Note**: The approved budget for 4 stakeholder engagements and Training and capacity building is part of the Consulting Services Expense Category. The approved budget for International Advisors is part of the Consulting Service Expense Category.

**Please note that only the Project Task Manager of the Project Implementation Agency can sign the IFR.**