

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Northern Corridor Project - Malawi - Credit 1879 - P001634 - Correspondence - Volume 7

Folder ID: 807021

Project ID: P001634

Dates: 1/9/1990 - 12/18/1990

Fonds: Records of the Africa Regional Vice Presidency

ISAD Reference Code: WB IBRD/IDA AFR

Digitized: 4/17/2018

To cite materials from this archival folder, please follow the following format:

[Descriptive name of item], [Folder Title], Folder ID [Folder ID], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

MALAWI - Credit 1879 MAI

Vol. 7



807021

Archives

R1997-026 Other #: 82

117846B

Northern Corridor Project - Malawi - Credit 1879 - P001634 - Correspondence - Volume
7

DECLASSIFIED
WBG Archives

RETURN TO AFRICA
INFORMATION SERVICES
CENTER

MAI 7



00807021

1879

CLOSE-OUT SHEET

This File Covers The Period From 1/1/90 To 12/31/90

For Further Correspondence, See Volume 8

MAI-CR 1879

12/18/90

OFFICE MEMORANDUM

DATE: December 18, 1990

TO: Mr. Isaac K. Sam, Chief, AF6IN

FROM: Preben Jensen, Principal Highway Engineer, AF6IN

EXTENSION: 34393

SUBJECT: MALAWI - Northern Transport Corridor Project - Credit 1879-MAI
Supervision Report

1. I carried out supervision of the above project during a mission to Malawi from October 14 to 23, 1990, in accordance with Statement of Mission Objectives dated September 18, 1990, returning to the office on November 1, 1990. My report is attached. The issuance of the report has been delayed because of other work priorities, including four weeks of acting division chief assignment.

2. The following material in connection with the supervision mission will be entered in the Project Implementation File, forwarded to the Africa Region Information Services Center, and made available on request:

Title	Date	Proj. Impl. Index File Ref. Sect.
The Hindustan Construction Company Ltd. Company Brochure	No date	II
The Walchand Group Brochure	No date	II
Hindustan Action Plan for Works	March 1990	II
Malawi Cargo Centers in Tanzania Progress Report	February 1990	II
Construction of Karonga-Songwe-Ibanda Road Progress Report	March 1990	II
Balaka-Salima Road Correspondence with Hindustan	March-May 1990	II
Advertisement for the MCC General Manager	February 23, 1990	II

cc: Distribution I (full report)
Messrs. Pouliquen (INUDR), Zerabruk (LEGAF), Fernando (LOAAF),
Rovani (DGO), King (AF6CO), Jovanovic (AF6CO); Mmes. Burns
(AF6IN), Fantaye (AF6IN)

Distribution II (Form 590 only)
Messrs. Denning (AF6DR), Singh (AF6DR), Messenger (AF6CO)

PJensen/mof

Detailed instructions on completion of
This Form are in Annex D of OD13.05.

*** Working Version ***

() the initial summary
This Summary is (X) part of a mission report
() an update

Regional Office: VP - AFRICA	Project Name: TRANSPORT I	Loan/Credit Numbers: C18790	L/C Amt (\$XX.XM/SDR) Original: 13.4 / 11.1	Type of Lending Instrument: SIL
	Project Code: 3MALPA048		Revised:	

Country: MALAWI	Borrower: GOVT.	Board Date: 02/23/88	Signing Date: 05/06/88	Effective Date: 06/07/88
--------------------	--------------------	-------------------------	---------------------------	-----------------------------

Managing Dept/Div Name: INFRASTRUCTURE OPERATIONS DIVISION	Dept/Div Code: 23240	Task Manager: KONISHI	Mission End Date: 10/31/90 Next Mission (mo/yr): 04/91	Last 590: 08/20/90 This 590: 12/19/90
---	-------------------------	--------------------------	---	--

SECTION 1: Summary of Project Development Objectives:

The main objective of the project is to assist the Government of Malawi in improving NTC, thus enabling the route to handle one-third of Malawi's external traffic at reduced transport cost as compared with alternative southern routes through Zambia, Zimbabwe and RSA. The anticipated diversion of one-third of Malawi's transit traffic to the northern route is expected to reduce the far-reaching economic costs attributable to the use of the lengthy and costly southern routes. An additional effect of the project is that the development and operation of NTC will alleviate high transport costs on the southern routes for Malawi cargo by giving Malawi a stronger bargaining position in seeking reduction of transport charges on the southern routes.

SECTION 2: Summary of Project Components:

(i) Construction of paved road between Karonga (Malawi) and Ibanda (Tanzania) - 55 km (ii) rehabilitation of paved road between Ibanda and Uyole (Tanzania) - 98 km; (iii) rehabilitation of paved road between Salima and Balaka (Malawi) - 145 km; (iv) dry cargo trans-shipment facilities and fuel storage trans-shipment facilities (including equipment) in Dar es Salaam and Mbeya; (v) procurement of railway fuel tank wagons and tank containers; (vi) improvement of shipping services and cargo handling capabilities in three ports on Lake Malawi; (vii) construction of a border post and weighing station at the Malawi/Tanzania border; (viii) consultancy services and technical assistance; and (ix) training.

SECTION 3: Project Data and Performance Ratings:

Basic Data	Closing Date	Project Cost (\$XX.XM)	Disbursement (\$XX.XM)	(mo/yr) 11/90	(% of L/C)
Original (from SAR/PR):	06/30/94	\$109.8	Original SAR/PR Forecast:	\$7.7	57.5%
As Formally Revised:	06/30/94	\$109.8	Formally Revised Forecast:		
Expected-Last Form 590:	06/30/94	\$100.5	Actual Disbursement:	\$8.2	61.3%
Expected-This Form 590:	06/30/94	\$131.3	Disb. Forecast for CFY:	\$3.2	23.9%
			Undisb. Credit Bal. (SDRs)	\$4.8	43.7%

Number of formal closing date extensions: 0

Date of last closing date extension (mo/yr):

Reporting: End of period covered by last project progress report (mo/yr): 09/90

Indices	This Form 590	Last Form 590	Audits and Accounts	Number
Closing Delay	.0%	.0%	Overdue Audited Financial Statements:	0
Cost Overrun	19.6%	(8.5)%	Overdue SOE Audits:	0
Disbursement Lag	(6.6)%	(22.5)%	Overdue Special Account Audits:	0
			Qualified and Unsatisfactory Audits:	0

Mandatory Ratings	This Form 590	Last Form 590	Other Ratings	This Form 590	Last Form 590
Overall Status	3	2	Procurement Progress	2	2
Project Development Objectives	3	2	Training Progress	3	3
Compliance With Legal Covenants	3	3	Technical Asst. Progress	1	1
Project Management Performance	3	2	Studies Progress	NR	NR
Availability Of Funds	1	1	Environmental Aspects	2	NR
			Financial Performance	3	3

SECTION 4: Supervision Management:

Names Of Mission Members	Member Specialization	Participated In The Previous Mission (Yes/No)	Time Spent On Supervision (mo/yr) 12/90
F. JENSEN	PRIN. HIGHWAY ENG.	Y	S/W Up To Current FY : 11.7 S/W Planned During Current FY: 12.0 S/W Actual During Current FY - Total : 2.1 In Field : 1.4

SECTION 5: ACTIONS PREVIOUSLY AGREED OR RECOMMENDED (SECTION 8 OF LAST FORM 590):

- (A) Ministry of Works (MOW) would give consideration to request the contractor Held and Francke for the Ibunda-Karonga road to carry out improvements on the very bad sections of the adjacent Ibunda-Uyole road (in Tanzania).
- (B) The contractor for the Balaka-Salima road, the Hindustan Construction Company (HCC), had prepared an action plan to complete the contract by (1) transfer of additional working capital from India, and (2) appointment of an Italian construction management firm to reorganize the work activities on the site. The Bank recommended that HCC be given time to the end of May 1990 to demonstrate the above plus that a volume of work corresponding to 10% of either of the two contract sections had been carried out. Otherwise, MOW would consider terminating the contract and retendering a reduced contract.
- (C) With regard to operation of the Malawi Cargo Center (MCC) facilities in Tanzania, the Government (through the MCC Board) agreed to take steps to invite bids from interested parties for this purpose, which cannot wait until the General Manager has been appointed and in place.

SECTION 6: ACTIONS TAKEN BY (a) BORROWER AND (b) BANK SINCE PREVIOUS FORM 590:

- (A) Some grading work was carried out on the Ibunda-Uyole road by Held and Francke during the period August-September 1990, but in general the road remains in very poor condition.
- (B) The contractor HCC did not meet the May 1990 target, but MOW found that some significant improvements had been made and no action was taken to terminate the contract. KfW imposed a new target for the contractor to accomplish, namely, that in the four-month period August-November the contractor shall have finished 20% of the KfW-financed section of the Balaka-Salima road. If not, MOW has agreed to terminate the contract (because KfW would suspend disbursements).
- (C) There has been no progress on making arrangements to operate the MCC facilities: the General Manager has not been appointed and no bids from potential operators had been invited. The largest shareholder in MCC, Malawi Railways, had not yet paid in its share of MCC's capital. There is a serious risk that the facilities will be standing idle when they are completed during the first quarter of 1991.

SECTION 7: SUMMARY OF CURRENT PROJECT STATUS AND MAJOR PROBLEMS:

The Karonga-Ibunda road works will be fully completed by mid 1991, but long stretches of road have already been opened to traffic. Delays have occurred in getting the rehabilitation of the Ibunda-Uyole road works started (cofinancing problems), but bids have now been invited with a tender date in January 1991 and a scheduled completion by March 1993. The successful contractor will have to maintain traffic on the road during the construction period, so the condition of the road might improve. The KfW-financed section of the Balaka-Salima road is 35% completed, and if HCC continues at the current rate of progress, the completion date is estimated by late 1991. Only about 3% of the IDA-financed section of the road has been completed, and it is very unlikely that HCC would be able to finish the contract before late 1993. The Government is currently exploring other options to accelerate the road works, namely, to compel the main contractor to subcontract part of the works, or to curtail the contract and retender the remainder. The dry cargo facilities are substantially completed with an estimated hand-over date in February 1991; the fuel facilities are substantially completed with scheduled handing over in January 1991. Manufacture of the fuel tank wagons has begun, and delivery of the tank containers has commenced. The port improvement works in the three Lake Malawi ports have been completed. The container vessel for the Lake Service is substantially completed with sea trials scheduled to commence in early January 1991. The construction of the border post is scheduled to begin in April 1991. The services of the NTC financial controller and the Lake Service coordinator continue. Consultancy services for the supervision of the civil works (roads, NTC facilities) and manufacture and delivery of equipment are ongoing and will be phased out in step with completion and handing over of the works and equipment. So far, no training program has been proposed.

An update of the cost estimates (Attachment 1) shows that the overall project costs have increased by about 20% over a three-year period. However, the cost increases for the various components vary widely, the most dramatic increase being for the fuel facilities at about 144% and for the dry cargo facilities at 47%, while the increases for the other components have been more modest and for the road works the cost is now estimated to be 10% lower, as compared with the appraisal estimates.

The Government has made only token attempts to comply with the financial requirements for its Lake Service operations (Attachment 2). This issue is currently under review as part of the ongoing Transport Sector Review which could result in some modifications of the relevant credit covenants.

With completion of all the NTC facilities scheduled for the first quarter of 1991, the NTC will become operational. Two road rehabilitation contracts will continue for another 2 to 3 years but the NTC traffic would not be severely hampered, since the contractors are obliged to maintain traffic during the construction period. So, although the NTC traffic could begin to flow in early 1991, the Government has been extremely slow in taking the necessary steps to make the corridor operational: the MCC Company was incorporated only in February 1990 but no General Manager has been appointed so far, and no action has been taken to identify and engage an operator for the NTC facilities. This lack of action on the Government's side is by far the most serious problem and could affect the economic and financial viability of the project in a most significant way.

SECTION 8: SUMMARY OF AGREEMENTS WITH BORROWER, AND FURTHER ACTIONS RECOMMENDED TO BE TAKEN BY (a) BORROWER AND (b) BANK:

The mission recommended that a task force be established immediately to sort out the problems with the NTC operations, the most urgent of which would be to appoint and put in place an agency to operate the MCC facilities (Aide-Memoire, Attachment 3). The Bank in its letter of December 5, 1990 (Attachment 4), advised the Government that suspension of disbursements would be considered if the MCC operator has not been appointed by January 15, 1991. With regard to the HCC contract, the Government agreed to explore the options to speed up the progress, as recommended by the mission (Attachment 5). The next mission of a highway engineer should be scheduled for April/May 1991 to coincide with

- 1/ This part of Form 590 (from Section 5 onwards) is prepared on the word processor until the MIS provides a suitable word processing capacity. The length of each section is variable but the total should not exceed two pages. The norm should be one page.
- 2/ As may be appropriate for the Annual Review Implementation and Supervision.

the Country Implementation Review. If the Government has made no progress by mid January 1991 on the MCC operational problems, the mission should be advanced to late January 1991.

NAME OF PREPARING OFFICER:

REVIEWED BY: (DIVISIONAL MANAGER)

REVIEWED BY: (DIR/RVP) 2/

- 1/ This part of Form 590 (from Section 5 onwards) is prepared on the word processor until the MIS provides a suitable word processing capacity. The length of each section is variable but the total should not exceed two pages. The norm should be one page.
- 2/ As may be appropriate for the Annual Review Implementation and Supervision.

MALAWINorthern Transport Project - Credit 1879-MAISupervision Mission - October 1990

	<u>Total Cost (million)</u>			
	<u>Appraisal/a</u>		<u>December 1990</u>	
	<u>US\$</u>	<u>MK</u>	<u>US\$</u>	<u>MK</u>
A. <u>Road construction</u>				
(i) (a) Karonga-Songwe	14.4	33.1	10.8	27.0
(b) Songwe-Ibanda	2.7	6.2	2.2	5.6
(ii) Ibanda-Uyole	16.4	37.7	20.0	b/50.0
(iii) (a) Salima-Jct.M18	8.0	18.4	6.3	15.7
(b) Chipoka Access	0.2	0.5	0.2	0.4
(c) Jct.M18-Balaka	8.3	19.1	5.8	14.5
Subtotal	<u>50.0</u>	<u>115.0</u>	<u>45.3</u>	<u>113.2</u>
B. <u>Malawi Cargo Center</u>				
(i) Dar Dry Cargo	11.9	27.4	11.4	28.5
(ii) Mbeya Dry Gargo	6.9	15.6	6.5	16.3
(iii) Gantry Cranes	-	-	3.3	8.3
(iv) Misc. Equipment	-	-	5.3	13.2
(v) Squatter Resettlement	0.9	2.1	2.5	6.2
Subtotal	<u>19.7</u>	<u>45.1</u>	<u>29.0</u>	<u>72.5</u>
C. <u>Fuel Handling</u>				
(i) Dar Fuel Storage	5.9	13.6	14.4	36.0
(ii) Mbeya Fuel Storage	2.7	6.2	6.6	16.5
Subtotal	<u>8.6</u>	<u>19.8</u>	<u>21.0</u>	<u>52.5</u>

D. Fuel Transport

(i) Tank Containers	0.5	1.1	0.9	2.3
(ii) Rail Tank Wagons	1.3	3.0	1.4	3.5
Subtotal	<u>1.8</u>	<u>4.1</u>	<u>2.3</u>	<u>5.8</u>

E. Lake Facilities

(i) Container Vessel	2.9	6.6	7.7	19.3
(ii) Chipoka Port	4.4	10.1	2.3	5.8
(iii) Chilumba Port	6.6	15.1	3.7	9.2
(iv) Monkey Bay Shipyard	4.0	9.2	2.4	6.0
(v) Gantry Cranes, Winches and Generators	-	-	4.2	10.5
Subtotal	<u>17.8</u>	<u>41.0</u>	<u>20.3</u>	<u>50.8</u>

F. Border Post and Weighbridge

(i) Border Post	0.7	1.6	0.7	0.7
(ii) Weighbridge	0.2	0.5	-	<u>c/</u>
Subtotal	<u>0.9</u>	<u>2.1</u>	<u>0.7</u>	<u>0.7</u>

G. Consulting Services

(i) TA - NTC and Financial Controller	0.9	2.1	0.3	0.8
(ii) TA - Lake Service	0.7	1.6	0.4	0.9
(iii) Supervision of:				
(a) A(i) and F(ii)	2.7	6.2	2.2	5.4
(b) A(ii)	0.9	2.1	1.4	<u>b/</u> 3.5
(c) B	1.0	2.3	1.4	3.5
Subtotal	<u>4.6</u>	<u>10.6</u>	<u>5.0</u>	<u>12.4</u>
(iv) Supervision of:				
(a) A(iii)	1.3	3.0	1.9	4.8
(b) C, D, E and F	1.7	3.9	4.7	11.8
Subtotal	<u>3.0</u>	<u>6.9</u>	<u>6.6</u>	<u>16.6</u>
(v) Suppl. Det. Engineering	1.5	3.5	0.1	0.3
Subtotal	<u>10.8</u>	<u>24.7</u>	<u>12.4</u>	<u>31.0</u>
H. <u>Training</u> (Transport Staff)	0.3	0.7	0.3	0.7
Subtotal	<u>0.3</u>	<u>0.7</u>	<u>0.3</u>	<u>0.7</u>
TOTAL PROJECT COST	<u>109.8</u>	<u>252.5</u>	<u>131.3</u>	<u>328.1</u>

a/ SAR - December 1987

b/ Mission estimates

c/ Included in A(i)(a)

December 1990

MALAWI

Northern Transport Project - Credit 1879-MAI

Supervision Mission - October 1990

Compliance with Covenants

- | | |
|---|--|
| (a) The Government shall consult with the Bank prior to undertaking any major investments in its transport sector, including investments in vessels and port maintenance facilities on Lake Malawi. | Being done annually in connection with the Bank's review of the Public Sector Investment Program. |
|
 | |
| (b) The Government shall: | |
| (i) take all measures necessary for the establishment of the MCC Company by June 30, 1988, or such later date as may be agreed by the Government and the Bank; and | The date was formally extended by one year by the Bank. However, the MCC Company was incorporated only on February 23, 1990. |
| (ii) prior to the formation of the MCC Company, furnish to the Bank, for its review, the memorandum and articles of association of the MCC Company. | Complied with. |
|
 | |
| (c) The Government shall, and shall cause MRHC, MR and the MCC Company to, furnish to the Bank certified copies of the audit reports as follows: | |
| (i) as soon as available, but in any case not later than six month after the close of the fiscal year, for MRHC, MR and the MCC Company, and | Not yet applicable. |
| (ii) not later than nine months after the end of the fiscal year for MTC and MWS | The audit reports for the MWS project accounts are being submitted in a timely fashion. For MTC, it is not yet applicable. |

- (d) The Government shall cause MR to:
- (i) maintain for its Lake Service, an operating ratio of not higher than:
 - 100% for 1988/89;
 - 95% for 1989/90; and
 - 90% for each of the subsequent fiscal years; and
 - (ii) restructure the passenger-service of the Lake Service with a view to progressively eliminating, in respect of such operations, all losses by no later than June 30, 1991.
- (e) Before December 31 in each of its fiscal years, the Government shall cause MR, on the basis of forecasts prepared by MR and satisfactory to the Bank, to review whether it would meet the requirements set forth in the preceding paragraph in respect of such year and the following fiscal year, and shall furnish to the Bank the results of such review upon its completion.
- (f) If any such review shows that MR would not meet the requirements set forth in paragraph (d) above for MR's fiscal years covered by such reviews, the Government shall promptly take, or as appropriate, cause MR to take, all necessary measures (including, without limitation, adjustments of the structure or level of its rates and the frequency of its services) in order to meet such requirements.

The Government has made only token attempts to comply with this covenant. The Lake Service is being reviewed in detail as part of the ongoing Transport Sector Review, and recommendations to improve its operations are being formulated.

Not complied with. As part of the ongoing Transport Sector Review, these covenants will be modified and eventually amended.

Not complied with; see comments above.

December 1990

MALAWI

Northern Transport Corridor Project - Credit 1879-MAI

Supervision Mission - October 1990

Aide-Memoire

General

1. The World Bank mission of Mr. Preben Jensen, Principal Highway Engineer, visited Malawi from October 14 to 23, 1990, to review the status of the above project. The mission accompanied by Malawi representatives, visited the sites of Chipoka, Monkey Bay and the Balaka-Salima road rehabilitation in Malawi. At the end of the Malawi visit, the mission will proceed to Dar es Salaam to review the status of the facilities being implemented there. The mission held meetings in Malawi with officials from the Ministry of Works (MOW), Ministry of Transport and Communications (MOTC), Ministry of Finance (MOF), and representatives from the contractors and consultants involved in the project, the various donors, USAID and ODA, and from the Malawi Cargo Center (MCC) Company.

Operation of the Northern Transport Corridor (NTC)

2. Two of the project components, the Ihanda-Uyole and the Balaka-Salima road rehabilitation, have serious implementation delays but the corridor traffic will be able to pass these work sites without significant problems. The implementation delays experienced on these two road projects are by far overshadowed by the delays occurred in making preparations for operating the corridor facilities, which will be ready during the first quarter of 1991. At the end of the last World Bank mission in early April 1990, the mission concluded the following (Aide-Memoire, para 14):

"With exception of the two rehabilitation contracts for the Ihanda-Uyole road and the Balaka-Salima road, all other project components would be operational by April 1991. The MCC Company was incorporated on February 23, 1990. Applications for the General Manager position have been received (deadline: April 12, 1990) and at least four potential candidates have been identified. However, it is unlikely that the General Manager will be in post before August 1990. The MCC Board of Directors (Malawi Railways (MR), Petroleum Control Commission (PCC), acting as Secretariat, and four clearing agents) will meet in its first Board meeting on April 20, 1990. In addition to reviewing the applications for the General Manager position, the Board will agree on steps to invite bids from interested parties for operation of the MCC facilities in Dar es Salaam and Mbeya. Action on this matter cannot await the appointment of the General Manager, since the operators would have to be selected and in place several months (for planning and training purposes and to receive tools and equipment) before the corridor facilities become operational in April 1991.

Although the MCC Company was incorporated only in February 1990, as compared to the original deadline of June 30, 1988, agreed with the Bank at negotiations and covenanted in the Credit Agreement, the April mission was reasonably optimistic that there would still be time for an orderly planning and preparation process for operation of the corridor facilities. However, the current mission on its arrival in Malawi found, much to its astonishment and consternation, that (i) the General Manager has not yet been appointed, and (ii) no action has been taken to identify and designate an organization to operate the corridor facilities. We are now in the awkward situation that the High Commissioner of Malawi in Dar es Salaam will have to locate and rent temporary facilities to store equipment for the MCCs until the operating agency has been appointed.

3. At the time when the idea of the NTC Project was conceived back in 1982/83, there were no diplomatic relations between Malawi and Tanzania. After this hurdle was overcome by the two governments establishing such relations, the feasibility studies proceeded. After the studies, after the detailed engineering, after considerable cost overruns (generously absorbed by the main donors, USAID, ODA and KfW), after several design changes (the most significant of these was the change of the site for the Dar es Salaam MCC), after arrangements for resettlement of the squatters living on the new MCC site were made, after the efforts of getting the Bilateral Agreement between Malawi and Tanzania made effective (which required intervention by the Bank at the highest level), after numerous steering committee meetings, after tender and award of several contracts for the civil works and the supervision consultants, after the actual implementation of the civil works for the MCCs, after all these efforts over the last seven years, now in the eleventh hour before all these efforts can come to fruition, bureaucratic difficulties are hampering the effective utilization of the project facilities.

4. Despite (i) repeated statements by the Malawian Government of how important the NTC is for Malawi's international transport situation, (ii) the millions of dollars of donor funds invested in the project, as well as the Malawi Government's own contribution to the project components and, in particular, to the compensation paid to the squatters on the Dar es Salaam MCC site, (iii) the Malawi Government's policy decision to import 50% of all fuel requirements through the NTC; and (iv) the potential of the corridor to save the Malawian economy more than US\$1 million per MONTH, further delays are now threatening the successful opening of the corridor. The mission strongly recommends that a task force be established immediately to sort out the problems, the most urgent of which is to appoint and put in place an organization to be responsible for the initial operation of the MCC facilities.

Road Rehabilitation Works

5. Ibanda-Uyole Road - The Netherlands Government and EEC have agreed to joint financing of this road. The tender will be prepared by EEC and it will be open to all EEC and ACP countries. The tender date is scheduled for late October 1990, with construction beginning in early 1991. The estimated completion of the road is in early 1993. The contractor will be obliged to keep the road open for heavy truck traffic during the construction period.

6. Balaka-Salima Road - During the last Bank mission in April 1990, the contractor, the Hindustan Construction Company, presented an action program which, if implemented, would have demonstrated the contractor's commitment to complete the project. A deadline was set at the end of May 1990, by when the contractor should have completed 10% of either of the two contract sections. Otherwise, MOW was recommended to take steps to terminate the contract. Although the contractor did not meet the target, MOW found that some significant improvements had been made which would make it preferable to continue with Hindustan, even if the project would be delayed by up to two years. A KfW mission visited the site in late July and confirmed MOW's more optimistic reading of the situation. However, KfW also imposed a new target for the contractor to accomplish, namely, that by the end of November 1990 the contractor shall have finished 20% of the KfW-financed northern section of the road works. If the contractor does not reach that target, MOW has agreed to terminate the contract. As a result of this condition, the contractor has put all his resources into the KfW-financed section and has completely abandoned the IDA-financed southern section, on which only about 3% of the work has been carried out so far.

7. It appears that the contractor has a good chance to reach the 20% target, but it remains to be seen whether this effort will be his last gasp, or whether he will be able to keep up the momentum. Even with the contractor's improved site operations, it is still estimated

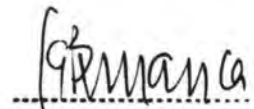
that it will take him another year to complete the KfW section, and another 2 to 3 years to complete the IDA section. MOW has been urged to study other options, including forcing the contractor to subcontract part of the work, and/or curtailing his contract so that he only finishes the stretches where he is working at present, and retendering the remainder. The last option would require that the Government line up additional funding for the project since it would be virtually impossible for IDA to provide a supplementary credit.

Acknowledgements

8. The mission wishes to express its gratitude and thanks for the cooperation extended to it by officials of the Government, and contractors and consultants working on NTC components, as well as for the field trip organized by MOW staff and the supervisory consultants.

Lilongwe
October 23, 1990


P. Jensen
World Bank


G.B. Chiwaula
Ministry of Finance

December 5, 1990

Mr. G.B. Chiwaula
Secretary to the Treasury
Ministry of Finance
P.O. Box 30049
Lilongwe, Malawi

Dear Mr. Chiwaula:

MALAWI: Northern Transport Corridor Project - Credit 1879-MAI

During his October 1990 mission to Malawi, Mr. Preben Jensen reviewed the status of the above project. His findings and recommendations are summarized in the mission's aide-memoire which he left with you at the end of his visit before joining the official Malawi delegation on its trip to Dar es Salaam. A copy of the aide-memoire is enclosed for your easy reference. I write this letter because we in the Bank are very alarmed over some of Mr. Jensen's findings.

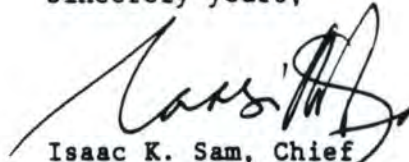
In particular, we are concerned over the total lack of progress in making arrangements for operating the corridor facilities when they will be ready during the first quarter of 1991 (please refer to paragraph 2 of the aide-memoire). Since Mr. Jensen's last mission in April, six to seven months have elapsed with only limited or no action from the Government's side to get the MCC company fully established and funded, including the appointment of the General Manager, and to identify and retain the services of an operator of the MCC facilities, and we find that very upsetting. What is more disquieting is that Mr. Jensen was told in Malawi that all the shareholders in the Malawi Cargo Center (MCC) company had paid in their shares of the company's capital, but on arrival in Dar es Salaam he was advised that Malawi Railways, the largest shareholder, had not yet paid its share despite having received the funds under a special vote from the Ministry of Finance.

Notwithstanding that the Government agreed to establish the MCC company by June 30, 1988, and therefore is now in default of the Credit Agreement (Section 3.03(a)), we find that this lack of progress to a large extent confirms our impression that the Government has lost interest in the Northern Transport Corridor.

In recent correspondence with the cofinanciers of the project, KfW has raised the same questions about the Government's intentions. We enclose a copy of a fax letter we have received from KfW on this issue. Reluctantly, we have to admit that we are at a loss to explain to the other donors what is behind this lack of Government action with regard to the MCC company. Any comments you might wish to make on KfW's queries would be appreciated.

We ask you kindly to let us know at the earliest of the latest developments that have taken place since Mr. Jensen's visit. Unless the MCC company has been fully set up and an operator nominated and put in place to operate the MCC facilities in Dar es Salaam and Mbeya by January 15, 1991, the Bank will be forced to take steps to suspend all further disbursements from the Credit.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

Enclosures

cc: Mr. J.L. Kalemera
Ministry of Transport
Lilongwe, Malawi

Mr. C. Clark
Ministry of Works
Lilongwe, Malawi

Mr. J. Malone
World Bank
Lilongwe, Malawi

Ms. C. Peasley
USAID
Lilongwe, Malawi

Dr. D. Osborne
British High Commissioner
British High Commission
Lilongwe, Malawi

Dr. Raschen
Kreditanstalt für Wiederaufbau
Frankfurt, Germany

Mr. G.B. Chiwaula

- 3 -

Cleared with and cc: Mr. King

cc: Messrs. Denning, Singh, Messenger, Scobey, Jovanovic, Zerabruk;
Mmes. Burns, Fantaye

PJensen/mof

MALAWI

Northern Transport Corridor Project - Credit 1879-MAI

Supervision Mission - October 1990

Aide-Memoire

General

1. The World Bank mission of Mr. Preben Jensen, Principal Highway Engineer, visited Malawi from October 14 to 23, 1990, to review the status of the above project. The mission accompanied by Malawi representatives, visited the sites of Chipoka, Monkey Bay and the Balaka-Salima road rehabilitation in Malawi. At the end of the Malawi visit, the mission will proceed to Dar es Salaam to review the status of the facilities being implemented there. The mission held meetings in Malawi with officials from the Ministry of Works (MOW), Ministry of Transport and Communications (MOTC), Ministry of Finance (MOF), and representatives from the contractors and consultants involved in the project, the various donors, USAID and ODA, and from the Malawi Cargo Center (MCC) Company.

Operation of the Northern Transport Corridor (NTC)

2. Two of the project components, the Ibanda-Uyole and the Balaka Salima road rehabilitation, have serious implementation delays but the corridor traffic will be able to pass these work sites without significant problems. The implementation delays experienced on these two road projects are by far overshadowed by the delays occurred in making preparations for operating the corridor facilities, which will be ready during the first quarter of 1991. At the end of the last World Bank mission in early April 1990, the mission concluded the following (Aide-Memoire, para 14):

"With exception of the two rehabilitation contracts for the Ibanda-Uyole road and the Balaka-Salima road, all other project components would be operational by April 1991. The MCC Company was incorporated on February 23, 1990. Applications for the General Manager position have been received (deadline: April 12, 1990) and at least four potential candidates have been identified. However, it is unlikely that the General Manager will be in post before August 1990. The MCC Board of Directors (Malawi Railways (MR), Petroleum Control Commission (PCC), acting as Secretariat, and four clearing agents) will meet in its first Board meeting on April 20, 1990. In addition to reviewing the applications for the General Manager position, the Board will agree on steps to invite bids from interested parties for operation of the MCC facilities in Dar es Salaam and Mbeya. Action on this matter cannot await the appointment of the General Manager, since the operators would have to be selected and in place several months (for planning and training purposes and to receive tools and equipment) before the corridor facilities become operational in April 1991."

Although the MCC Company was incorporated only in February 1990, as compared to the original deadline of June 30, 1988, agreed with the Bank

at negotiations and covenanted in the Credit Agreement, the April mission was reasonably optimistic that there would still be time for an orderly planning and preparation process for operation of the corridor facilities. However, the current mission on its arrival in Malawi found, much to its astonishment and consternation, that (i) the General Manager has not yet been appointed, and (ii) no action has been taken to identify and designate an organization to operate the corridor facilities. We are now in the awkward situation that the High Commissioner of Malawi in Dar es Salaam will have to locate and rent temporary facilities to store equipment for the MCCs until the operating agency has been appointed.

3. At the time when the idea of the NTC Project was conceived back in 1982/83, there were no diplomatic relations between Malawi and Tanzania. After this hurdle was overcome by the two governments establishing such relations, the feasibility studies proceeded. After the studies, after the detailed engineering, after considerable cost overruns (generously absorbed by the main donors, USAID, ODA and KfW), after several design changes (the most significant of these was the change of the site for the Dar es Salaam MCC), after arrangements for resettlement of the squatters living on the new MCC site were made, after the efforts of getting the Bilateral Agreement between Malawi and Tanzania made effective (which required intervention by the Bank at the highest level), after numerous steering committee meetings, after tender and award of several contracts for the civil works and the supervision consultants, after the actual implementation of the civil works for the MCCs, after all these efforts over the last seven years, now in the eleventh hour before all these efforts can come to fruition, bureaucratic difficulties are hampering the effective utilization of the project facilities.

4. Despite (i) repeated statements by the Malawian Government of how important the NTC is for Malawi's international transport situation, (ii) the millions of dollars of donor funds invested in the project, as well as the Malawi Government's own contribution to the project components and, in particular, to the compensation paid to the squatters on the Dar es Salaam MCC site, (iii) the Malawi Government's policy decision to import 50% of all fuel requirements through the NTC; and (iv) the potential of the corridor to save the Malawian economy more than US\$1 million per MONTH, further delays are now threatening the successful opening of the corridor. The mission strongly recommends that a task force be established immediately to sort out the problems, the most urgent of which is to appoint and put in place an organization to be responsible for the initial operation of the MCC facilities.

Road Rehabilitation Works

5. Ibanda-Uyole Road - The Netherlands Government and EEC have agreed to joint financing of this road. The tender will be prepared by EEC and it will be open to all EEC and ACP countries. The tender date is scheduled for late October 1990, with construction beginning in early 1991. The estimated completion of the road is in early 1993. The contractor will be obliged to keep the road open for heavy truck traffic during the construction period.

- 3 -

6. Balaka-Salima Road - During the last Bank mission in April 1990, the contractor, the Hindustan Construction Company, presented an action program which, if implemented, would have demonstrated the contractor's commitment to complete the project. A deadline was set at the end of May 1990, by when the contractor should have completed 10% of either of the two contract sections. Otherwise, MOW was recommended to take steps to terminate the contract. Although the contractor did not meet the target, MOW found that some significant improvements had been made which would make it preferable to continue with Hindustan, even if the project would be delayed by up to two years. A KfW mission visited the site in late July and confirmed MOW's more optimistic reading of the situation. However, KfW also imposed a new target for the contractor to accomplish, namely, that by the end of November 1990 the contractor shall have finished 20% of the KfW-financed northern section of the road works. If the contractor does not reach that target, MOW has agreed to terminate the contract. As a result of this condition, the contractor has put all his resources into the KfW-financed section and has completely abandoned the IDA-financed southern section, on which only about 3% of the work has been carried out so far.

7. It appears that the contractor has a good chance to reach the 20% target, but it remains to be seen whether this effort will be his last gasp, or whether he will be able to keep up the momentum. Even with the contractor's improved site operations, it is still estimated that it will take him another year to complete the KfW section, and another 2 to 3 years to complete the IDA section. MOW has been urged to study other options, including forcing the contractor to subcontract part of the work, and/or curtailing his contract so that he only finishes the stretches where he is working at present, and retendering the remainder. The last option would require that the Government line up additional funding for the project since it would be virtually impossible for IDA to provide a supplementary credit.

Acknowledgements

8. The mission wishes to express its gratitude and thanks for the cooperation extended to it by officials of the Government, and contractors and consultants working on NTC components, as well as for the field trip organized by MOW staff and the supervisory consultants.

Lilongwe
October 23, 1990



P. Jensen
World Bank

Signed: G.B. Chiwaula
Ministry of Finance

Telex/Telefax

EILT-SEHR

SOFORT AN FERNSCHREIB-ZENTRALE

- 823- 1. World Bank, Washington
Fax No 001 202-477 6391
- 824 2. World Bank
Lilongwe, Malawi
Tx 44 329 worldbk ml
- 825 3. USAID
Washington
Tx 440 001
- 826 4. ODA, Lilongwe, Malawi
Fax 00265/734 163
- 827 5. Commission of European Community,
Lilongwe, Malawi
Tx 44 260 delegen ml

EM... 20.11.90 14:10

17

He

from KfW, Frankfurt, Dr. Raschen

to World Bank, Washington, Mr. Preben Jensen,
Infrastructure Operations Division,
Southern Africa Department
to World Bank, Lilongwe
to USAID, Washington, pls transmit copy to
USAID, Lilongwe
to ODA, Lilongwe
to Commission of European Community, Lilongwe,
Mr. Schmidt

Re: Financial Co-operation with Malawi
Northern Transport Corridor (NTC) Programme

Dear Sirs,

Most of the investments of the NTC Programme will be ready for commissioning in early 1991. However, due to lack of information we are not in a position to assess the overall functioning of the envisaged transport from Dar es Salaam to southern Malawi. The latest report we have from World Bank as the leading Donor Agency dates april 1990 (Aide memoire of Mr. Preben Jensen's mission april 18, 1990). It is our impression that every donor is focussing on the proper implementation of their own part of the programme whereas little is being done as to the monitoring of the fitting together of the different project components and the control of the ful-

filment of additional conditions to be met in order to secure proper functioning of the NTC. In this respect our requirements have in the past only very marginally been met by the Programme Co-ordinator of MoTC. Apart from the fact that there is no regular reporting about the progress of the whole programme the main actual problems from our point of view are the following:

- Despite several queries from KfW the management of the Malawi Cargo Centre (MCC) has not been appointed up to now although - as we were told by MoTC - some qualified candidates have already been identified some months ago. MoTC has presented different explanations for the delay none of which are convincing. After a meeting with MoTC, Ministry of Finance and Malawi Railways in October we had the impression that Malawi is ~~not~~ not fully aware of the urgency of the matter. We learnt that the Steering committee was supposed to discuss this issue on October 31; we have not yet received any information about the outcome of that meeting.
- Due to the non-appointment of MCC managers no efforts have been made up to now to select operating companies for the dry cargo and the fuel tanks in Dar and Mbeya. Maintenance problems after commissioning of the fuel tanks are most likely.
- Only in October 1990 MoTC informed us about the severe silting problem at Chipoka harbour and asked for financing of a study and eventually a break water out of German funds which are, however, not available. Has this problem not been identified at an earlier date by ODA and USAID as the financiers of the investments in Chipoka? Loaded vessels cannot land at the jetty at the moment.
- According to our knowledge the rehabilitation of the Ibanda-Uyole road is extremely delayed. In how far does this affect the functioning of the corridor?
- Are TAZARA and Tanzania Harbour Authority (THA) involved in solving the logistic problems in Tanzania?
- Is there sufficient trucking capacity for the road transport between Mbeya and Chilumba? Are private carriers interested in offering such services?
- We have no information about the state of affairs of the border post and the weighbridge at the Malawi/Tanzania border.
- Is it still realistic to expect that 30 % of Malawi's foreign trade will be diverted from the southern routes to the Northern Corridor? What is the impact of the reopening of the Nacala and Beira lines?

WDIAL
.AF6IN
OINFO

-SUBJECT: MALAWI - NORTHERN TRANSPORT CORRIDOR PROJECT -
-CREDIT 1879-MAI
-DRAFTED BY: PJENSEN/MOF *[Signature]*
-EXT.: 34393
-AUTHORIZED BY: ISAAC K. SAM, CHIEF, AF6IN
-CLEARED WITH AND CC: MR. SINGH, AF6DR
-CC: MESSRS. AIKINS-AFFUL, KING, ZERABRUK, FERNANDO
-MMES. BURNS, FANTAYE
-DOCUMENT NAME: MBALAKAS.ALI

988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-FOR MESSRS. CLARK AND CHISI
IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. J. MALONE
BT

WASHINGTON DC November 27, 1990
FOR MESSRS. CLARK AND CHISI, MINISTRY OF WORKS, LILONGWE, MALAWI.
COPY FOR MR. J. MALONE, WORLD. BANK, LILONGWE, MALAWI. RE: NORTHERN
TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI. I REFER TO THE MEETING
WITH MR. CHISI IN JOHANNESBURG ON NOVEMBER 11, IN WHICH WE DISCUSSED
THE PROBLEMS WITH THE CONTRACTOR HINDUSTAN ON THE BALAKA-SALIMA
PROJECT. AFTER MY RETURN TO WASHINGTON, I HAVE HAD THE OPPORTUNITY
TO REVIEW THE MATTER WITH MR. JENSEN, WHO RECENTLY VISITED MALAWI TO
REVIEW THE NTC PROJECT, AND THE BALAKA-SALIMA PROJECT IN PARTICULAR.
HIS FINDINGS AND RECOMMENDATIONS WERE SUMMARIZED IN THE MISSION'S
AIDE-MEMOIRE, COPIES OF WHICH WERE LEFT BEHIND WITH MR. CHISI. (AAA)
I UNDERSTAND THAT HINDUSTAN IN LATE JULY WAS GIVEN A TARGET OF 20
PERCENT OF THE NORTHERN KFW-FINANCED PART OF THE WORKS, TO FINISH
OVER A PERIOD OF FOUR MONTHS, FROM AUGUST TO NOVEMBER. I ALSO
UNDERSTAND THAT IF THE CONTRACTOR DOES NOT REACH THE TARGET, THEN KFW
WOULD SUSPEND DISBURSEMENTS, WHICH WOULD FORCE THE GOVERNMENT TO
TERMINATE THE CONTRACT WITH HINDUSTAN. PLEASE LET US KNOW
IMMEDIATELY WHETHER THE CONTRACTOR WILL BE ABLE TO MEET THE TARGET.
(BBB) HOWEVER, EVEN IF THE CONTRACTOR MEETS THE TARGET, THE RATE OF

*Sent 11/28/90
#2557
[Signature]*

PROGRESS WOULD STILL BE ONLY ABOUT FIVE TO SIX PERCENT PER MONTH OF THE KFW-FINANCED PART, AND WITH 65 PERCENT REMAINING IT WOULD STILL TAKE THE CONTRACTOR ABOUT A YEAR TO COMPLETE THE KFW-FINANCED PART. IF THE CONTRACTOR WOULD BE ABLE TO MAINTAIN THE RATE OF MONTHLY PROGRESS ALSO FOR THE IDA-FINANCED PART, ON WHICH HE SO FAR HAS COMPLETED LESS THAN 3 PERCENT, IT WOULD STILL TAKE HIM AT LEAST TWO YEARS TO COMPLETE THIS PART. SUCH DELAYS ARE CLEARLY UNACCEPTABLE, AND MOW THEREFORE NEEDS TO STUDY OTHER OPTIONS FOR COMPLETING THE WORKS IF WE ARE TO AVOID WASTING THE ECONOMIC BENEFITS ASSOCIATED WITH THIS PORTION OF THE PROJECT. MR. JENSEN SUGGESTED IN HIS AIDE-MEMOIRE THAT THE FOLLOWING OPTIONS BE EXPLORED, CONSISTENT WITH THE CONTRACTUAL OBLIGATIONS: (1) COMPEL HINDUSTAN TO SUBCONTRACT A MAJOR PART OF THE WORK. WE WOULD LIKE TO RECEIVE AN ANALYSIS OF THIS PROPOSAL, INCLUDING AN ESTIMATE OF THE ADDITIONAL COST INVOLVED BECAUSE THE SUBCONTRACTOR COULD ASK FOR HIGHER UNIT RATES THAN IN THE ORIGINAL HINDUSTAN CONTRACT. (2) CURTAIL THE HINDUSTAN CONTRACT SO THAT THE CONTRACTOR WOULD FINISH ONLY THE STRETCHES WHERE HE IS WORKING AT PRESENT, AND RETENDER THE REMAINDER. THE ANALYSIS OF BOTH THESE PROPOSALS SHOULD INCLUDE AN ESTIMATE OF THE BENEFITS (AND DISBENEFITS) AS WELL AS THE ADDITIONAL COSTS, COMPARED TO CONTINUING WITH HINDUSTAN FOR THE NEXT THREE YEARS, TOGETHER WITH AN ASSESSMENT OF WHETHER HINDUSTAN ACTUALLY WOULD BE IN A POSITION TO COMPLETE THE CONTRACT, CONSIDERING THAT CASH FLOW PROBLEMS ARE BOUND TO PERSIST AND FOR WHICH HE PROBABLY WOULD HAVE NO SOLUTIONS. WE ASK YOU KINDLY TO SUBMIT THE RESULTS OF THE ANALYSES AS DESCRIBED ABOVE TO US FOR OUR REVIEW BY NO LATER THAN DECEMBER 17, 1990. (CCC) I HAVE RECEIVED YOUR LETTER REGARDING THE ISSUE ON THE PLANNING UNIT AND WILL REVERT TO YOU ON THIS SHORTLY. BEST REGARDS, ISAAC K. SAM, INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA DEPARTMENT.

MAL - 02 1879
ges 21.12.
12/19/90 AFK-1K
Jensen

- 1 -

Telefax an
Faxnummer des Empfängers: 00265-730389

Unsere Zeichen: Wü/Krs 668
Durchwahl: 2763
Datum: 12.12.1990

Ministry of Works
Attn. Mr. C. Clark
Secretary for Works

TX 44285 in works

Date Recd 11/3/91
Date Actd 4/30/91
Asst. Secy. J. Jensen

copy: Worldbank, Mr. P. Jensen
Telefax: 001202-4776391

L II b/2 - Financial Cooperation with MALAWI
DM 13,6 Mio for Rehabilitation for Salima-Mua Road
86 65 655

Project Name 02 Malawi
Africa Info. Center I

Dear Mr. Clark,

reference is made to your telex 10/12/90 your telefax 19/12/90 and visit of representatives of The Hindustan Construction Co Ltd. (Mr. Savur, Mr. Desai) on 17.12.1990. We have been informed by the Contractor that because of his financial constraints he is not able or not even prepared to complete the works under the contracts 44/86 and 45/86.

Based on a Memorandum which has been handed over to us the contractor is asking for:

- (a) non-enforcement of penal provisions
- (b) revision of unit rates
- (c) additional working capital.

It has been clearly pointed out from our side to the contractor that all these points have to be submitted first of all to his employer, the Ministry of Works which will then decide on further steps.

We are therefore of the opinion that in the light of this Memorandum, which according to the contractor has so far not been brought to your knowledge, the options mentioned in your a.m. telex and telefax need a thorough scrutiny.

With regard to option 1 it has therefore to be clarified, whether HCC is willing and prepared to complete 44/86 at the existing rates and whether a competitive subcontractor could be employed for completion of works under 45/86. Furthermore it is unclear to us on which assumptions the completion date of November 1992 for 44/86 is based. In any case we would like to receive a detailed cost estimate for option 1 assuming that HCC will complete works under 44/86 on existing or revised unit rates.

Option 2 is also acceptable to us.

Option 3 needs a more detailed specification. We would like to receive a separate detailed cost estimate for the outstanding works under each contract (44/86 and 45/86) by indicating the tender on which estimate has been based. Information is also requested when and out of which financial resources the remaining km 103 to 146 will be completed.

Comments are also requested on reasons for different additional supervision cost under option 1 and 3.

We have to point out that the position today is nearly the same as ~~at~~ the beginning of this year, this means the correct execution of construction works is highly endangered. Therefore your early answer until January 15, 1991 at the latest is requested.

Merry Christmas and a happy new year.
KREDITANSTALT FÜR WIEDERAUFBAU

Dame GA fw

MAI-CV 1879

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK ESQ, SECRETARY FOR WORKS

To MR.P. JENSEN, THE WORLD BANK

Fax Number 101 1 202 477 6391 OR 101 1 202 477 8164

Country UNITED STATES OF AMERICA

Total Pages (including header) 5

Our Ref. CONF 84/1/57(110) cc File RP 152 XII

Date 18th December 1990

Subject SALIMA BALAKA ROAD PROJECT

CONTRACTS 44/86 AND 45/86

Date Rec'd 12/19/90
Date Ack'd Not rec'd. Our Telex
Assigned JPS 4/30/91
JPS 16% refus
Project Name 281 Malawi
Africa Info. Center J NTC

cc KFW, West Germany (Attention Mr. Wunsch)
The Secretary to the Treasury, Lilongwe 3
Scott Wilson Kirkpatrick and Partners, Lilongwe

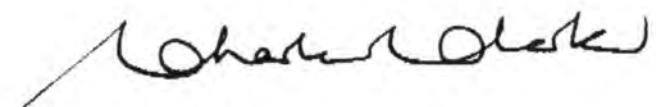
Refer to the telephone conversation Jensen/Clark of the 14th December 1990. I am enclosing with this telefax a paper which I commissioned from the Consulting Engineers headed - REHABILITATION OF ROAD M17 BETWEEN SALIMA AND BALAKA - CONTRACTS 44/86 AND 45/86 - POSSIBLE FUTURE OPTIONS. From this will be seen that concern is still being expressed about Hindustan's ability to complete the contract. It was therefore felt necessary to examine these scenarios with a view to determining what possible future action may be open to us in the event of a final decision being made that Hindustan by its own resources cannot produce with due diligence the necessary out put to ensure completion.

The options are self explanatory. If this Ministry has freedom of choice and all other parties were amenable, out ~~first preference would be option 1~~. In the event of this being unacceptable either to the Bank, KFW or indeed to Hindustan, then it would be considered necessary to opt for option 3.

The uncertainty of the outcome in option 2 is such as to make the risk unacceptable to the Malawi Government.

If the second of these courses of action have to be followed, it is clear that a portion of the road would remain unfinished after completion of the works that could be debited against the existing grant/loan. These portions are clearly detailed in the various options. I would welcome your observations and would wish to learn how acceptable these courses of action may be to you and the Procurement Section of the World Bank. By copy of this telefax I would also ask Mr. Wunsch of KFW to let us have their reactions to the two scenarios. In the meantime, all parties should note that river training works have been proceeding at a reasonable pace, thus securing the existing bridge works and at the present moment the contractor is continuing to lay bitumen on the 44/86 contract. It is understood that ~~by the end of the year they propose to put yet another option to the Malawi Government as to how they intend to complete the project.~~

It is in order to be prepared for alternative action should their proposal prove unacceptable that your reactions to the above are now requested.


C. Clark
SECRETARY FOR WORKS

REHABILITATION OF ROAD M17 BETWEEN SALIMA AND BALAKA
CONTRACTS 44/86 AND 45/86

POSSIBLE FUTURE OPTIONS

Progress on the above Contracts has been unsatisfactory. The Time for Completion expires on 18 December 1990. By that date the Contractor is likely to have completed only some 40% and 3% of the permanent work for Contracts 44/86 and 45/86 respectively. The Contractor has suffered a succession of financial crises caused by the combination of slow progress, low unit rates and inefficient plant and working practices. Severe doubts exist as to the ability and will of the Contractor to complete the Contracts.

With the above in mind an exercise has been carried out to identify possible options and to assess the cost and time implications of each. Three options were identified as follows.

Option 1

Hindustan Construction (HCC) to complete 44/86 and that portion of 45/86 on which they have started work (km 62 to 71). The balance of 45/86 to be the subject of a competitive sub-contract.

Funds from KfW are more than sufficient to complete 44/86 at HCC's rates. The balance of IDA funds remaining after completion by HCC to km 71 would suffice to fund a competitive sub-contract extending to km 104. There would be an outstanding amount of K2.5 million due from HCC in respect of the Working Capital Advance on completion by them to km 71 and it is not clear if, or how, this could be recovered. No account has been taken of that money in assessing the extent of a sub-contract.

Additional supervision costs are estimated at £540,000 plus K810,000.

It is estimated that if this option were implemented and a sub-contractor on site by June 1991, Contract 44/86 could be completed by November 1992 and the sub-contract for 45/86 by June 1992.

Option 2

HCC to vest the management of the Contract in a committee made up of representatives of Employer, Engineer and the Contractor's Management Consultant.

This proposal has been mooted informally by HCC. They propose the induction of a further US\$2.0 million of plant following which HCC would remain the Contractor in name only. The operating costs of the project would be borne in their entirety from project funds. There is considerable uncertainty as to the costs involved in this option and it is unlikely to be acceptable to the Ministry of Works.

Option 3

HCC to withdraw from Contracts and tenders invited for completion of project.

Under this option it is estimated that available funds would permit construction from km 17 to km 102. Some K4.7 million would be outstanding on the Working Capital Advances for the two contracts which might be recoverable through the Security Bonds. The Performance Bonds total K2.9 million and these may also be recoverable. No account of these monies has been taken in assessing the extent of construction possible.

Additional supervision costs are estimated at £400,000 plus K630,000.

It is estimated that under this Option the new Contracts could be completed by November 1992.

17 December 1990

**Need help with your business
unit's filing system?**

**Looking for information
on a Bank project?**

**Can't find that document
that you need "yesterday"?**

Contact your Regional Information Services Center

Africa ISC: JB1-085
202-473-5149
202-473-8382 (Fax)
Africa ISC Files (E-mail)

ECA/MNA ISC: H3-200
202-473-2993
202-477-0999 (Fax)
ECA MNA ISC Files (E-mail)

Asia ISC: D7-021
202-458-4476
202-522-3402 (Fax)
Asia ISC Files (E-mail)

LAC ISC: I5-200
202-473-9444
202-676-1039 (Fax)
LAC ISC Files (E-mail)

Ref. No.**RP.152 (61)**
Telephone 733 188
Telefax 730389
Telex 44285



MAI-C.1879

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

14th December 1990

KFW, Palmengartenstrasse 5-9,
Postfach 11 11 41,
6000 Frankfurt & Main 11,
GERMANY

Date Rec'd. 12/18/90
Date Ack'd. Not reg'd.
Assigned to. [Signature]

Project Name: 280 Malawi
Africa Info. Center J WTC

Dear Sir,

**CONTRACT NO.44/86 AND 45/86 REHABILITATION OF SALIMA-HUA-
BALAKA ROAD NOVEMBER 1990 PROGRESS REPORT**

Please find attached a copy of November 1990 progress report.

For the sixth successive month there has been no work carried out on Contract No. 45/86. Progress achieved still stands at 2.79%.

During the ultimatum period August through November 1990 the contractor concentrated all his scarce resources on Contract No.44/86. Rate of progress slightly increased and the contractor successfully achieved the 20% target by producing a total 20.9%.

The momentum level reached at the end of November 1990 has reduced considerably due to financial problems. The site is presently in a state of indecision awaiting from contractor's Head Office the new programme and additional plant and finance.

No programme has been provided by the contractor for the period starting 19 December 1990, but it has been intimated that construction will continue northwards to Km 38+500 until the onset of rains in December 1990.

Yours faithfully,

B.M. Chirwa
B.M. Chirwa
for: CONTROLLER OF ROADS
for: SECRETARY FOR WORKS

Copy to : The World Bank, 1818 H Street, N.W.,
Washington DC 20433. U.S.A. ✓

- : The Secretary to the Treasury, Lilongwe 3.
- : The Secretary to the President & Cabinet,, Lilongwe 3.
- : The Secretary for Transport & Communications, Lilongwe 3
- : The Secretary for Economic Planning & Development, Lilongwe 3.

MAI - CW 1879

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM

C. CLARK, SECRETARY FOR WORKS

To KFW
Fax Number 101 49 69 7431 2944
Country GERMANY
Total Pages (including header) .
Our Ref. RP 152 XII (57)
Date 10 DECEMBER, 1990
Subject SALIMA-BALAKA ROAD REHABILITATION

Date Rec'd 12/11/90
Date Ack'd Not rec'd
Assigned to [Signature]
Project Name 273 Malawi
Africa Info Center J NTC

CC : The World Bank, Washington DC, USA - Attn. Mr. P. Jensen
: The Secretary to the Treasury, Lilongwe 3
: Scott Wilson Kirkpatrick & Partners, Lilongwe

In order to keep you fully appraised of the position on this project, please find enclosed three (3) copies of faxes between this Ministry and Hindustan. These cover recent correspondence the objective of which is to attempt to ensure that a firm course of action for completion of the project is mapped out. It is understood that Hindustan may be making representations in your offices and it is therefore more desirable than ever to keep you informed of the situation on site. Any assistance that can offered in directing them towards an acceptance of the suggested plan of action would be advantageous to all concerned.

Regards

C. Clark
SECRETARY FOR WORKS

Telephone 733188
Telex 44285 Works MI
Our Fax Number : 730 389



56

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM MINISTRY OF WORKS, LILONGWE, MALAWI

To HINDUSTAN CONSTRUCTION COMPANY LTD, BOMBAY, INDIA

Fax Number 91 22 2620042

Country INDIA

Total Pages (including header) 1 (ONE)

Our Ref. RP 152/XII (56)

Date 5 DECEMBER 1990

Subject NORTHERN TRANSPORT CORRIDOR PROJECT

SALIMA-BALAKA ROAD PROJECT - CONTRACTS 44/86 AND 45/86

CLAUSE 47 : LIQUIDATED DAMAGES FOR DELAYS

ATTENTION: MESSRS DESAI OR GUBALCHAND

THE CONTRACT PERIOD FOR THE EXECUTION OF THESE CONTRACTS EXPIRES ON THE 18TH DECEMBER 1990. IN ACCORDANCE WITH CLAUSE 47, SUB-CLAUSE (i) OF THE CONDITIONS OF CONTRACT IT IS THE CLIENT'S INTENTION TO COMMENCE THE APPLICATION OF LIQUIDATED DAMAGES FOR DELAY AS OF THE 19TH DECEMBER 1990. IN ACCORDANCE WITH THE APPENDIX TO TENDER, THE AMOUNT OF LIQUIDATED DAMAGES WILL BE AT MK2,000 PER DAY.

PLEASE SHOW CAUSE, URGENTLY, WHY LIQUIDATED DAMAGES CANNOT BE APPLIED. REPEAT, YOUR RESPONSE IS REQUIRED URGENTLY.

REGARDS

M. A. KAMMALERE
for: SECRETARY FOR WORKS



THE HINDUSTAN CONSTRUCTION CO. LTD

Construction House, Walchand Hirachand Marg, Ballard Estate,

BOMBAY-400 038. (INDIA).

PHONE : 2618956 (30 lines) [GRAMS : HINCON BOMBAY.] [FAX : (022) 2620042 / (022) 2613967]
[TELEX : 11-73596 HINC IN 11-6576 HCCL IN]

TELEX [] FAX [] Message Page [] of [] Date : [] Dec. 90 []

TELEX NO. [] FAX NO. [730889 Min. of Works H]

FROM : [P N Desai, Gen. Manager (Int'l Opns), HCC, Bombay]

TO : [Mr. M. A. Kammalery, for Secretary for Works, Min. of Works, Lilongwe.]

ATTENTION [] [Transmission No.]

[PLEASE INFORM US IMMEDIATELY IF TRANSMISSION IS INCOMPLETE]

REG: NORTHERN TRANSPORT CORRIDOR PROJECT

SALIMA BALAKA ROAD PROJECT - CONTRACTS 44/86 845/86

-CLAUSE 47 - LIQUIDATED DAMAGES FOR DELAYS.

REF: YOUR FAX MSG RP 152/XII (36) DT 5TH DEC.90

1.00 We acknowledge receipt of your above fax message.

1.01 We have in our various communications to the Ministry of Works and the Donor given detailed narration of the slippages that have occurred due to reasons beyond our control. The entire situation was reviewed by the MoW in the month of March 1990 and again in August 1990 when the KfW team visited the site. It was also reviewed during the discussions that the works pertaining to Contract 44/86 could be completed by us by August/September 1991 and those connected with Contract 45/86 by August/September 1992. This was after taking into consideration the situation prevalent at site and also after assessing the equipment and other resource mobilisation undertaken by us. At this stage, we were precisely directed by the MoW that during August to November 1990 we would have to demonstrate that we achieve a progress of twenty percent of the KfW value pertaining to road and river training works. We have to inform you that this target has been achieved successfully by us.

Agreed

We have also been advised that should our performance match this requirement, due consideration would be given to us in the form of grant of additional working capital.

There is no justification for this statement

In our cash flows submitted during these discussions as demanded by the MoW, we have clearly indicated that we have not considered any effect of imposition of liquidated damages and other penal provisions as we consider that the revised programme submitted to the MoW for March 90 and August 90 was found feasible and therefore, acceptable to MoW.

- 1.02 The MoW is fully aware of the low rate structure of our contracts in comparison with the rates for similar works presently operating in Malawi, our contract rates are almost thirty percent. In fact, we wish to place these matters for consideration before the MoW in the form of a detailed memorandum as well as our programme of works for ensuing season for which we request for time upto 15th Jan.1991. Under these circumstances, and also from the equity consideration, we would be crippled in carrying out our responsibilities, if the MoW decided to impose liquidated damages. We have repeatedly explained these matters in our discussions with the MoW.

Time long unaccepted

- 1.03 We therefore, request you to hold your decision to levy liquidated damages and other penal provisions in abeyance till you examine the detailed memorandum we propose to submit to you. We are certain that we will receive due consideration from the MoW on various issues that would be represented by us for consideration.

We do hope that our request would be acceptable to you and that you would give necessary instructions for staying application of any penal provisions till the entire matter is resolved by you.

Point : 704
7 DECEMBER, 1990

HINDUSTAN CONSTRUCTION COMPANY
MUMBAI, INDIA

ATTENTION MR. DESAI

WE ARE IN RECEIPT OF YOUR FAX MESSAGE OF 7/12/90. I WOULD WISH TO POINT OUT THAT ALTHOUGH OTHER PROGRAMMES HAVE BEEN SUBMITTED THESE HAVE BEEN REGARDED AS AN INDICATION OF YOUR INTENTIONS AND THE MARCH 1989 PROGRAMME REMAINS AS THE OFFICIAL WORKING PROGRAMME.

ALTHOUGH AGREEING THAT THE 20 PER CENT WORK LEVEL FIXED BY LAW TO AVOID DETERIORATION HAS BEEN ACHIEVED WE CANNOT AGREE THAT ANY COMMITMENT WAS GIVEN REGARDING THE GRANT OF ADDITIONAL WORKING CAPITAL.

INDEED AS SUCH A GRANT WOULD ONLY COME FROM WORLD BANK SOURCES AND AS THE BANK IS EXPRESSING CONSIDERABLE DISQUIET AT THE TOTAL LACK OF PROGRESS ON THEIR CONTRACT ANY APPROACH TO THEM WOULD CERTAINLY BE REJECTED. ACCORDING TO THE PROGRAMME THEY CAN EXPECT THEIR PROJECT TO BE HEADING FOR COMPLETION.

YOUR INDICATION THAT ON THE 15TH JANUARY YOU INTEND TO SUBMIT YET ANOTHER REPEAT ANOTHER PROPOSAL REGARDING COMPLETION IS VIEWED WITH CONSIDERABLE CONCERN. IT IS BECOMING INCREASINGLY CLEAR THAT HINDUSTAN CONSTRUCTION CO. LTD LACK THE WILL AND RESOURCES WITHIN MALAWI TO COMPLETE THEIR ENTIRE COMMITMENTS UNDER THE PRESENT CONTRACT. IN VIEW OF THIS IT IS SUGGESTED THAT CONSIDERATION BE GIVEN IMMEDIATELY TO ACCEPTING THE PHYSICAL RESPONSIBILITY FOR COMPLETING KM 0 - 71 BY AUGUST/SEPTEMBER 1991 AND SUBLETING THE PORTION FROM KM 71 TO ANOTHER CONTRACTOR. THIS WOULD HAVE THE ADVANTAGE OF RESTRICTING YOUR OBVIOUS LOSSES AND BEING ABLE TO OFFER A REALISTIC COMPLETION DATE TO CLIENT AND DONOR. YOUR REACTION TO THIS SUGGESTION AIMED AT ACHIEVING POSITIVE PROGRESS IS URGENTLY REQUESTED.

REGARDS
C. CLARK
SECRETARY FOR WORKS

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, - SECRETARY FOR WORKS

To HINDUSTAN CONSTRUCTION COMPANY

Fax Number 101 21 2226 13967

Country INDIA

Total Pages (including header) ONE

Our Ref. RP 152 XII

Date 10 DECEMBER, 1990

Subject SALIMA-BALAKA ROAD REHABILITATION PROJECT

Further to our telefax of 7 December, 1990 I have now been informed by your bitumen supplier that he has once again stopped supplies to you on credit as a result of your non-payment of outstanding accounts. The situation is once more becoming intolerable with no progress being recorded. Please advise what remedial action you propose to take and in particular let us have your comments on the suggested plan of action mentioned in our previous telefax.

A handwritten signature in dark ink, appearing to read 'Charles Clark'.

C. Clark
SECRETARY FOR WORKS

cc : The World Bank, Washington DC - Attn : Mr. Preben Jensen
: KFW, Germany
: The Secretary to the Treasury, Lilongwe 3
: Scott Wilson Kirkpatrick & Partners, Lilongwe

Date Rec'd 12/20/90
Date Ack'd 01/18/91
Assigned to J.K. 160/2

P. Jensen
MAI-C.1879

Ref. No. C7/2/7B/XX

7th December, 1990

Project Name 284 Malawi NTC

DEC 13 1990

- FROM: THE SECRETARY FOR TRANSPORT AND COMMUNICATIONS,
PRIVATE BAG 322, LILONGWE 3.
- TO : THE SECRETARY FOR ECONOMIC PLANNING AND DEVELOPMENT,
(Attention : J.K. Nyasulu/Jayawardena/C. Simwaka)
- : THE SECRETARY FOR WORKS, PRIVATE BAG 316, LILONGWE 3.
(Attention : G.J. Chisi/A.C. Warrender/G.S. Hubbarde)
- : THE BRITISH HIGH COMMISSION
(Attention : B.D. Scarborough)
- : THE SECRETARY FOR EXTERNAL AFFAIRS, P.O. BOX 30315,
LILONGWE 3.
(Attention : B.E.K. Munthali)
- : THE GENERAL MANAGER, MALAWI RAILWAYS LIMITED
(Attention : A.K. Manjolo)
- : THE RESIDENT REPRESENTATIVE, WORLD BANK
(Attention : J. Malone)
- : THE DEPUTY GOVERNOR, RESERVE BANK OF MALAWI,
P.O. BOX 30063, LILONGWE 3.
(Attention : T.S. Chinkhwangwa)
- : THE GENERAL MANAGER, OIL COMPANY OF MALAWI (1978) LTD,
(Attention : O.L. Sadyalunda)
- : THE SECRETARY TO THE TREASURY, P.O. BOX 30049,
LILONGWE 3.
(Attention : E.E.J.S. Kamanga)
- : THE RESIDENT REPRESENTATIVE, BRITISH DEVELOPMENT
DIVISION IN SOUTHERN AFRICA,
(Attention : C.I. Ellis/G.J. Mackenzie)
- : THE EXECUTIVE SECRETARY, PETROLEUM CONTROL COMMISSION,
(Attention : R.E. Kamphale)
- : THE MISSION DIRECTOR, USAID/MALAWI,
(Attention : D.E. McCloud/J.J. Chaika)

- : THE EEC DELEGATION,
(Attention : C.J. Cracknell)

- : THE GERMANY EMBASSY,
(Attention : H.D. Steel)

39TH STEERING COMMITTEE MEETING ON NORTHERN CORRIDOR
PROJECT HELD ON 31ST OCTOBER, 1990

doc# **D49678**
Reference is made to the minutes on the above meeting which were mailed to you. I write to inform you that we have made some few amendments on page 7 and I have attached to this letter the new text. You will notice that, although the page has been amended, only some few words have been replaced or added.

Please replace the old page 7 with the new one and accept my apologies.



for S.W.F.M. Chiwaula
SECRETARY FOR TRANSPORT AND COMMUNICATIONS

mai-cr1879

ZCZC AFRF8547 RCA191 WWB1019
AF6IN AF6CO
.TCP HC
248423 WORLDBANK

44285 WORKS MI

6 DECEMBER 1990

FROM: MINISTRY OF WORKS, LILONGWE, MALAWI

TO: THE WORLD BANK
WASHINGTON D.C.

ATTENTION: MR ISAAC SAM
INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA DEPT

RE: NORTHERN TRANSPORT CORRIDOR PROJECT CREDIT 1879-MAI
BALAKA-SALIMA ROAD PROJECT (CONTRACTS 44/86 AND 45/86)

FURTHER TO OUR TLX OF EVEN REFERENCE OF 30-11-90 AND YOUR TLX AF6IN
OF THE 28-11-90

AAA THREE OPTIONS HAVE BEEN EXAMINED IN DETAIL AND ARE AS FOLLOWS:-

BBB OPTION 1 HINDUSTAN CONSTRUCTION COMPANY (HCC)

COMPLETE CONTRACT 44/86 (KFW FINANCED SECTION) AND PORTION OF 45/86
(IDA FINANCED) ON WHICH THEY STARTED WORK (KM 62 TO 71). BALANCE OF
45/86 TO BE LET FOR SUBCONTRACT COMPETITIVE BIDDING.

CCC IN THIS OPTION FUNDS FROM KFW WILL BE SUFFICIENT TO COMPLETE
44/86 AT HCC'S RATES. BALANCE OF IDA FUNDS REMAINING AFTER
COMPLETION BY HCC TO KM 71 WOULD SUFFICE FOR A SUBCONTRACT EXTENDING
TO KM 104. OUTSTANDING AMOUNT OF WORKING CAPITAL ADVANCE DUE FROM
HCC WOULD BE MK2.5M10, ON COMPLETION TO KM 71. NO ACCOUNT OF THIS SUM
HAS BEEN TAKEN IN ASSESSING THE EXTENT OF SUBCONTRACT. FOR IT IS NOT
CLEAR IF, OR HOW, AT THE MOMENT, IT COULD BE RECOVERED.

DDD ADDITIONAL SUPERVISION COSTS ARE ESTIMATED AT STG 540,000 PLUS
MK810,000.

EEE CONTRACT 44/86 COULD BE COMPLETED BY NOVEMBER 1992 AND
SUBCONTRACT FOR 45/86 BY JUNE 1992.

FFF OPTION 2 HINDUSTAN CONSTRUCTION COMPANY (HCC) TO VEST CONTRACT:

MANAGEMENT TO COMMITTEE OF REPRESENTATIVES OF EMPLOYERS, ENGINEER, AND
CONTRACTOR'S MANAGEMENT CONSULTANT. THIS IS AN INFORMAL PROPOSAL BY
HCC. HCC FURTHER PROPOSES AN INDUCTION OF USD 2.0M10 OF PLANT WHENCE
HCC WOULD REMAIN CONTRACTOR IN NAME ONLY.

IN THIS OPTION OPERATING COSTS WOULD BE FROM PROJECT FUNDS AND COSTS

INVOLVED ARE CONSIDERABLY UNCERTAIN. THIS OPTION IS NOT ACCEPTABLE.

GGG OPTION 3: HINDUSTAN CONSTRUCTION COMPANY TO WITHDRAW FROM
CONTRACTS AND CONTRACTS TO BE RETENDERED.

HHH AVAILABLE FUNDS WOULD MEET CONSTRUCTION FROM KM 17 TO KM 102.
OUTSTANDING ADVANCE WORKING CAPITAL WOULD BE MK4.7M10 FOR BOTH
CONTRACTS. THESE MIGHT BE RECOVERABLE THROUGH SECURITY BONDS.
PERFORMANCE BONDS TALLING MK2.9M10 MIGHT ALSO BE RECOVERABLE. NO
ACCOUNT OF THESE SUMS HAVE BEEN TAKING IN ASSESSING THE EXTENT OF
CONSTRUCTION POSSIBLE.

III ADDITIONAL SUPERVISION COSTS ARE ESTIMATED AT STG 400,000 PLUS
MK630,000.

JJJ IN THIS OPTION THE NEW CONTRACTS WOULD BE COMPLETED BY NOVEMBER
1992.

KKK MEANWHILE THE MINISTRY'S INTENTION TO INVOKE LIQUIDATED DAMAGES
FROM 19/12/90 WAS COMMUNICATED TO HINDUSTAN CONSTRUCTION COMPANY BY
FACSMILE ON 5/12/90.

WE WELCOME YOUR COMMENTS.

BEST REGARDS

M A KAMMALERE
FOR SECRETARY FOR WORKS
LILONGWE, MALAWI

MR JENSEN,

THIS TELEX HAS BEEN RESENT AND RECORRECTED DUE TO SOME ERRORS IN THE
FIRST ONE. ON PARA DDD MK180,000 TO READ MK810,000.

ON PARA III STG4000,000 NOW TO READ STG 400,000? AND PLUSE TO READ PL
USE.

248423 WORLDBANK

44285 WORKS MI

=12070545
RCA191
WWB1019

=12080455

ALT RTD FROM:AFRI

NNNN

December 5, 1990

Mr. G.B. Chiwaula
Secretary to the Treasury
Ministry of Finance
P.O. Box 30049
Lilongwe, Malawi

Dear Mr. Chiwaula:

MALAWI: Northern Transport Corridor Project - Credit 1879-MAI

During his October 1990 mission to Malawi, Mr. Preben Jensen reviewed the status of the above project. His findings and recommendations are summarized in the mission's aide-memoire which he left with you at the end of his visit before joining the official Malawi delegation on its trip to Dar es Salaam. A copy of the aide-memoire is enclosed for your easy reference. I write this letter because we in the Bank are very alarmed over some of Mr. Jensen's findings.

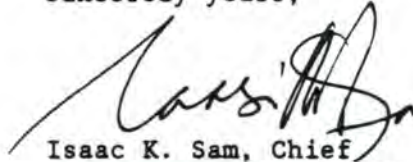
In particular, we are concerned over the total lack of progress in making arrangements for operating the corridor facilities when they will be ready during the first quarter of 1991 (please refer to paragraph 2 of the aide-memoire). Since Mr. Jensen's last mission in April, six to seven months have elapsed with only limited or no action from the Government's side to get the MCC company fully established and funded, including the appointment of the General Manager, and to identify and retain the services of an operator of the MCC facilities, and we find that very upsetting. What is more disquieting is that Mr. Jensen was told in Malawi that all the shareholders in the Malawi Cargo Center (MCC) company had paid in their shares of the company's capital, but on arrival in Dar es Salaam he was advised that Malawi Railways, the largest shareholder, had not yet paid its share despite having received the funds under a special vote from the Ministry of Finance.

Notwithstanding that the Government agreed to establish the MCC company by June 30, 1988, and therefore is now in default of the Credit Agreement (Section 3.03(a)), we find that this lack of progress to a large extent confirms our impression that the Government has lost interest in the Northern Transport Corridor.

In recent correspondence with the cofinanciers of the project, KfW has raised the same questions about the Government's intentions. We enclose a copy of a fax letter we have received from KfW on this issue. Reluctantly, we have to admit that we are at a loss to explain to the other donors what is behind this lack of Government action with regard to the MCC company. Any comments you might wish to make on KfW's queries would be appreciated.

We ask you kindly to let us know at the earliest of the latest developments that have taken place since Mr. Jensen's visit. Unless the MCC company has been fully set up and an operator nominated and put in place to operate the MCC facilities in Dar es Salaam and Mbeya by January 15, 1991, the Bank will be forced to take steps to suspend all further disbursements from the Credit.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

Enclosures

cc: Mr. J.L. Kalemera
Ministry of Transport
Lilongwe, Malawi

Mr. C. Clark
Ministry of Works
Lilongwe, Malawi

Mr. J. Malone
World Bank
Lilongwe, Malawi

Ms. C. Peasley
USAID
Lilongwe, Malawi

Dr. D. Osborne
British High Commissioner
British High Commission
Lilongwe, Malawi

Dr. Raschen
Kreditanstalt für Wiederaufbau
Frankfurt, Germany

Mr. G.B. Chiwaula

- 3 -

December 5, 1990

Cleared with and cc: Mr. King

cc: Messrs. Denning, Singh, Messenger, Scobey, Jovanovic, Zerabruk;
Mmes. Burns, Fantaye

PJensen/mof

MALAWI

Northern Transport Corridor Project - Credit 1879-MAI

Supervision Mission - October 1990

-
Aide-Memoire

General

1. The World Bank mission of Mr. Preben Jensen, Principal Highway Engineer, visited Malawi from October 14 to 23, 1990, to review the status of the above project. The mission accompanied by Malawi representatives, visited the sites of Chipoka, Monkey Bay and the Balaka-Salima road rehabilitation in Malawi. At the end of the Malawi visit, the mission will proceed to Dar es Salaam to review the status of the facilities being implemented there. The mission held meetings in Malawi with officials from the Ministry of Works (MOW), Ministry of Transport and Communications (MOTC), Ministry of Finance (MOF), and representatives from the contractors and consultants involved in the project, the various donors, USAID and ODA, and from the Malawi Cargo Center (MCC) Company.

Operation of the Northern Transport Corridor (NTC)

2. Two of the project components, the Ibanda-Uyole and the Balaka Salima road rehabilitation, have serious implementation delays but the corridor traffic will be able to pass these work sites without significant problems. The implementation delays experienced on these two road projects are by far overshadowed by the delays occurred in making preparations for operating the corridor facilities, which will be ready during the first quarter of 1991. At the end of the last World Bank mission in early April 1990, the mission concluded the following (Aide-Memoire, para 14):

"With exception of the two rehabilitation contracts for the Ibanda-Uyole road and the Balaka-Salima road, all other project components would be operational by April 1991. The MCC Company was incorporated on February 23, 1990. Applications for the General Manager position have been received (deadline: April 12, 1990) and at least four potential candidates have been identified. However, it is unlikely that the General Manager will be in post before August 1990. The MCC Board of Directors (Malawi Railways (MR), Petroleum Control Commission (PCC), acting as Secretariat, and four clearing agents) will meet in its first Board meeting on April 20, 1990. In addition to reviewing the applications for the General Manager position, the Board will agree on steps to invite bids from interested parties for operation of the MCC facilities in Dar es Salaam and Mbeya. Action on this matter cannot await the appointment of the General Manager, since the operators would have to be selected and in place several months (for planning and training purposes and to receive tools and equipment) before the corridor facilities become operational in April 1991."

Although the MCC Company was incorporated only in February 1990, as compared to the original deadline of June 30, 1988, agreed with the Bank

at negotiations and covenanted in the Credit Agreement, the April mission was reasonably optimistic that there would still be time for an orderly planning and preparation process for operation of the corridor facilities. However, the current mission on its arrival in Malawi found, much to its astonishment and consternation, that (i) the General Manager has not yet been appointed, and (ii) no action has been taken to identify and designate an organization to operate the corridor facilities. We are now in the awkward situation that the High Commissioner of Malawi in Dar es Salaam will have to locate and rent temporary facilities to store equipment for the MCCs until the operating agency has been appointed.

3. At the time when the idea of the NTC Project was conceived back in 1982/83, there were no diplomatic relations between Malawi and Tanzania. After this hurdle was overcome by the two governments establishing such relations, the feasibility studies proceeded. After the studies, after the detailed engineering, after considerable cost overruns (generously absorbed by the main donors, USAID, ODA and KfW), after several design changes (the most significant of these was the change of the site for the Dar es Salaam MCC), after arrangements for resettlement of the squatters living on the new MCC site were made, after the efforts of getting the Bilateral Agreement between Malawi and Tanzania made effective (which required intervention by the Bank at the highest level), after numerous steering committee meetings, after tender and award of several contracts for the civil works and the supervision consultants, after the actual implementation of the civil works for the MCCs, after all these efforts over the last seven years, now in the eleventh hour before all these efforts can come to fruition, bureaucratic difficulties are hampering the effective utilization of the project facilities.

4. Despite (i) repeated statements by the Malawian Government of how important the NTC is for Malawi's international transport situation, (ii) the millions of dollars of donor funds invested in the project, as well as the Malawi Government's own contribution to the project components and, in particular, to the compensation paid to the squatters on the Dar es Salaam MCC site, (iii) the Malawi Government's policy decision to import 50% of all fuel requirements through the NTC; and (iv) the potential of the corridor to save the Malawian economy more than US\$1 million per MONTH, further delays are now threatening the successful opening of the corridor. The mission strongly recommends that a task force be established immediately to sort out the problems, the most urgent of which is to appoint and put in place an organization to be responsible for the initial operation of the MCC facilities.

Road Rehabilitation Works

5. Ibanda-Uyole Road - The Netherlands Government and EEC have agreed to joint financing of this road. The tender will be prepared by EEC and it will be open to all EEC and ACP countries. The tender date is scheduled for late October 1990, with construction beginning in early 1991. The estimated completion of the road is in early 1993. The contractor will be obliged to keep the road open for heavy truck traffic during the construction period.

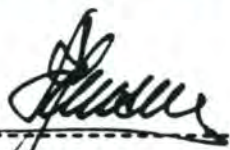
6. Balaka-Salima Road - During the last Bank mission in April 1990, the contractor, the Hindustan Construction Company, presented an action program which, if implemented, would have demonstrated the contractor's commitment to complete the project. A deadline was set at the end of May 1990, by when the contractor should have completed 10% of either of the two contract sections. Otherwise, MOW was recommended to take steps to terminate the contract. Although the contractor did not meet the target, MOW found that some significant improvements had been made which would make it preferable to continue with Hindustan, even if the project would be delayed by up to two years. A KfW mission visited the site in late July and confirmed MOW's more optimistic reading of the situation. However, KfW also imposed a new target for the contractor to accomplish, namely, that by the end of November 1990 the contractor shall have finished 20% of the KfW-financed northern section of the road works. If the contractor does not reach that target, MOW has agreed to terminate the contract. As a result of this condition, the contractor has put all his resources into the KfW-financed section and has completely abandoned the IDA-financed southern section, on which only about 3% of the work has been carried out so far.

7. It appears that the contractor has a good chance to reach the 20% target, but it remains to be seen whether this effort will be his last gasp, or whether he will be able to keep up the momentum. Even with the contractor's improved site operations, it is still estimated that it will take him another year to complete the KfW section, and another 2 to 3 years to complete the IDA section. MOW has been urged to study other options, including forcing the contractor to subcontract part of the work, and/or curtailing his contract so that he only finishes the stretches where he is working at present, and retendering the remainder. The last option would require that the Government line up additional funding for the project since it would be virtually impossible for IDA to provide a supplementary credit.

Acknowledgements

8. The mission wishes to express its gratitude and thanks for the cooperation extended to it by officials of the Government, and contractors and consultants working on NTC components, as well as for the field trip organized by MOW staff and the supervisory consultants.

Lilongwe
October 23, 1990



P. Jensen
World Bank

Signed: G.B. Chiwaula
Ministry of Finance

**KfW Kreditanstalt
für Wiederaufbau**

Telex/Telefax

EILT-SEHR

SOFORT AN FERNSCHREIB-ZENTRALE

- 823- 1. World Bank, Washington
Fax No 001 202-477 6391
- 824 2. World Bank
Lilongwe, Malawi
Tx 44 529 worldbk mi
- 825 3. USAID
Washington
Tx 440 001
- 876 4. ODA, Lilongwe, Malawi
Fax 00265/734 163
- 8 5. Commission of European Community,
Lilongwe, Malawi
Tx 44 260 delegen mi

EM... 00.11.90 14:10

17

He

from KfW, Frankfurt, Dr. Raschen

to World Bank, Washington, Mr. Preben Jensen,
Infrastructure Operations Division,
Southern Africa Department
to World Bank, Lilongwe
to USAID, Washington, pls transmit copy to
USAID, Lilongwe
to ODA, Lilongwe
to Commission of European Community, Lilongwe,
Mr. Schmidt

Re: Financial Co-operation with Malawi
Northern Transport Corridor (NTC) Programme

Dear Sirs,

Most of the investments of the NTC Programme will be ready for commissioning in early 1991. However, due to lack of information we are not in a position to assess the overall functioning of the envisaged transport from Dar es Salaam to southern Malawi. The latest report we have from World Bank as the leading Donor Agency dates april 1990 (Aide memoire of Mr. Preben Jensen's mission april 18, 1990). It is our impression that every donor is focussing on the proper implementation of their own part of the programme whereas little is being done as to the monitoring of the fitting together of the different project components and the control of the ful-

filment of additional conditions to be met in order to secure proper functioning of the NTC. In this respect our requirements have in the past only very marginally been met by the Programme Co-ordinator of MoTC. Apart from the fact that there is no regular reporting about the progress of the whole programme the main actual problems from our point of view are the following:

- Despite several queries from KfW the management of the Malawi Cargo Centre (MCC) has not been appointed up to now although - as we were told by MoTC - some qualified candidates have already been identified some months ago. MoTC has presented different explanations for the delay none of which are convincing. After a meeting with MoTC, Ministry of Finance and Malawi Railways in October we had the impression that Malawi is ~~not~~ not fully aware of the urgency of the matter. We learnt that the Steering committee was supposed to discuss this issue on October 31; we have not yet received any information about the outcome of that meeting.
- Due to the non-appointment of MCC managers no efforts have been made up to now to select operating companies for the dry cargo and the fuel tanks in Dar and Mbeya. Maintenance problems after commissioning of the fuel tanks are most likely.
- Only in October 1990 MoTC informed us about the severe silting problem at Chipoka harbour and asked for financing of a study and eventually a break water out of German funds which are, however, not available. Has this problem not been identified at an earlier date by ODA and USAID as the financiers of the investments in Chipoka? Loaded vessels cannot land at the jetty at the moment.
- According to our knowledge the rehabilitation of the Ibanda-Uyole road is extremely delayed. In how far does this affect the functioning of the corridor?
- Are TAZARA and Tanzania Harbour Authority (THA) involved in solving the logistic problems in Tanzania?
- Is there sufficient trucking capacity for the road transport between Mbeya and Chilumba? Are private carriers interested in offering such services?
- We have no information about the state of affairs of the border post and the weighbridge at the Malawi/Tanzania border.
- Is it still realistic to expect that 30 % of Malawi's foreign trade will be diverted from the southern routes to the Northern Corridor? What is the impact of the reopening of the Nacala and Beira lines?

ZCZC AFRF7612 RCA0050
AF6IN AF6CO
.TCP MT

44285 WORKS MI
30 NOVEMBER 1990

FROM: MINISTRY OF WORKS, LILONGWE, MALAWI

TO: MR ISAAC SAM, INFRASTRUCTURE OPERATIONS DIVISION,
SOUTHERN AFRICA DEPARTMENT

CC: MR J MALAWE, WORLD BANK, LILONGWE

REFERENCE RP 15/2/X/II (54)

RE: NORTHERN TRANSPORT CORRIDOR PROJECT
CREDIT 1879-MAI - BALAKA-SALIMA ROAD PROJECT

THANK YOU FOR YOUR TELEX REF AF6IN OF THE 28TH INSTANT.

AAA AS OF 27/11/90 HINDUSTAN CONSTRUCTION COMPANY HAVE ACHIEVED 20.8 PERCENT OF CONTRACT 44/86, THE KFW - FINANCED SECTION OF THE PROJECT.

BBB AS FOR THE SECOND PARAGRAPH OF YOUR TELEX THE SUPERVISING ENGINEERS, SCOTT WILSON KIRKPATRICK AND PARTNERS ARE ALREADY FORMULATING THESE OPTIONS INCLUDING ESTIMATES AND YOU WILL BE APPRAISED OF THE CONCLUSIONS WELL BEFORE THE DUE DATE OF 17/12/90.

CCC LOOKING FORWARD TO KNOWING YOUR DECISION ON THE ISSUE OF THE PLANNING UNIT.

BEST REGARDS

M A KAMMALERE
FOR SECRETARY FOR WORKS
MINISTRY OF WORKS, LILONGWE, MALAWI

248423 WORLDBANK

44285 WORKS MI

=11301411
RCA050
WWB1161

=12030839

ALT RTD FROM:AFRI

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

Mail- Cr 1879.

November 30, 1990

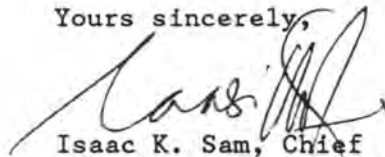
Mr. G.S. Hubbarde
Ministry of Transport and
Communications
Private Bag 322
Capital City
Lilongwe 3
Malawi

Dear Mr. Hubbarde:

MALAWI : Northern Transport Corridor Project

I acknowledge, with thanks, receipt of your letter dated October 31, 1990 together with three copies of the Progress and Financial Status reports for the quarter ended September 30, 1990.

Yours sincerely,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

MAI-Cr 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

November 28, 1990

Mrs. B.J. Zakochera
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

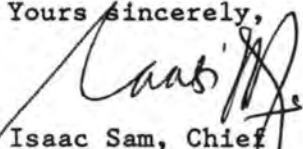
Dear Mrs. Zakochera:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of two copies of the Progress Report No. 27 for October, 1990.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,



Isaac Sam, Chief
Infrastructure Operations Division
Southern Africa Department

ZCZC AFRF7357 F6IS2557
WDIAL
.AF6IN
OINFO

-SUBJECT: MALAWI - NORTHERN TRANSPORT CORRIDOR PROJECT -
-CREDIT 1879-MAI
-DRAFTED BY: PJENSEN/MOF
-EXT.: 34393
-AUTHORIZED BY: ISAAC K. SAM, CHIEF, AF6IN
-CLEARED WITH AND CC: MR. SINGH, AF6DR
-CC: MESSRS. AIKINS-AFFUL, KING, ZERABRUK, FERNANDO
-MMES. BURNS, FANTAYE
-DOCUMENT NAME: MBALAKAS.ALI

988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-FOR MESSRS. CLARK AND CHISI
IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. J. MALONE

BT

WASHINGTON DC November 28, 1990

FOR MESSRS. CLARK AND CHISI, MINISTRY OF WORKS, LILONGWE, MALAWI.
COPY FOR MR. J. MALONE, WORLD. BANK, LILONGWE, MALAWI. RE: NORTHERN
TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI. I REFER TO THE MEETING
WITH MR. CHISI IN JOHANNESBURG ON NOVEMBER 11, IN WHICH WE DISCUSSED
THE PROBLEMS WITH THE CONTRACTOR HINDUSTAN ON THE BALAKA-SALIMA
PROJECT. AFTER MY RETURN TO WASHINGTON, I HAVE HAD THE OPPORTUNITY
TO REVIEW THE MATTER WITH MR. JENSEN, WHO RECENTLY VISITED MALAWI TO
REVIEW THE NTC PROJECT, AND THE BALAKA-SALIMA PROJECT IN PARTICULAR.
HIS FINDINGS AND RECOMMENDATIONS WERE SUMMARIZED IN THE MISSION'S
AIDE-MEMOIRE, COPIES OF WHICH WERE LEFT BEHIND WITH MR. CHISI. (AAA)
I UNDERSTAND THAT HINDUSTAN IN LATE JULY WAS GIVEN A TARGET OF 20
PERCENT OF THE NORTHERN KFW-FINANCED PART OF THE WORKS, TO FINISH
OVER A PERIOD OF FOUR MONTHS, FROM AUGUST TO NOVEMBER. I ALSO
UNDERSTAND THAT IF THE CONTRACTOR DOES NOT REACH THE TARGET, THEN KFW
WOULD SUSPEND DISBURSEMENTS, WHICH WOULD FORCE THE GOVERNMENT TO
TERMINATE THE CONTRACT WITH HINDUSTAN. PLEASE LET US KNOW
IMMEDIATELY WHETHER THE CONTRACTOR WILL BE ABLE TO MEET THE TARGET.
(BBB) HOWEVER, EVEN IF THE CONTRACTOR MEETS THE TARGET, THE RATE OF
PROGRESS WOULD STILL BE ONLY ABOUT FIVE TO SIX PERCENT PER MONTH OF
THE KFW-FINANCED PART, AND WITH 65 PERCENT REMAINING IT WOULD STILL
TAKE THE CONTRACTOR ABOUT A YEAR TO COMPLETE THE KFW-FINANCED PART.
IF THE CONTRACTOR WOULD BE ABLE TO MAINTAIN THE RATE OF MONTHLY
PROGRESS ALSO FOR THE IDA-FINANCED PART, ON WHICH HE SO FAR HAS
COMPLETED LESS THAN 3 PERCENT, IT WOULD STILL TAKE HIM AT LEAST TWO
YEARS TO COMPLETE THIS PART. SUCH DELAYS ARE CLEARLY UNACCEPTABLE,
AND MOW THEREFORE NEEDS TO STUDY OTHER OPTIONS FOR COMPLETING THE
WORKS IF WE ARE TO AVOID WASTING THE ECONOMIC BENEFITS ASSOCIATED
WITH THIS PORTION OF THE PROJECT. MR. JENSEN SUGGESTED IN HIS AIDE-
MEMOIRE THAT THE FOLLOWING OPTIONS BE EXPLORED, CONSISTENT WITH THE
CONTRACTUAL OBLIGATIONS: (1) COMPEL HINDUSTAN TO SUBCONTRACT A MAJOR
PART OF THE WORK. WE WOULD LIKE TO RECEIVE AN ANALYSIS OF THIS
PROPOSAL, INCLUDING AN ESTIMATE OF THE ADDITIONAL COST INVOLVED
BECAUSE THE SUBCONTRACTOR COULD ASK FOR HIGHER UNIT RATES THAN IN THE
ORIGINAL HINDUSTAN CONTRACT. (2) CURTAIL THE HINDUSTAN CONTRACT SO

THAT THE CONTRACTOR WOULD FINISH ONLY THE STRETCHES WHERE HE IS WORKING AT PRESENT, AND RETENDER THE REMAINDER. THE ANALYSIS OF BOTH THESE PROPOSALS SHOULD INCLUDE AN ESTIMATE OF THE BENEFITS (AND DISBENEFITS) AS WELL AS THE ADDITIONAL COSTS, COMPARED TO CONTINUING WITH HINDUSTAN FOR THE NEXT THREE YEARS, TOGETHER WITH AN ASSESSMENT OF WHETHER HINDUSTAN ACTUALLY WOULD BE IN A POSITION TO COMPLETE THE CONTRACT, CONSIDERING THAT CASH FLOW PROBLEMS ARE BOUND TO PERSIST AND FOR WHICH HE PROBABLY WOULD HAVE NO SOLUTIONS. WE ASK YOU KINDLY TO SUBMIT THE RESULTS OF THE ANALYSES AS DESCRIBED ABOVE TO US FOR OUR REVIEW BY NO LATER THAN DECEMBER 17, 1990. (CCC) I HAVE RECEIVED YOUR LETTER REGARDING THE ISSUE ON THE PLANNING UNIT AND WILL REVERT TO YOU ON THIS SHORTLY. BEST REGARDS, ISAAC K. SAM, INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA DEPARTMENT.

=11290532

ALT RTD FROM:AFRO

IN DROP COPY OF:F6IR

NNNN

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

MAI - Lñ 2363/CA 1423
MAI - CR 1879

November 27, 1990

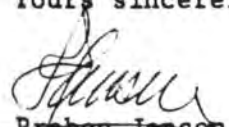
Mr. D. Y. C. Wirima
Secretary of the Treasury
Ministry of Finance
P. O. Box 30049
Lilongwe 3
Malawi

Dear Mr. Wirima:

Malawi: Fifth Highway Project - Loan 2363/Credit 1423 & SF-6-MAI
Northern Transport Corridor Project - Credit 1879-MAI

I acknowledge, with thanks, receipt of your letter dated November 16, 1990, together with the Audit Certificates for the period of April 1989 to March 1990.

Yours sincerely,


~~Preben Jensen~~
Principal Highway Engineer
Infrastructure Operations Division
Southern Africa Department

Telegrams: FINANCE, Lilongwe
Telephone: Lilongwe 731 311
Telex: 4407
Fax: 734 739



MAI - W. 2863/C.142 =
Ref. No. C28/3/29/32

SECRETARY TO THE TREASURY
MINISTRY OF FINANCE
P.O. BOX 30049
LILONGWE 3
MALAWI

cc: MAI - C.1879

16th November, 1990

The World Bank,
1818H Street N.W.,
Washington D.C. 20433,
U.S.A.

Dear Sir,

FIFTH HIGHWAY PROJECT : NORTHERN TRANSPORT
CORRIDOR SUBMISSION OF AUDIT CERTIFICATE

Please find enclosed herewith Audit Certificates, in
duplicates, in respect of the above two projects for the period
1st April 1989 to 31st March, 1990.

Yours faithfully,

Y/R

D.Y.C. Wirima
for SECRETARY TO THE TREASURY

Date Recd 11/26/90
Date Recd 11/27/90 *the sent*
By *Farage*
Project 257 Malawi
Highway
Africa Malawi
Please acknowledge receipt
acknowledged
11/27/90

MAH-CV 1879

RP152 Vol.X11 (43)

16 NOV.1990.

The World Bank,
1818 H Street N W, ✓
Washington D C 20433,
United States of America

Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN SALIMA AND BALAKA
CONTRACT NOS. 44/86 AND 45/86, PROGRESS REPORT NO.27
TO END OCTOBER 1990.

Find enclosed 2 copies of the progress report on the above project
nd 2 copies for K F W and one copy for each of the other addressees
respectively for your office use. MR

Please note that 14% of the 20% value of the work demanded by K F W
has been achieved since August 1990. Based on the present rate of
progress, the contractor is sent to achieve 20% by the end of November 1990.

WBYE
B.J. Zakoehera (Mrs)
for : Controller of Roads
for : SECRETARY FOR WORKS

cc: Kreditanstalt fur Wiederaufbau (K F W)
Pamengarlestrasse 5-9
D-6000 Frankfurt AM Main 11
West Germany

- : The Secretary to the President and Cabinet (Dev. Div.), Lilongwe 3.
- : The Secretary to the Treasury, P.O.Box 30049, Lilongwe 3.
- : The Secretary for Transport and Communications, Lilongwe 3.
- : The Road Traffic Commissioner, P.O.Box 30177, Blantyre 3.
- : The Regional Controller of Works (C), Lilongwe.

11/26/90

PJ
AF
~~HS~~

260 Malawi
NTC

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

MAI-CR 1879

November 9, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

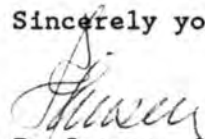
Dear Mr. Phiri:

MALAWI : Northern Corridor Project
Rehabilitation of Route M17 Between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of two copies of the
Progress Report covering the period August 22 to September 21, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,


P. Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department



MAI - C 1879
In reply please quote No. C7/2/7B/XIX

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

31st October, 1990

The World Bank,
1818, H Street, N.W.,
Washington, D.C., 20433
UNITED STATES OF AMERICA

Date Recd. 11/29/90
Date Awd. PJ
Assigned to IS

Attention : Mr. Preben Jensen, Principal Highway Engineer,
Infrastructure Operations Division, Southern Africa Dept

Dear Sir,

Project Name 264 Malawi
Africa Info. Center J NTC

RE : MALAWI : NORTHERN TRANSPORT CORRIDOR PROJECT:
IDA CREDIT NO.1879 MAI: PROJECT PROGRESS REPORT
FOR QUARTER ENDED 30TH SEPTEMBER 1990. (ALSO INCORPORATES
EUROPEAN ECONOMIC COMMUNITY (EEC); KREDITANSTALT FUR
WIEDERAUFBAU (KFW) WEST GERMANY; OVERSEAS DEVELOPMENT
ADMINISTRATION (ODA) UNITED KINGDOM; UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT (USAID) AND NETHERLANDS
GOVERNMENT ASSOCIATED FUNDED ACTIVITIES)

Please find attached hereto the Northern Transport Corridor
Project Progress and Financial Status reports, in triplicate,
in respect of the quarter ended 30th September, 1990. From this
report you will note that we have also incorporated progress
relating to above donor agency associated activities.

Yours faithfully,

G.S. Hubbarde
(PROJECT ACCOUNTANT)

for SECRETARY FOR TRANSPORT AND COMMUNICATIONS

- c.c.: The Secretary for Works, Private Bag 316, Lilongwe 3.
: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
: The Secretary for Economic Planning and Development,
P.O. Box 30136, Lilongwe 3.
: The Resident Representative, World Bank, P.O. Box 30577,
Lilongwe 3.

Att'd

MAI- Cr 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 23, 1990

Mr. L.W. Kambauwa
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

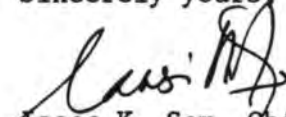
Dear Mr. Kambauwa:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of your letter dated October 18, 1990 together with two copies of the Progress Report No. 26 for September, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

Ref. No. 152 XI (C. 2)
Telephone 733 188
Telefax 730389
Telex 44285



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

18th OCTOBER, 1990

The World Bank, ✓
1818 H Street N.W.,
WASHINGTON D.C. 20433,
U.S.A.

Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN SALIMA
AND BALAKA, CONTRACT NO. 44/86 AND 45/86
PROGRESS REPORT NO. 26 TO END SEPTEMBER 1990

Find enclosed 2 copies of the report on the above project
and 2 copies for K.F.W. and one copy for each of the other addressees
respectively for your office perusal and comments if any.

Yours faithfully,

for L.W. Kambauwa
Controller of Roads
For : ACTING SECRETARY FOR WORKS

Date Rec'd 10/22/90
Date Ack'd 10/23/90
Assignee PJ
AF
IS

Copy to : Kreditanstalt for Wiederaufbau KfW,
Palmengartenstrasse 5-9,
D-600 Frankfurt AM Mains II,
WEST GERMANY

- : The Secretary to the President and Cabinet (Dev. Division)
P.O. Box 30132, Lilongwe 3
- : The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3
- : The Secretary for Transport & Communication
Private Bag 322, Lilongwe 3
- : The Road Traffic Commissioner, P.O. Box 30177, Blantyre 3
- : The Regional Controller of Works (C), Box 91, Lilongwe

Africa Info. Center J

230 Malawi
NTC

MAL - CV 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 10, 1990

Mr. L.W. Kambauwa
Ministry of Works
Private Bag 316
Capital City
Lilongwe
MALAWI

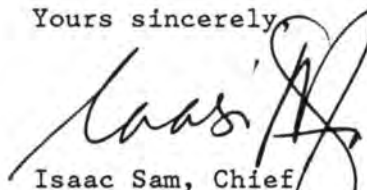
Dear Mr. Kambauwa:

MALAWI: Northern Corridor Project
Rehabilitation of Route M17 between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated
October 2, 1990 together with two copies of the Progress Report No. 25 for
August 1990.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,



Isaac Sam, Chief
Infrastructure Operations Division
Southern Africa Department

MAL-GR 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 3, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

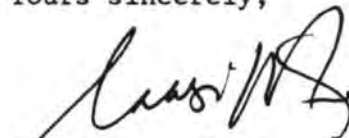
Dear Mr. Phiri:

MALAWI: Northern Corridor Project
Rehabilitation of Route M17 between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated August 24, 1990 together with two copies of the Progress Report No. 24 for July 1990.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,



Isaac Sam, Chief
Infrastructure Operations Division
Southern Africa Department

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

M41-Cr 1879

October 3, 1990

Mr. R. Stock
Chief Resident Engineer
Lahmeyer International GmbH
P.O. BOX 282
Lilongwe
Malawi

Dear Mr. Stock:

MALAWI: Northern Corridor Project - Progress Report

MR

I acknowledge, with thanks, receipt of your 2 Monthly Progress Report for Mbeya and Dar-es-Salaam.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,



Isaac Sam, Chief
Infrastructure Operations Division
Southern Africa Department

Recd. 10/9/90

RP 152 X11 (3)

2nd Oct, 1990.

THE WORD BANK ✓
1818th STREET N.W.
WASHINGTON D.C. 20433
U.S.A.

mai-cr 1879

KREDITALT FUR WOEDERAUFBAU KFW
D-600 FRANKFURT AM MAIN II
WEST GERMANY

THE SECRETARY TO THE PRESIDENT AND CABINET
(DEVELOPMENT DIVISION)
P.O. BOX 30132
LILONGWE 3.

THE SECRETARY TO THE TREASURY
P.O. BOX 30049
LILONGWE 3.

THE SECRETARY FOR TRANSPORT AND COMMUNICATIONS
PRIVATE BAG 322
LILONGWE 3.

THE ROAD TRAFFIC COMMISSIONER
P.O. BOX 30177
BLANTYRE 3.

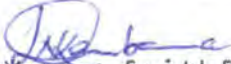
Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN SALIMA AND BALAKA: SECTION M5 TO M18:
CONTRACT NO. 44/86 AND SECTION M18 TO M1: CONTRACT NO. 45/86 PROGRESS
REPORT NO 25 FOR AUGUST 1990

Enclosed find two copies of the above report for your office, other
two copies for K.F.W. And one copy for each of the other addressees
respectively.

MR

FOR:
FOR:


Yours faithfully,
L.W. Kambauwa
Controller of Roads
Secretary for Works.

Date Rec'd. 10/10/90
Date Ack'd _____
Assigned to P. Jensen
A. Fontaye
I. SAM
#127
Project Name: Nalawii: NTC
Africa Info. Center J

TELEFAX EILT**KfW** Kreditanstalt
für Wiederaufbau

Seite
page
page
página

Anzahl der Seiten
number of pages
nombre de pages
número de páginas

Telefax-Anschluß Empfänger: (202) 473-5456

Telefax-Anschluß KfW: (0-69) 7431 2944

World Bank
Att. Mr. Preben Jensen
Prin. Highway Eng.
Southern Africa/Infrastructure
Washington

Palmengartenstraße 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon: (0-69) 74 31 -0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4 15 25 60 kwd
Telefax: (0-69) 74 31 29 44
Teletex: 89 98 04 = KfW

Unsere Zeichen
our reference
notre référence
nuestra referencia

Durchwahl
extension
extension
extension

Datum
date
date
fecha

Wii/Ghd/309	2763	25.09.90
-------------	------	----------

Subject: L II b/2 - Financial Co-operation with Malawi
DM 13.6 million for Rehabilitation of
Salima - Mua Road - 86 65 655

Dear Mr. Jensen,

we thank you for your fax letter of August 31, 1990 and enclose for your ready reference detailed documentation on the results of our recent follow-up appraisal.

Yours faithfully,
KREDITANSTALT FÜR WIEDERAUFBAU

Date Rec'd 9/26/98
Date Ack'd Not needed! *
Assigned to ~~PA/DB/EE~~
221
Project Name: Malawi
Africa Info. Center J cr. 1879-ma

* SPN-mission in
Oct. 90

Seite
page
page
pagina

1

Anzahl der Seiten
number of pages
nombre de pages
número de páginas

2

MAI- cr. 1879

Telefax-Anschluß KfW: (0-69) 7431 2944

Ministry of Work
att. Mr. Clark
Fax 730 389Palmengartenstraße 5-9
Postfach 111141
6000 Frankfurt am Main 11Telefon: (0-69) 7431-0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4152560 kwd
Telefax: (0-69) 7431 2944
Teletex: 699804 = KfWMinistry of Finance
Fax 734 739

Lilongwe/Malawi

WV

Z d. A.

AL 8665655

Boardschaff

Unsere Zeichen
our reference
nos referencias
nuestros referencias

WU/Do

Durchwahl
extension
extensión
extensión

2732

Datum
date
date
fecha

9.8.1990

Subject: L II b/2 - Financial Co-operation with Malawi
DM 13.6 million for Rehabilitation of
Salima - Mua Road - 86 65 655

Dear Mr. Clark,

Following the results of our recent follow-up appraisal we are glad to inform you that we have decided to lift our decision dated April 10, 1990 on suspension of disbursements under the Financing Agreement dated May 2, 1988.

The amount of payments due under the disbursement requests no 15, 16, 17 and 18 will be disbursed in due course whereby an amount of US\$ 33,600.- will be transferred directly to Messrs Belloni's account (following contractor's request dated 14/06/1990). Furthermore we have to point out that the amount of MK 5.290,83 in respect of interest payments for delayed payments cannot be financed out of the a.m. financial contribution.

As agreed between you and our mission we would very much appreciate if you would inform the contractor that taking into account all improvements you now expect a work output during the months of August

to November 1990 of 20 % as a minimum and in case he fails to fulfill this performance ~~you have no other option but to terminate the contract.~~ Would appreciate to receive a copy of your corresponding letter.

Yours faithfully

KREDITANSTALT FÜR WIEDERAUFBAU

Handwritten signature

Am 2.8. in Lilongwe erhalten

Phone 733 188
Telefax 730389
Telex 44285



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

REF NO RP 152

2 AUGUST 1990

KfW
Palmengartenstrasse 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11
Germany

AL 866565 RATH 2
Beckmann A.

Dear Sirs

SALIMA-BALAKA ROAD

We wish to appraise you of the status of the above project and the measures that have been taken by the contractor to date in order to improve his performance.

The time lapse of the project execution is 80% and by the end of July only 12% of load work has been done. However, the contractor has now taken the following measures to improve the situation:-

- a) An injection of additional equipment has been done by purchasing Stirling International plant.
- b) They have secured additional financing in the form of extended overdraft facilities.
- c) They have employed management consultancy to improve site management.

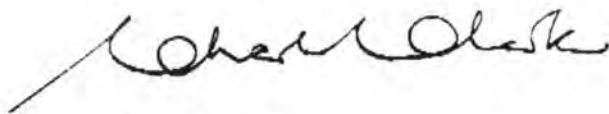
There are still some more improvements that the contractor has agreed to institute, such as procurement of workshop tools, additional tippers and role and responsibility of management consultancy.

We have had an intensive discussion with the Consultant to address these short-comings and we are pleased to note that the contractor will implement the management consultancy recommendation on the tools to be purchased in order to further improve the workshop efficiency. The contractor has also ordered 8 number 10 ton tipplers which are in transit to site. The roles and responsibility of management consultancy have been defined and agreed in form of an addendum.

With all these improvements, we are of the opinion that proper execution of the project is set. We feel the contractor will finish the job perhaps with an overrun of 12 months. We expect the contractor to increase his monthly output to a level of 5% of the completed works per month.

The Ministry will also institute proper checks to ensure that these output levels are adhered to by the contractor. In the event that the contractor cannot perform within the expected output of 20% by the end of November under normal conditions, the government will have no option but to terminate the contract and inform KfW of possible course of further action.

With the current situation and the best interest of the project, we are requesting KfW to assist in salvaging the project by resuming disbursement of funds.



C. Clark
SECRETARY FOR WORKS

SIDE AGREEMENT FOR PROVIDING MANAGEMENT AND CONSULTANCY
SERVICES BETWEEN THE HINDUSTAN CONSTRUCTION COMPANY AND
MR. GIULIO BELLONI

This agreement made and entered into on this 1st day of August 1990 by and between the Hindustan Construction Company Ltd., Bombay, India (referred as: "HCC") and Giulio Belloni Organization of Roma (hereinafter referred to as: "GB").

Where as HCC and GB signed on the 14th of June 1990 signed a contract for Management and Consultancy Services.

Now therefore this agreement witnesseth & parties hereby agree as under.

The services will be developed in accordance with the following JOB Descriptions.

MR G. BELLONI

He has the responsibility to guide the HCC Managers in the organization and execution of the construction activities.

His services will be developed by means of monthly visits to Malawi during which the advancement of work will be evaluated and programs and construction methods revised and adjusted.

During his visits corrective measures will be introduced in order to remove any obstacle to the progress of the works.

The major instructions will be given by written notices. Copy of these documents will be given to the Client Representative at the Site.

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 18-Sep-1990 12:49pm

TO: See Distribution Below

FROM: Preben Jensen, AF6IN

(PREBEN JENSEN)

EXT.: 34393

SUBJECT: MALAWI - Statement of Mission Objectives

Fifth Highway Project - Loan 2363/Credits 1423 & SF-6-MAI
Northern Transport Corridor Project - Credit 1879-MAI
Infrastructure Project - Credit 2069-MAI
Supervision Mission

1. On or about October 14, 1990, I will arrive in Lilongwe for about 10 days to review the status of the above projects.

Fifth Highway Project

2. The project is substantially completed. The resealing work on Road M4 from Lilongwe to Mchinji is in the final stages of completion. The only technical assistance still being provided is one Chief Planning Engineer in the Road Planning Unit. I will review the overall cost estimates for the project and the financial status of the loan and credits, and discuss the arrangements currently being made for data collection, etc., for preparation of the project completion report.

NTC Project

3. I will review the steps the Government has taken so far to prepare for operation of the transport corridor when the various infrastructure components in Tanzania, the port improvements on Lake Malawi, and the lake vessel all will become operational, which is estimated to occur in April 1991. Of particular importance is the status of the company to be responsible for operation of the facilities in the corridor, the Malawi Cargo Center, Ltd., which has been incorporated and for which a General Manager has been selected recently.

4. The only IDA-financed civil works, the rehabilitation of the Salima-Balaka road, have encountered serious difficulties; only a small part of the work has been carried out in close to two years. However, recent progress reports give a more optimistic picture of the situation, indicating that the contractor's financial problems have been largely overcome and that the rate of progress actually has improved. I will ascertain the status of these measures and

discuss ways and means to further accelerate the implementation of the project.

Infrastructure Project

5. The project is still in the early stages of implementation. Management consultants have been selected and have mobilized to provide technical assistance to Ministry of Works (MOW). A few IDA-financed civil works contracts have been awarded. I will review the status of this work as well as all the other project components financed by other cofinanciers.

6. MOW has recently indicated that the effectiveness of some of the cofinanciers' agreements cannot be declared within the deadlines stipulated in the Credit Agreement and extensions would be sought. I will follow up on this matter with MOW and the Ministry of Finance.

Liaison and Reporting

7. I will keep Mr. John Malone informed of the mission's program and brief him on its findings. At the conclusion of the mission, I will prepare aide-memoires for the three projects, summarizing my findings and recommendations, and agreements reached with the Government. On my return to Washington, I will prepare full supervision reports, including Form 590s, for the three projects.

DISTRIBUTION:

TO: Isaac Sam	(ISAAC SAM)
CC: Harold W. Messenger	(HAROLD W. MESSENGER)
CC: Fred King	(FRED KING)
CC: Vijitha Fernando	(VIJITHA FERNANDO)
CC: Imogene Burns	(IMOGENE BURNS)
CC: Aberra Zerabruk	(ABERRA ZERABRUK)
CC: Ebenezer Aikins-Afful	(EBENEZER AIKINS-AFFUL)
CC: JOHN MALONE	(JOHN MALONE @A1@PARIS)
CC: Africa ISC Files	(AFRICA ISC FILES)

MA: J 1723
MAI-C. 1879
MAI C. 2069

ZCZC AFRF5883 F6IS2307
WDIAL
.AF6IN
OINFO

-SUBJECT: MALAWI - FIFTH HIGHWAY PROJECT - LOAN 2363/CREDITS 1423 &
-SF-6-MAI, NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI, AND
-INFRASTRUCTURE PROJECT - CREDIT 2069-MAI
-DRAFTED BY: PJENSEN/MOF
-EXT.: 34393
-AUTHORIZED BY: PREBEN JENSEN, AF6IN
-CC: MESSRS. SAM, AIKINS-AFFUL, KING, ZERABRUK, FERNANDO;
-MMES. BURNS, FANTAYE
-DOCUMENT NAME: MSPNMISS.ION

988 44407 =
-MINISTRY OF FINANCE, LILONGWE, MALAWI
-FOR MR. G.B. CHIWAULA
988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-COPY FOR MR. A. MKANDAWIRE
988 44461 =
-MINISTRY OF TRANSPORT AND COMMUNICATIONS
-LILONGWE, MALAWI
-FOR MR. A.F. KALEMERA
IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. J. MALONE

BT
WASHINGTON DC September 14, 1990
FOR MR. G.B. CHIWAULA, MINISTRY OF FINANCE, LILONGWE, MALAWI. COPY
FOR MR. A. MKANDAWIRE, MINISTRY OF WORKS, LILONGWE, MALAWI, MR. A.F.
KALEMERA, MINISTRY OF TRANSPORT AND COMMUNICATIONS, LILONGWE, MALAWI,
AND MR. J. MALONE, WORLD BANK, LILONGWE, MALAWI. RE: FIFTH HIGHWAY
PROJECT - LOAN 2363/CREDIT 1423 & SF-6-MAI, NORTHERN TRANSPORT
CORRIDOR PROJECT - CREDIT 1879-MAI AND INFRASTRUCTURE PROJECT -
CREDIT 2069-MAI. THIS IS TO ADVISE YOU THAT I (A DANISH CITIZEN)
HAVE TENTATIVELY SCHEDULED A MISSION TO MALAWI TO REVIEW THE STATUS
OF THE ABOVE PROJECTS FROM OCTOBER 14 TO 24, 1990. (AAA) REGARDING
THE FIFTH HIGHWAY PROJECT, I WILL DISCUSS AND COLLECT DATA FOR THE
PREPARATION OF THE PROJECT COMPLETION REPORT. (BBB) RE THE NTC
PROJECT. I WILL REVIEW THE ARRANGEMENTS TO MAKE THE CORRIDOR
OPERATIONAL, INCLUDING THE ACTIVITIES OF THE MALAWI CARGO CENTER
COMPANY. FURTHER, RECENT REPORTS GIVE A MORE OPTIMISTIC PICTURE OF
THE SITUATION ON THE BALAKA-SALIMA ROAD. I HOPE THAT I WILL BE ABLE
TO CONFIRM THAT THE CONTRACTOR HINDUSTAN HAS OVERCOME THE PROBLEMS
AND THAT THE CONTRACT IS NOW PROCEEDING SATISFACTORILY. (CCC) RE THE
INFRASTRUCTURE PROJECT. I WILL ASCERTAIN THE OVERALL STATUS OF THE
VARIOUS PROJECT COMPONENTS, OTHER COFINANCIERS' ACTIVITIES, AND
DISCUSS IMPLEMENTATION PROBLEMS, IF ANY. PLEASE LET ME KNOW AT THE
EARLIEST IF THE TIMING OF MY MISSION WOULD NOT BE CONVENIENT. BEST
REGARDS, PREBEN JENSEN, PRINCIPAL HIGHWAY ENGINEER, INFRASTRUCTURE
OPERATIONS DIVISION, SOUTHERN AFRICA DEPARTMENT.

-09160617

ALT RTD FROM:AFRO

IN DROP COPY OF: F61R

NNNN

3rd September, 1990

General Manager,
Malawi Railways Limited,
P.O. Box 5144,
LIMBE.

(Attention : Mr. R. Foster-Brown
Financial Controller/Company Secretary)

Dear Sir,

NORTHERN TRANSPORT CORRIDOR PROJECT :
IDA DEVELOPMENT CREDIT AGREEMENT NO.
1879 MAI (SDR11,100,000) : AUDIT OF
MRHC AND MR COMPANY ACCOUNTS FOR 1989/90

Reference is made to your letter GM234 dated 4th January 1990 and the attached copy of ARTICLE IV Financial Covenants extracted from the International Development Association (World Bank) Development Credit Agreement No. 1879 MAI in respect of the Northern Transport Corridor Project.

2. We would be grateful to receive signed audited copies of both Malawi Railways Holding Company Limited and Malawi Railways Limited accounts for 1989/90 fiscal year as soon as these have been released by your auditors.

3. In addition, your attention is drawn to the contents of section 4.02 (b) of ARTICLE IV whereby Malawi Railways is required to review whether it would meet the requirements set forth in section 4.02 (a) as follows:-

- (1) maintain, in respect of its lake service operations, a ratio of total operating expenses to total operating revenues of not higher than:
 - (a) 100% for the fiscal year 1988/89;
 - (b) 95% for the fiscal year 1989/90 ; and
 - (c) 90% for each of its subsequent fiscal years until completion of the project; and

- (ii) restructure its lake passenger-service operations with a view to progressively eliminating, in respect of such operations, all losses by no later than 30th June 1991.

Perhaps you would be good enough to let me know the results of the above reviews and in particular the review in respect of the 1989/90 fiscal year.

Yours faithfully,

G. S HUBBARDE

G.S. Hubbarde

for: ACTING SECRETARY FOR WORKS.

c.c. : The Secretary for Transport and Communications,
Private Bag 322, Capital City, Lilongwe 3.
(Attention : Mr. Z. Soko).

MAI - C.1879

FACSIMILE COVER SHEET AND MESSAGE

DATE	August 31, 1990	NO. OF PAGES (incl. this sheet)	1	MESSAGE NO.	-
TO Name	Messrs. Wunsch and Gruening	Fax Tel. No.	(0-69)74312944		
Company/ Organization	Kreditanstalt fur Wiederaufbau	City & Country	Frankfurt, Germany		
FROM Name	Preben Jensen, Prin. Highway Eng.	Fax Tel. No.	(202) 473-5456		
Dept/Div. Name	Southern Africa/Infrastructure	Dept/Div No.	232/40		
Room No.	J-11-041	Telephone No.	(202)473-4393		
SUBJECT/ REFERENCE	MALAWI - Northern Transport Corridor Project - Credit 1879-MAI				

MESSAGE

Dear Messrs. Wunsch and Gruening,

On returning from annual leave, I found your fax letter of July 19, 1990, advising me of your upcoming mission to Malawi to re-appraise the Salima-Balaka road project. You are referring to the progress report for May 1990, which clearly states that the contractor Hindustan has been unable to meet the agreed targets set during my last mission to Malawi in April 1990. The latest quarterly progress for the quarter ending June 1990 gives a somewhat more optimistic picture of the situation on the site. In para 1.1.4. It is stated that the contractor's financial position was significantly better at the end of June 1990. The total overdraft facility has been raised to MK 8.0 million, sufficient to cover the action plan. The agreement with the Belloni Organization has been signed, some experienced roads people from Italy have arrived and some improvements can be observed in the execution of the work on site. The Government reiterates (para 1.2.8) that it is in its best interest to continue with Hindustan rather than determining the contract. All in all, it appears that there are grounds for some guarded optimism.

I note from your letter that you planned to be in the field for the re-appraisal between July 30 and August 3, 1990. I would certainly be interested to learn about your findings and conclusions from that visit. I am planning to go to Malawi in mid October to review the situation. I hope that the rate of progress has continued to increase; otherwise I will endeavor to reach agreement with the Government what further action should be taken to expedite the implementation of the project.

Best regards,



Preben Jensen
Principal Highway Engineer
Infrastructure Operations Division
Southern Africa Department

Transmission authorized by Preben Jensen
cc: Messrs. Sam, Fernando; Mmes. Burns, Fantaye

If you experience any problem in receiving this transmission, inform the sender at the telephone or fax number listed above.

1884 (2-90)

Filed 8/30 Mr. Pieber Jensen
MALAWI - NTC Project

MINUTES OF THE 37TH STEERING COMMITTEE MEETING OF THE
NORTHERN TRANSPORT CORRIDOR PROJECT HELD ON 25TH APRIL

1990 IN THE MINISTRY OF TRANSPORT & COMMUNICATIONS CONFERENCE ROOM

Credit 1879-MAI

→ AFR Inf Syst

Chr.

Project

File

Present

J. L. Kalemera	- Ministry of Transport and Communications
Z. T. Soko	- Ministry of Transport and Communications
A.D.B. Msowoya	- Ministry of Transport and Communications
L. S. C. Siwande	- Ministry of Transport and Communications
R. E. Kamphale	- Petroleum Control Commission
O. L. Sadyalunda	- Oil Company of Malawi (1978) Limited
D. G. Y. Banda	- Oil Company of Malawi (1978) Limited
D. E. McCloud	- USAID/Malawi
J. J. Chaika	- USAID/Malawi
E.E.J.S. Kamanga	- Ministry of Finance
J. Malone	- World Bank
C. J. Cracknell	- EEC Delegation
G. S. Hubbarde	- Ministry of Works
G. J. Chisi	- Ministry of Works
A. C. Warrender	- Ministry of Works
T. M. House	- John Burrow and Partners
B. E. K. Munthali	- Ministry of External Affairs
R. Stock	- Lahmeyer International
P. Chikaonda	- Malawi Railways Limited
K. A. Manjolo	- Malawi Railways Limited
S. K. Chisale	- Economic Planning and Development

Apologies

British High Commission

Absent

The Reserve Bank of Malawi

Introduction

The Chairman welcomed everybody and thanked them for coming to the meeting. He announced that the Chairman of the Northern Transport Corridor Project, Mr. D. C. W. Kambauwa is now the Secretary for External Affairs, and his post in the UPC has not been filled yet. Thus the Secretary for Transport and

Communications will chair this meeting.

The World Bank Resident Representative pointed out that the West German Embassy is not present at this meeting and urged the Secretariat to send an invitation to them for the next meeting. This was agreed to by the Ministry of Transport and Communications, and that the Ministry apologises to the West German Embassy for the oversight. It was pointed out that in future invitations and minutes should not be sent to those who were present at the last meeting only but to all members of the Steering Committee.

1. Approval of Previous Minutes

The minutes were approved with minor amendments:

- i) Item 2 para 1 last sentence should read "if the US\$20.00 million" and not "US\$20.00".
- ii) Item 7 (Diesel generators (Tanzania)). It should be noted that the amount US\$1.00 million refers to the shortfall in the overall budget and not for the diesel generator sets only.

2. Matters Arising

Some of these are covered under agenda items. As regards the progress on the Malawi Cargo Centres Limited, the meeting was informed that the first Board meeting took place on the 20th April, 1990. At this meeting the Board had approved the first call of funds on the shareholding of 12 percent from each shareholder. These funds will be used to pay for some of the outstanding bills and also payment of salaries for the post of General Manager and support staff. The same meeting also approved the conducting of interviews for the two (2) suitable candidates out of twenty-three applicants. The World Bank asked whether the first Board meeting had discussed the option of hiring contractors to run the MCC. The Secretaries for MCC Limited replied that this issue was not discussed and expressed the hope that it might be considered at the second meeting scheduled for the following month. The Ministry of Transport and Communications requested that it be informed as soon as possible of the outcome of the interviews in the light of the fact that the appointment of General Manager for MCC Limited has reached a critical stage. The Secretaries of MCC promised to inform the Ministry of Transport and Communications as requested and further stated that the Board had also

decided to re-advertise the post of General Manager for MCC just in case a suitable candidate might not be found out of the two candidates.

The meeting was informed by the Chairman that the World Bank had mounted a supervisory mission of the Northern Transport Corridor Project. The findings of this mission were that the project components in Tanzania will be completed by the first quarter of 1991. The lake site facilities in Malawi have been completed (civil works), however, the gantry cranes and other equipment have not yet arrived. Nonetheless commissioning of the facilities is also scheduled for the first quarter of 1991. There are however, two major components of NTC that are behind schedule. The Ibanda-Uyole road remains a big problem in that financing of this road project is not yet secured. However, the EEC Delegation promised to fund the full cost of the project if no firm agreement is made with the Dutch Government by the end of April, 1990. The Salima-Balaka road is another bottleneck in that the contractor is grossly behind schedule. The bank recommended that drastic action might have to be taken by the Malawi Government, even though this will mean the Government having to come up with an extra K21.00 million to finish the road project (details are contained in the World Bank Aide Memoire circulated at the meeting).

Handing over of lakeshore facilities by Ministry of Transport and Communications to Malawi Railways of the buildings and civil works will be done at a future date. The fuel facilities at Chilumba and Chipoka will be handed over to Oilcom (1978) Limited. However, the Chairman requested that a sub-committee comprising MOTC, Ministry of Works, Petroleum Control Commission and Oilcom should meet after the meeting to decide on the modalities of the handing over the facilities. The Consultant Lahmeyer International will be informed in writing to whom what facilities have been handed over. Then Lahmeyer International will conduct some training to the recipient of the facilities.

3. Up-dated Implementation Schedule

These were circulated in draft form by Lahmeyer International. The specific details were discussed under the following agenda items, 4, 6, 7 and 9.

4. Progress on lakeshore Site Construction

Monkey Bay

Major Civil works have been completed and certificate of substantial completion was issued on 30th January, 1990. The Civil works are completed and were handed over to Ministry of Works on 26th February, 1990.

Chipoka

Construction is substantially completed. Any outstanding work (minor in nature) would be executed over the maintenance period. The civil works are completed and were handed over to Ministry of Works on 26th February, 1990.

Chilumba

Major civil works have been completed and certificate of substantial completion was issued on 30th November, 1989. The contract was handed over to Ministry of Works on 26th February, 1990.

5. Progress On Roads Construction

1) Salima - Balaka

The road rehabilitation work on this road has encountered serious problems. Only about 15% of the northern section (KfW funded) and about 2% of the southern section (IDA financed) have been completed in close to two years since the beginning of the contract period in June, 1988. Mobilization of equipment took more than a year and since then, the contractor has been unable to demonstrate that a satisfactory rate of progress can be achieved. Over the last several months, financial problems have added to the contractor's difficulties and work on site has almost come to a complete standstill. Ministry of Works has been considering whether to terminate the contracts and retender the works. However, the supervisory consultants have estimated that an additional MK12.00 million would be required if the contract was retendered, or up to MK21.00 million if the present contractor's performance bond and bank guarantee for the advance cannot be released in a timely fashion. Since the two financing agencies would not be able to provide extra funding, the burden of paying for the cost increase would fall on the Malawi Government, which will have serious problems in raising funds of this magnitude. The cheapest solution

would probably be to find ways and means of pressurising the present contractor to complete the job. Thus the contractor will have to either complete the work or give up on their own without Malawi Government terminating the contract.

ii) Karonga - Ibanda

The 46 km Malawian section of the road is well underway with completion scheduled for end of March, 1991. The contractor is making good progress and is confident that the work will finish on schedule. However, Ministry of Works does not share this opinion and they anticipate a 3 months delay. The 5 km Tanzania part of the road is scheduled for completion by the end of July, 1990, but some delays have occurred that could delay completion by a couple of months.

iii) Ibanda - Uyole

Complications in arranging co-financing of this road project have delayed its implementation. It was originally envisaged that the Netherlands would finance this work but tenders received from five Dutch contractors in October, 1988 were 50% above the amounts available from the Netherlands grant. EEC offered to finance the balance but would require retendering in accordance with EEC procurement guidelines. A solution to the procurement problem has not been found yet. However, the recent World Bank supervisory mission said that they were informed by the EEC delegation in Dar-es-Salaam that if no decision will be made with the Netherlands on co-financing the road project by end of April, 1990, EEC would be prepared to finance the entire contract. In that case, it is estimated that a contract can be awarded before the end of 1990. EEC would also finance construction supervision as well. The bills of quantities for the works would be up-dated in a two month period, April-May, 1990, and the tender invitations are scheduled to be issued in June-July, 1990. According to this schedule, and with a two year contract period, the road would be completed by end of 1993, which is nearly two year after virtually all other project components in the corridor would have become operational.

6. Progress on Sites In Tanzania

The progress report was circulated, mobilization is complete and the contract is on schedule. Detailed progress is contained in items below.

7. Progress on Procurement Tendering

Gantry Cranes (Malawi)

This contract has been awarded to Lifting Equipment (Zimbabwe) Limited. The letter of intent was issued on the 4th August, 1989. Completion is scheduled for August, 1990.

Inspections for the component parts have been carried out in West Germany by the Engineer. The first shipment from Zimbabwe is expected to arrive at Malawi Railways goods depot in early June for direct shipment to Chipoka and Chilumba with commissioning to be effected in August, 1990.

Gantry Cranes (Tanzania)

The tender was awarded to Industrial Plant (E.A.) Limited of Nairobi, Kenya for the amount of US\$3,306,598.00. The contract was signed by Malawi Government on 2nd April, 1990. Commissioning will take place in April, 1991.

Slipway Winches

The Malawi Government accepted the tender of Messrs Henschel Corporation for the sum of US\$245,000. The letter of intent was issued on the 5th January, 1989.

The winches have been inspected and approved, at the manufacturers premises in the U.S.A. The winches have been delivered at Monkey Bay and are awaiting installation by P & H.

Diesel Generators (Malawi)

The Government of Malawi accepted the tender of Messrs Brown and Clapperton for the sum of US\$393,417.60, and a letter of contract award was issued on the 1st of June, 1989.

These were delivered to site on 10th April, 1990, and since then installation and commissioning has commenced, which will take about 25 days.

Diesel Generators (Tanzania)

Gazetting has not taken place yet. This has not been pursued at this point in time due to the uncertainty of availability of funds.

Rail Tank Cars and Tank Containers

Tender for rail tank cars has been awarded to Morewear Industries of Zimbabwe, whereas for the supply of 33 tank containers has been awarded to ZECO also of Zimbabwe. Construction of both has begun and Malawi Railways has asked National Railways of Zimbabwe to provide a quotation for engineering supervision. The quotation has not been received yet by Malawi Railways.

8. Progress on British Funded Components

Malawi cargo centres (Mbeya and Dar-es-Salaam)

At the previous Steering Committee meeting, it was reported that the works at Mbeya were 13 weeks behind schedule and those at Dar-es-Salaam 10 weeks behind, as at the end of January, 1990.

During February there was no further slippage to the works at Mbeya. In Dar-es-Salaam, one week of time lost to date was made up. During March and through to April (mid) more time was lost on both sites with the result that works at Mbeya and Dar-es-Salaam were 15 weeks and 11 weeks respectively behind schedule.

Dar-es-Salaam - Resettlement Infrastructure

Contracts have been awarded for the construction of the Phase I of the access road to the Yombo settlement site due for completion by 13th November, 1990, and for the dispensary and staff house due for completion on 29th August, 1990. Funds have been issued to TANESCO for the extension of the power line, but work has not commenced yet. No further progress has been achieved on the construction of water wells ostensibly because of a high water table resulting from heavy rains.

9. Progress on German Funded Components

The Government of Malawi accepted the tender of Degendorfer West and Elsenbay GmbH (D.W.E.) for the sum of DM10,300.00. The letter of

intent was issued on 25th August, 1989. The contract between Malawi Government and D.W.E. was signed on the 7th November, 1989. A request for Advanced Working Capital in the amount of DM2,198,480.00 was submitted for payment on 17th November, 1989. This amount was received by D.W.E. in March, 1990. A claim for DM25,648.70 being interest on the delayed payments has been received from D.W.E. on 20th April, 1990. The construction of the vessel has been completed and its parts have been shipped on the 20th April, 1990 and will arrive in Monkey Bay on 3rd June, 1990. However, reconstruction of the vessel might be delayed because, the mobile cranes funded by ODA might reach Monkey Bay only after the 3rd week in June, 1990. Nonetheless the final commissioning of the vessel is scheduled for end of March, 1991.

10. Any Other Business

The meeting was informed that the British Minister for Overseas Development had visited the Malawi Cargo Centres in both Mbeya and Dar-es-Salaam.

A representative of the Ministry of Works made a suggestion to the meeting that since a lot of progress has been made in the realisation of the Northern Transport Corridor Project, a site visit, by say the Secretary to the President (SPC), the Secretary to the Treasury, Secretary for works and the Secretary for Transport and Communications could be appreciated. After some discussion it was resolved that the Steering Committee and the donor community should mount a visit of all sites in Malawi and Tanzania. It was proposed that MOTC will send a letter requesting members of the Steering Committee to indicate when they would like to make the trip either in August or September, 1990.

Shuttle Service

The meeting was informed by PCC that as regards the fuel transportation between Mbeya and Chikumba, the private sector has been contacted and the response is good. For the dry goods transportation, MCC has yet to formulate contracts to be offered to the private sector. Some donors have expressed interest in funding the shuttle service but firm commitments have yet to be made.

11. Date of the Next Meeting

The next meeting will be held in Dar-es-Salaam, Tanzania. Ministry of Transport and Communications will inform members of the Steering Committee when the most convenient time for the site visit has been identified.

MINISTRY OF TRANSPORT AND COMMUNICATIONS



MINISTRY OF WORKS

I.D.A. ACCOUNTANT

- 4 SEP 1990

PRIVATE BAG 316
LILONGWE 3

G. S HUBBARDE

*Mr Brehan Jensen,
World Bank,
Washington, D.C.*

MALAWI GOVERNMENT

*With the Compliments
of the
Ministry of Works*

*Herewith copies of letters addressed to Petroleum Control
Commission and Malawi Railways regarding the audit
of their MCC company, MRHE and MR company
accounts for 1989/90 financial year for your information.*

Private Bag 316 : Lilongwe 3



29th August, 1990

Executive Secretary,
Petroleum Control Commission,
P.O. Box 2827,
BLANTYRE.

(Attention : Mr. R.E. Kamphale)

Dear Sir,

NORTHERN TRANSPORT CORRIDOR PROJECT: I.D.A.
DEVELOPMENT CREDIT AGREEMENT NO.1879 MAI
(SDR 11,100,000): AUDIT OF MALAWI CARGO
CENTRES COMPANY ACCOUNTS FOR 1989/90

We attach hereto a copy of ARTICLE IV Financial Covenants extracted from the International Development Association (World Bank) Development Credit Agreement No.1879MAI in respect of the Northern Transport Corridor Project. In particular, your attention is drawn to Section 4.01(a) and (b) of ARTICLE IV whereby the Accounts of the Malawi Cargo Centres (MCC) Company have to be audited for each fiscal (financial) year.

2. It is understood that the MCC Company was only incorporated on the 23rd February, 1990, and therefore, we would be grateful to learn what arrangements have been/will be made to have its accounts subjected to annual audits.

3. Audited accounts in respect of the financial year from 1st April, 1989 to 31st March, 1990 are due for presentation to World Bank by the 30th September, 1990 at the latest. If the 1989/90 audited accounts for MCC Company are available please could you arrange to send a copy of them to this office for onward transmission to World Bank, Washington, D.C.

Yours faithfully,

G. S HUBBARDE

(G.S. Hubbarde)

for: ACTING SECRETARY FOR WORKS

GSH/DJMP

cc : The Secretary for Transport and Communications,
Private Bag 322,
Lilongwe 3.

(Attention : Mr. Z. Soko)

Date Rec'd 9/19/90

Date Ack'd Not rec'd

Assigned to P-Jenny

I. Soko

210

Project Name: Malawi

Africa Info. Center NTC

Please take note!

RECEIVED
1990 SEP 18 PM 5:36
INCOMING MAIL UNIT

UNIT 3

1.57 A540 B08. 255*

mai - 1879

24th August, 1990

The World Bank
1818 # Street NW
Washington DC 20433
UNITED STATES OF AMERICA

Kreditanstalt Fur Wiederaufbau (KfW)
Palmengarten Strasse 5-9
Postfach 11 11 41
6000 Frankfurt am Main II
GERMANY

Date Rec'd. 8/31/90

Date Ack'd _____

Assigned to PJ

AF/OT/10/10/90
IS

Project Name: 197 Ma/ NTC

Africa Info. Center J

Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA CONTRACTS 44/86 AND
PROGRESS REPORT NO. 24. FOR JULY 1990

Find enclosed 2 copies for your office and another 2 copies for KfW and one copy for each of the other addressees respectively.

Yours faithfully,

MR



K.D. Chinyama Phiri
For : Controller of Roads
For : ACTING SECRETARY FOR WORKS

- cc : The Secretary to the President and Cabinet (Dev. Division)
P.O. Box 30132, Lilongwe 3.
- : The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
- : The Secretary for Transport and Communications, P/Bag 322,
- : The Road Traffic Commissioner, P.O. Box 30177, Chichiri
Blantyre 3.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

MAIL G.1879

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

August 21, 1990

Mr. R. Stock
Chief Resident Engineer
Lahmeyer International GmbH
P. O. Box 282
Lilongwe
Malawi

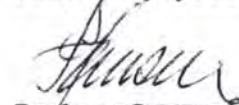
Dear Mr. Stock:

MALAWI : Northern Corridor Project - Progress Report

I acknowledge, with thanks, receipt of a copy of the Progress Report for the period June 22 - July 21, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Preben Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

MAI - Ca. 2879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

August 14, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

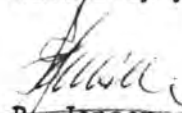
Dear Mr. Phiri:

MALAWI : Northern Corridor Project
Rehabilitation of Route M17 Between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated July 26, 1990, together with two copies of the Progress Report No. 23 for June, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,


P. Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

MAI C. 1879

Ref. No. RP 152 VOL. X1 (33)
Telephone 733 188
Telefax 730389
Telex 44285



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

Rec'd 8/9/90
Date Ack'd 8/24/90
Attn: P/O
AF
RC

26th July, 1990.

The World Bank
1818H Street NW
Washington D.C. 20433
U.S.A.

Kreditanstalt Fur Wiederaufbau (KFW) L 11 B12
P.O. Box 111141, D-6000 Frankfurt AM Main II
West Germany.

Project Name 172 Malawi
Africa Info Center J
Hwy V NTC

Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA CONTRACT 44/86
AND 45/86 PROGRESS REPORT NO. 23
TO END THE PERIOD UP JUNE 1990

Find enclosed 2 copies for your office and 2 copies for
KFW and 1 copy for each of the other addresses as progress
report on the above project.

mlr

for : K.D. Chinyama Phiri
for : Controller of Roads
SECRETARY FOR WORKS

- CC : The Secretary to the President and Cabinet
(Dev. Division)
P.O. Box 30132, Lilongwe 3.
- CC : The Secretary to the Treasury,
P.O. Box 30049,
Lilongwe 3.
- : The Secretary for Transport and Communications,
Private Bag 322,
Lilongwe 3.
- : The Road Traffic Commissioner,
P.O. Box 30177,
Chichiri, Blantyre 3.

Orefco Ltd.



(Organisation & Efficiency Consultants Ltd.)

MAI - C.1879

Telephone: 35152/3
Telex: 41415

Uhuru Street
P. O. Box 4668
Dar es Salaam
Tanzania

In reply please quote:

Our Ref: ORG/GM/O/50

Date 25/07/90

Your Ref:

The World Bank,
Infrastructure Operations Division,
Southern Africa Department,
Washington, DC 20433,
USA.

ATT: MR. JOHN A. S. ROOME.

Dear Sir,

RE: APPRAISAL OF WORLD BANK PROJECTS.

Thank you for your letter dated July 13, 1990.

We shall be pleased to meet you when you visit DSM.

Please note our Telex Nos. are 41843 and 41849.

Yours Sincerely,
ORGANISATION & EFFICIENCY CONSULTANTS LIMITED


MICHAEL M. MMASI,
GENERAL MANAGER.

CC: MR. ISAAC SAM,
CHIEF, INFRASTRUCTURE OPERATIONS DIVISION,
SOUTHERN AFRICA DEPARTMENT,
WORLD BANK,
WASHINGTON DC. 20433.

Date Rec'd 8/20/90
Date Ack'd NR
Assigned to Roome
PSJ
Project Name 137 EAF TRP
Africa Info. Center I Moe.

RECEIVED

90 AUG 16 PM 2:32

INCOMING MAIL UNIT

WASHINGTON DC 20522
MONTGOMERY BANK

FOURTH AVENUE DEPARTMENT

CHIEF, INTERNATIONAL OPERATIONS DIVISION

CC: MR. TAVELER

SECRETARY GENERAL
MICHAEL H. HARRIS

INTERNATIONAL & FINANCIAL COMMISSIONING FINANCIAL
ACCOUNTS

By the way, the letter was the 18th day of August.
We must be prepared to meet you when you arrive here.

Thank you for your letter dated July 12, 1980.

RE: ADVISORY OF MONTGOMERY BANK

Dear Sir:

ALL: MR. TAVELER, B. MOORE

Mr.

Washington DC 20522
Fourth Avenue Department
International Operations Division
The Montgomerie Bank

Very truly,

On the 16th day of August 1980

in the presence of:

02/10/80

date

Director
Chairman
Secretary

SECRET
100 1

(Organization & Efficiency Committee) 100 1

PF 81.0-14M

Oct 10 1980



The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

July 23, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

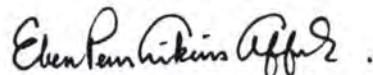
Dear Mr. Phiri:

MALAWI : Northern Corridor Project
Rehabilitation of Route M17 Between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated July 9, 1990, together with two copies of the Progress Report No. 22 for May, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



E. Aikins-Afful, Acting Chief
Infrastructure Operations Division
Southern Africa Department

Seite
page
page
páginaAnzahl der Seiten
number of pages
nombre de pages
número de páginas

Telefax-Anschluß KfW: (0-69) 7431 2944

1) Ministry of Works and Supplies
Attn. Mr. C. Clark
Lilongwe / Malawi
Telefax: 730 389

Palmengartenstraße 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon: (0-69) 7431-0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4152560 kwd
Telefax: (0-69) 7431 2944
Teletex: 699804 = KfW

copy:

Ministry of Finance
Lilongwe / Malawi
Telefax: 265/73 47 39

Unsere Zeichen
our reference
notre référence
nuestra referencia
Wt/Bgh

Durchwahl
extension
extension
extensión
2763

Datum
date
date
fecha
2.7.1990

Worldbank
Attn. Mr. Preben Jensen
Washington D.C.
Telefax-Nr. 001202-477-6391

Date Rec'd. 7/3/90

Date Ack'd. _____

Assigned to PO/e

Subj: L II b/2 - Financial Cooperation with Malawi
DM 13.6 Mio for Rehabilitation of
Salima-Mua Road - 86 65 655

Project Name 132 Malawi
AC - Info. Center J NTC

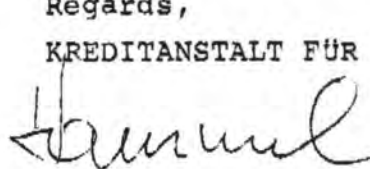
Dear Sirs,

we thank you for your telefax dated June 28, 1990 and may inform you that we have to insist on your or your consultant's clear confirmation that all plant purchased by the contractor from Stirling International has arrived at project side. It has already been pointed out by your consultant that the mobilisation of additional equipment is one of the most essential prerequisites for the contractor to improve his performance. We fully agree with this opinion and are therefore only in a position to revise our decision to suspend disbursements after we have received the before mentioned confirmation.

Furthermore we have to point out that payment certificate No 14 has already been disbursed by us on Febr. 16, 1990. Only the certificates No 15, 16, 17 summing up to MK 162.140,02 and US \$ 125.229,62 have so far not been disbursed.

Regards,

KREDITANSTALT FÜR WIEDERAUFBAU



Seite
page
page
página

Anzahl der Seiten
number of pages
nombre de pages
número de páginas

Telefax-Anschluß KfW: (0-69) 7431 2944

Worldbank
Attn Mr. Preben Jensen
Washington D.C.
Telefax: 001202-477-6391

Palmengartenstraße 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon: (0-69) 7431-0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4152560 kwd
Telefax: (0-69) 7431 29 44
Teletex: 699804 = KfW

Ref: 7/23/90
Date Ack'd: 7/24/90
Registered to: AF
EAH

Unsere Zeichen
our reference
notre référence
nuestra referencia
WÜ/Krs

Durchwahl
extension
extension
extensión
2763

Datum
date
date
fecha
19.7.1990

Project Name: ISF Malawi
Subj.: L II b/2 - Financial Cooperation with Malawi
DM 13.6 Mio for Rehabilitation of
Salima-Mua Road - 86 65 655

Dear Sirs,

we intend to carry out a follow-up appraisal of the a.m. project between July 30 and August 3, 1990. From the last progress report for May 1990 it can be observed that contractor's work output during May was only 1.8 % under contract 44/86 and 0.09% under contract 45/86. This being much less in comparison to what should have been produced by him according to your Aide Memoire dated April 18, 1990 to demonstrate his performance. Some working capital appear to have been transferred by him however it is highly questionable if new funds are sufficient to provide longterm financial stability.

We are of the opinion, that really none of your targets fixed in your before mentioned Aide Memoire have been met by the contractor up to end of May 1990. We therefore would like to ask you to let us know, how you intend to proceed further on.

Would very much appreciate to receive your answer before our departure to Lilongwe that means on July 27, 1990 at the latest.

Yours sincerely
KREDITANSTALT FÜR WIEDERAUFBAU

MAI - C2 1879

Seite
page
page
página

Anzahl der Seiten
number of pages
nombre de pages
número de páginas

Telefax-Anschluß KfW: (0-69) 7431 2944

- 1) Ministry of Works and Supplies
Attn. Mr. C. Clark
Secretary for Works
Lilongwe/Malawi
Telefax: 730 389
- 2) Worldbank
Attn. Mr. Preben Jensen
Washington D.C.
Telefax: 001202-477-6391

Palmengartenstraße 5-9
Postfach 111141
6000 Frankfurt am Main 11

Telefon: (0-69) 7431-0
Telegrammadresse:
Kreditanstalt Frankfurtmain
Telex: 4152560 kwd
Telefax: (0-69) 7431 2944
Teletex: 699804 = KfW

Unsere Zeichen
our reference
notre référence
nuestra referencia

Durchwahl
extension
extension
extensión

Datum
date
date
fecha

Wü/Krs

2763

19.7.1990

Subj.: L II b/2 - Financial Cooperation with Malawi
DM 13.6 Mio for Rehabilitation of
Salima-Mua Road - 86 65 655

Dear Mr. Clark,

referring to your letter No. CONF 84/1/14(26) dated July 16, 1990 we thank you very much for having already started to prepare our follow-up visit. In order to facilitate the preparatory work for us and also your officers we would appreciate getting the following documentation/information before July 28, 1990 preferably by telefax:

- 1) Report on contractor's progress during June/July 90
- 2) Situation on additional plant purchased from Stirling International
- 3) Documents on contractor's cash flow
- 4) Number and qualification of Mr. Belloni's staff at site.

In case this documentation/information can not be prepared up to July 28, 1990 we may ask you to make sure that it will be handed over to us at the latest on July 30, 1990 after our arrival.

Kind regards,
Kreditanstalt

Date Rec'd. 7/20/90

Date Ack'd. N/A/R

Assigned to [Signature]

Project Name: 154 Malawi NTC

MAI - C 1879

Telefax-Anschluß KfW: (0-69) 7431 2944

- 1) Ministry of Works and Supplies
Attn. Mr. C. Clark
Secretary for Works
Lilongwe/Malawi

Telefax 730 389

Palmengartenstraße 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon: (0-69) 7431-0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4152560 kwd
Telefax: (0-69) 7431 2944
Teletex: 699804 = KfW

- 2) Worldbank
Attn. Mr. Preben Jensen
Washington D.C.

Telefax 001202-477-6391

Unsere Zeichen
our reference
notre référence
nuestra referencia

WÜ/Ghd

Durchwahl
extension
extension
extensión

2763

Datum
date
date
fecha

10.7.1990

Subj.: L II b/2 - Financial Cooperation with Malawi
DM 13.6 Mio for Rehabilitation of
Salima-Mua Road - 86 65 655

Dear Mr. Clark,

Date rec'd. 7/11/90
Date 11/11/90
Not rec'd. Am
KfW
4/30/91
Refers

Project Name: 136
Africa Info. Center J

we thank you for your telefax dated July 4, 1990 to which
we would like to give you our following comments:

- (1) As mentioned in our previous correspondence we have to insist on you or your consultant's confirmation, that the equipment purchased by the contractor from Sterling International has arrived at project side.
- (2) The Italian Management Team has been engaged by the contractor in order to improve his performance. Payment obligations resulting from this engagement have therefore to be fulfilled exclusively by the contractor. Obviously the contractor is not in a position to pay these services. Therefore it is highly questionable whether the credit facilities have really been made available to him. Since the improvement of the liquidity of the contractor is one of the prerequisites to revise our decision to suspend disbursements we may ask you to make a thorough investigation whether additional funds in the amount of MK 8.0 million have been really made available by the contractor's bank.

- (3) If you feel that the contractor is legally entitled to get payment for works already done by him we would not object to your Ministry effecting payments for works performed.

Best regards

KREDITANSTALT FÜR WIEDERAUFBAU

A handwritten signature in dark ink, appearing to be 'K. H. H. H.' or similar, written in a cursive style.

Ref. No. RP152 Vol. XI ()
Telephone 733 188
Telefax 730389
Telex 44285



MAI-C, 1879

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

9th July, 1990

The World Bank,
1818 H Street NW,
Washington D.C. 20433,
U.S.A.

Kreditanstalt Für Wiederaufbau KFW.,
Palmengartenstrasse 5-9,
D-6000 Frankfurt AM Mains II,
WEST GERMANY.

Date Rec'd 7/23/90
Date Ack'd 7/23/90
Assigned to POK
EAA

Project Name 159 Malawi NTC
Africa Info. Center J

Dear Sirs,

REHABILITATION OF ROUTE M17 BETWEEN SALIMA
AND BALAKA, CONTRACTS NO. 44/86 AND 45/86
PROGRESS REPORT NO.22 TO END MAY, 1990.

Find enclosed 2 copies of the report on the above project
and 2 copies for K.F.W and one copy for each of the other addressees
respectively for your Office perusal and comments if any.

M/K

for : K.D. Chinyama Phiri
for : Controller of Roads
SECRETARY FOR WORKS

- cc : The Secretary to the President & Cabinet (DEV.DW)
P.O.Box 30132, Lilongwe 3.
- cc : The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
- cc : The Secretary for Transport & Communications,
P/Bag 322, Lilongwe 3.
- cc : The Road Traffic Commissioner, P.O. Box 30177,
Blantyre 3.
- : The Regional Controller of Works (C),
P.O. Box 91, Lilongwe.

Telegrams: TRANCOM, Lilongwe 3
Telephone: Lilongwe 730122
Communications should be addressed to:
The Secretary for Transport and Communications



Date Ack'd

Assigned to

8/28/90

RJ

AF

MAI - CR 1879
In reply please quote No. C7/2/7B/XIX

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

4th July, 1990

The World Bank,
1818, H Street, N. W.,
Washington, D.C., 20433,
United States of America.

Printed Name 189 Malawi - NTC
Africa Info Center

Attention Mr. Preben Jensen, Principal Highway Engineer,
Infrastructure Operations Division, Southern Africa Dept)

Dear Sir,

RE : MALAWI : NORTHERN TRANSPORT CORRIDOR PROJECT :
IDA CREDIT NO. 1879 MAI : PROJECT PROGRESS REPORT
FOR QUARTER ENDED 30TH JUNE 1990. (ALSO INCORPORATES
EUROPEAN ECONOMIC COMMUNITY (EEC); KREDITANSTALT FUR
WIEDERAUFBAU (KFW) WEST GERMANY; OVERSEAS DEVELOPMENT
ADMINISTRATION (ODA) UNITED KINGDOM; UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) AND
NETHERLANDS GOVERNMENT ASSOCIATED FUNDED ACTIVITIES)

Please find attached hereto the Northern Corridor Project
Progress and Financial Status reports, in triplicate, in respect
of the quarter ended 30th June, 1990. From this report you
will note that we have also incorporated progress relating
to above donor agency associated activities.

Yours faithfully,

G. S. Hubbarde
(Project Accountant)

for SECRETARY FOR TRANSPORT AND COMMUNICATIONS

cc: The Secretary for Works, Private Bag 316, Lilongwe 3.

The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.

The Secretary for Economic Planning and Development,
P.O. Box 30136, Lilongwe 3.

The Resident Representative, World Bank, P.O. Box 30577,
Lilongwe 3.

Att'...

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

MAI - G.1879

June 27, 1990

Mr. R. Stock
Chief Resident Engineer
Lahmeyer International GmbH
P. O. Box 282
Lilongwe
Malawi

Dear Mr. Stock:

MALAWI : Northern Corridor Project - Progress Report

I acknowledge, with thanks, receipt of a copy of the Progress Report for the period April 22 - June 21, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,

E. Aikins-Afful

E. Aikins-Afful, Acting Chief
Infrastructure Operations Division
Southern Africa Department

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

MAI-C.1879

June 25, 1990

Mr. R. Stock
Chief Resident Engineer
Lahmeyer International GmbH
P. O. Box 282
Lilongwe
Malawi

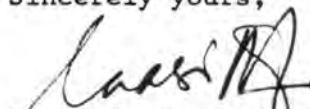
Dear Mr. Stock:

MALAWI : Northern Corridor Project - Progress Report

I acknowledge, with thanks, receipt of your letter dated May 28, 1990 together with two copies of the Monthly Progress Report for Mbeya and Dar-es-Salaam.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

MAI - C. 1879
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

June 6, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

Dear Mr. Phiri:

MALAWI : Northern Corridor Project
Rehabilitation of Route M17 Between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated May 23, 1990 together with two copies of the Progress Report No. 21 for April, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Jeffrey S. Racki, Acting Chief
Infrastructure Operations Division
Southern Africa Department

OFFICE MEMORANDUM

DATE: June 5, 1990

TO: Jeffrey S. Racki, Acting Chief. AF6IN

FROM: Preben Jensen, Principal Highway Engineer, AF6IN

EXTENSION: 34393

SUBJECT: MALAWI - Fifth Highway Project - Loan 2363/Credits 1423 & SF-6-MAI
Northern Transport Corridor - Credit 1879-MAI
Infrastructure Project - Credit 2069-MAI
Supervision Mission - Distribution of Aide-Memoires

1. In accordance with the Statement of Mission Objectives, dated March 19, 1990, I carried out supervision of the above projects from March 28 to April 4 in Tanzania and from April 4 to 18 in Malawi. The Aide-Memoires summarizing the mission's findings and recommendations are attached.

cc: Messrs. Sam, Singh, Messenger, King, Zerabruk, Fernando, Aikins-Afful;
Mmes. Burns, Fantaye
Africa ISC Files

PJensen/mof

MAI - G.1879
MALAWI - TANZANIA NORTHERN CORRIDOR PROJECT

CONSORTIUM



World Bank Washington
AF6IN Room J11-041,
1818 H. Street, N.W.,
Washington, D.C. 20433,
U. S. A.

Lilongwe Office:
P.O. Box 282
Telephone 723334
Telefax 723810

In your reply please quote

Date 28/05/90

Attention: Mr. Preben Jensen

Ref: Malawi / Tanzania Northern Corridor Project
Sub: Monthly Progress Reports 22nd March 1990 to 21st April 1990

Dear Sir,

Please find enclosed 2 copies of Monthly Progress Report for Mbeya and Dar-es-Salaam.

Yours faithfully,

A handwritten signature in black ink, likely belonging to R. Stock.

R. Stock
Chief Resident Engineer
for: THE CONSORTIUM
LAHMEYER International
SELLHORN Engineering
LAHMEYER International GmbH

m/u's
Date Rec'd. 6/20/90
Date Ack'd 6/25/90
Assigned to P. Jensen

119
Project Name: MALAWI: NTC
Africa Info. Center J

PROGRESS REPORTING SLIP

(Regional Designation)

CARDED IN	June 25, 1990
ACKNOWLEDGEMENT OF RECEIPT	June 25, 1990
SENT TO FILES	8/20/90

1. DIVISION/SECTION: AF6IN		COUNTRY: MALAWI	LOAN/CREDIT NO.(S): Northern Transport Corridor	
2. PERIOD OF REPORT: March 22/90 to From April 21, 1990		TYPE OF REPORT: PROGRESS REPORT		
3.	(a) FOR ACTION BY	(b) ACTION TAKEN	(c) INITIALS	(d) DATE
	I. Sam, Chief, AF6IN	None	JLH JH	06/26
	P. Jensen, AF6IN			08/20/90
	A. Fantaye, AF6IN			6/29/90
	A. Da Costa, AF6IN			
4. PHYSICAL PROGRESS OF PROJECT. (Please check one):				
IMPROVING ☒ AHEAD OF SCHEDULE ☐ ESTIMATED FINAL COST: SAME ☐ STATIONARY ☐ ON SCHEDULE ☒ INCREASE <u>Modest</u> X (%) DETERIORATING ☐ BEHIND SCHEDULE _____ (%) DECREASE _____ (%)				
5. PROBLEMS REVEALED BY REPORT (If no problems are apparent, write "None" below): Moving smoothly.				
6. PROBLEM PROJECT (If the report is on "Problem Project," a memorandum to Files is required): YES ☐ NO ☒				
7. ACTION TAKEN OR TO BE TAKEN (Please check one): MEMORANDUM TO: FILES ☐ LETTER TO BORROWER: ☐ NO ACTION TAKEN: ☒ FRONT OFFICE ☐ PROGRAMS ☐ DIVISION CHIEF ☐				

Sections 1, 2 and 3(a) will be completed by the Division Chief's secretary, or the Admin. Assistant.
Sections 3(b)(c) and (d) 4, 5, 6 and 7 will be completed by the person(s) named in Section 3(a).

CC: Mr Preben Jensen 01 1000

Ref. No. C7/2/7B/XV

28th May, 1990

MAI - CR 1879

FROM : THE SECRETARY FOR TRANSPORT AND COMMUNICATIONS, PRIVATE BAG 322, LILONGWE 3.

TO : THE SECRETARY FOR WORKS, PRIVATE BAG 316, LILONGWE 3.
Att : Mr. G.J. Chisi/G.S. Hubbarde

: THE EXECUTIVE SECRETARY, PETROLEUM CONTROL COMMISSION,
P.O. BOX 2827, BLANTYRE.
Att : Mr. R. E. Kamphale

6/20/90
Not reg'd
P. Jensen
I [signature]
AT
2
Project Name MALAWI:
NTC
Africa Info Center

: THE CHIEF INFRASTRUCTURE DIVISION, WORLD BANK, WASHINGTON D.C. Att : Mr. P. Jensen
C/o World Bank Office, Lilongwe ✓

: THE MISSION DIRECTOR, USAID/MALAWI, BOX 30455, LILONGWE.
Att : Mr. D. E. McCloud/K. Rikard

: THE USAID REGIONAL ENGINEER/NAIROBI, C/O USAID/MALAWI
P.O. BOX 30455, LILONGWE 3.
Att : Mr. Bob Rose

: THE BRITISH DEVELOPMENT DIVISION IN SOUTHERN AFRICA,
BOX 30059, LILONGWE 3.
Att : Mr. M. Mallalieu

: THE BRITISH HIGH COMMISSION, P.O. BOX 30042, LILONGWE.
Att : Mr. B. Scarborough

: THE RESIDENT REPRESENTATIVE, EEC DELEGATION, P.O. BOX 30102, LILONGWE 3.
Att : Mr. C. J. Cracknell

: LAHMEYER INTERNATIONAL, P.O. BOX 282, LILONGWE.
Att : Mr. R. Stock

MINUTES OF THE MEETING : BRIEFING BY WORLD BANK
SUPERVISORY MISSION OF NTC AND THE DONORS

Please find enclosed minutes of the above meeting which was held in April, 1990 for your records.



L. S. C. Siwande
for SECRETARY FOR TRANSPORT AND COMMUNICATIONS

MINUTES OF THE MEETING HELD IN THE MINISTRY'S CONFERENCE ROOM ON
12TH APRIL, 1900 : BRIEFING BY THE WORLD BANK SUPERVISORY MISSION
OF THE NORTHERN TRANSPORT CORRIDOR PROJECT TO THE DONORS

Present

Affiliation

Mr. J. L. Kalemera	- Ministry of Transport and Communications
Mr. L.S.C. Siwande	- Ministry of Transport and Communications
Mr. G. J. Chisi	- Ministry of Works
Mr. G.S. Hurbhade	- Ministry of Works
Mr. R. Kamphale	- Petroleum Control Commission
Mr. P. Jensen	- World Bank
Mr. D. McCloud	- USAID/Malawi
Mr. Bob Rose	- USAID Regional Engineer/Nairobi
Mr. ken Rikard	- USAID - Deputy Director
Mr. Mark Mallalieu	- British Development Division in Southern Africa
Mr. Bryan Scarborough	- British High Commission
Mr. R. Stock	- Lahmeyer Interantional
Mr. G. J. Cracknell	- EEC Delegation

Introduction

The Chairman welcomed everybody present and reported that the meeting was called by the World Bank Mission to brief the Donor Community on the progress of the Northern Transport Corridor from the recent supervisory mission. He then called on Mr. Preben Jensen of the World Bank to speak. Mr. Jensen reported that this Mission, which was jointed in Dar-es-Salaam by a Malawi delegation with representatives from the Ministries of Works and Transport and Communications, and the Malawi Railways, visited civil works in Dar-es-Salaam and Mbeya to ascertain the status of the work. In Tanzania the mission met with officials from the Ministry of Communications and Works, the Royal Netherlands Embassy, the EEC Delegation, and representatives from the contractors and consultants responsible for the implementation of the project component created there. The mission visited all project sites in Da-es-Salaam and Mbeya via Ibanda, Karonga and Chilumba to Lilongwe. The sites of Chipoka, Monkey Bay and Balaka - Salima road rehabilitation were visited on a separate trip.

1.0 Sites in Tanzania

1.1 Dry Cargo and Fuel Facilities - Dar-es-Salaam and Mbeya

The Dry Cargo and Fuel facilities in Dar-es-Salaam and Mbeya are at about the half way mark. Some delays have occurred but a realistic estimate is that all the facilities will become operational by early April 1991, including rail sidings, tank wagons and gantry cranes. All orders for tools and equipment for the cargo centres have been placed, it is becoming increasingly critical to put an organisation in place to be responsible for receiving the equipment and operating the corridor facilities.

1.2 Yombo Vituka Resettlement Site

Contracts have been awarded for a 2 km section of the access road to the Yombo resettlement site (completion by end of September 1990). And for the dispensary to be built on the site (completion by end of July 1990). The contractors are still in the mobilization stage. Construction of water wells has begun by the City Council. The electricity supply to the site will be installed over a six month period and be completed by the end of 1990.

1.3 Ibanda Uyole Road

Complications in arranging cofinancing have delayed the rehabilitation of the road project. It was originally envisaged that the Netherlands would finance this work but tenders received from the five Dutch contractors in October 1988 far exceeded the amount available from the Netherlands grant. EEC offered to finance the balance but would require retendering in accordance with EEC procurement guidelines. A solution to the procurement problems has not yet been found. However, the mission was informed by the EEC representative in Dar-es-Salaam that if no decision has been made with the Netherlands on cofinancing the works by the end of April, 1990, EEC would be prepared to finance the entire contract. It is hoped that the bills of quantities will be updated over a two month period and a contract awarded by the end of 1990.

The Ibanda-Uyole has three to four really bad sections and the Bank would recommend that consideration be given to request the Ibanda-Karonga road contractor, Held and Franke to carry out improvement on the very bad sections and be upgraded to gravel standards. However, EEC delegation pointed out that the contractor for Karonga-Ibanda road is already behind schedule and this proposal could give rise to further delays. The World Bank Mission pointed out that what would be required is a grader for

a few weeks, which could be arranged through a variation order and this work would be carried out without causing major dislocation to the schedule of the main contract. The World Bank Mission hoped that this proposal should be agreeable to both EEC and the Tanzania Government.

1.4 Karonga - Ibanda Road

The 5 km Tanzanian part of this road project is scheduled for completion by the end of July, 1990. Some delays have occurred that could cause postponement of the completion by about three months. The traffic is moving without any problems on the service road parallel to the new road and on some stretches on the new road itself.

2.0 Sites in Malawi

2.1 Karonga - Ibanda Road

The 46 km Malawian section of the Karonga-Ibanda road section is well underway with completion scheduled for late March, 1991. The contractor is making good progress and is confident that the schedule can be met. The traffic is moving smoothly on service roads or on completed sections of the road.

2.2 Lake Ports (Chipoka, Chilumba, Monkey Bay)

The civil works in the three Lake Malawi ports have been completed, and the contractual one year maintenance period began in June 1989 for Chipoka, November, 1989 for Chilumba and January, 1990 for Monkey Bay. The facilities have been handed over in Ministry of Transport and Communications and steps are now being taken to hand them over to Malawi Railways (MR) Lake Service.

2.3 Container Vessel

The fabrication of the container vessel is well under way in the Federal Republic of Germany. The first sections are scheduled to arrive in Monkey Bay in mid 1990, and the ship would be commissioned in early 1991. The lake Malawi improvements of ports and lake services will thus be ready at about the same time when the Tanzania MCC's become operational.

2.4 Balaka - Salima Road

The road rehabilitation work has encountered serious problems. Only 15 per cent of the Northern section (KFW-financed) and about 2 per cent of the southern section (IDA-

financed) have been completed in close to two years since the beginning of the contract period in June 1988. Mobilization of the equipment took more than a year and since then, the contractor has been unable to demonstrate that a satisfactory rate of progress can be achieved. Over the last several months financial problems have added to the contractors' difficulties and the work on site has come to a complete standstill.

Ministry of Works has been considering on what to do to the contractors. If the contract is to be terminated and retendered the supervisory consultants estimate that an additional MK12.0 million would be required, or up to MK21.0 million if the present contractor performance bond and bank guarantee for the advance cannot be released in a timely fashion. Since the two financing agencies would be unable to provide supplementary funding, the burden of paying for the cost increase would fall on the Malawi Government, which would have serious problems in raising funds of that magnitude. The cheapest solution would be for the present contractor to finish the works.

The contractor, Hindustan Construction Company (HCC) appears to be committed to complete the contract. In March, 1990 senior management of HCC tabled an action plan and a proposal to transfer additional working capital from India and appoint a construction management firm from Italy to reorganise the work activities on the site. The Mission recommends that the contractor should be given up to the end of May, 1990 to demonstrate increased rate of progress of at least 10 per cent on either of the contract sections. If this is not met then Ministry of Works should take steps to terminate the contract. Thus MOW should consider retendering a reduced contract, i.e. the section from salima to Chipoka be left out and completed later when additional financing has been identified.

2.5 Malawi Cargo Centre Limited

The MCC Company was incorporated on 24th February, 1990. Applications for the General Manager's post have been received and it is unlikely that the General Manager's post will be filled before August, 1990. The MCC Board of Directors will meet in its first Board meeting on April, 20, 1990.

PCC pointed out that they would like to use the tank-tainers from Zimbabwe on their way to Tanzania and also would like them painted with letters that would make them easy to identify. LI was agreeable to this since it would save the transportation of these tanktainers empty from Zimbabwe to Tanzania.

3.0 Any Other Business

Lahmeyer International reported that the generator sets for Chilumba and Chipoka have arrived in Blantyre and will be installed very soon. LI also pointed out that if the cranes are not delivered to Monkey Bay in six weeks time, they will delay on the fabrication of the container vessel which should start any time from June 1990. However ODA, the funding agent for cranes confirmed that the equipment will arrive in Malawi in early May, 1990.

MOTC expressed concern on the various bridges on the road from Karonga to Chilumba and also on the deterioration of the road. EEC confirmed that this road will be funded under Lome IV.

ODA requested the World Bank Mission if it were possible for them to participate in the next World Bank supervisory missions of the NTC. The World Bank Mission welcomed the proposal and said that they plan supervisory missions every six months, hence the next one is planned for October/November 1990. The exact details will be communicated in due course.

There being no other items to discuss the Chairman thanked the World Bank for mounting the supervisory mission which has concluded that progress is satisfactory. He further stated that it is pleasing to note that both USAID and ODA are in agreement with the World Bank's view.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

3.0 Any Other Business

Lahmeyer International reported that the generator sets for Chilumba and Chipoka have arrived in Blantyre and will be installed very soon. LI also pointed out that if the cranes are not delivered to Monkey Bay in six weeks time, they will delay on the fabrication of the container vessel which should start any time from June 1990. However ODA, the funding agent for cranes confirmed that the equipment will arrive in Malawi in early May, 1990.

MOTC expressed concern on the various bridges on the road from Karonga to Chilumba and also on the deterioration of the road. EEC confirmed that this road will be funded under Lome IV.

ODA requested the World Bank Mission if it were possible for them to participate in the next World Bank supervisory missions of the NTC. The World Bank Mission welcomed the proposal and said that they plan supervisory missions every six months, hence the next one is planned for October/November 1990. The exact details will be communicated in due course.

There being no other items to discuss the Chairman thanked the World Bank for mounting the supervisory mission which has concluded that progress is satisfactory. He further stated that it is pleasing to note that both USAID and ODA are in agreement with the World Bank's view.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

Ref. No. RP 152 X ()
Telephone 733 188
Telefax 730389
Telex 44285



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

23rd May 1990

MAI - C.1879

The World Bank,
1818H Streat NW,
Washington D.C. 20433,
U.S.A.

Kreditalt Fur Woederaufbau KFW,
Palmengartenstrasse 5 - 9,
D - 6000 Frankfurt AM MAIN II,
WEST GERMANY.

Dear Sirs,

REHABILITATION OF SALIMA - BALAKA ROAD
ROUTE M17 CONTRACT 44/86 AND 45/86 PROGRESS
REPORT NO 21 TO END APRIL 1990.

Find enclose 2 copies for your office and 2 copies for KFW
and I copy for each of the other adresses repectively, being
reports on the above project.

K.D. Chinyama Phiri
for : Controller of Roads
for : SECRETARY FOR WOKS.

- cc The Secretary to the President and Cabinet (Dev. Division),
P.O. Box 30132, Lilongwe 3.
- cc The Secretary to the Treasury, P.O. Box 30049,
Lilongwe.
- cc The Secretary for Transport and Commucations,
P.O. Box 322, Lilongwe 3.
- cc The Road Traffic Commissioner,
P.O. Box 30177, Chichiri,
Blantyre 3.

Date Recd. 6/6/90
Date Issued
Approved PJ
SR

106 Malawi
NTC

PROGRESS REPORTING SLIP

(Regional Designation)

CARDED IN	6/5/90
ACKNOWLEDGEMENT OF RECEIPT	6/6/90
SENT TO FILES	8/20/90

1. DIVISION/SECTION: AF6IN		COUNTRY: MALAWI	LOAN/CREDIT NO.(S): Northern Corridor	
2. PERIOD OF REPORT: From _____ To <u>April 90</u>		TYPE OF REPORT: PROGRESS REPORT		
3.	(a) FOR ACTION BY	(b) ACTION TAKEN	(c) INITIALS	(d) DATE
	J. Racki, Acting Chief		<i>[Signature]</i>	6/5/90
	P. Jensen	<i>See below</i>	<i>[Signature]</i>	8/20/90
	A. Fantaye		<i>[Signature]</i>	6/8/90
	A. Da Costa			
4. PHYSICAL PROGRESS OF PROJECT. (Please check one):				
IMPROVING ☐ AHEAD OF SCHEDULE ☐ ESTIMATED FINAL COST: SAME ☐ STATIONARY ☐ ON SCHEDULE ☐ INCREASE <u>✓</u> (%) DETERIORATING ☒ BEHIND SCHEDULE <u>✓</u> (%) DECREASE _____ (%)				
5. PROBLEMS REVEALED BY REPORT (If no problems are apparent, write "None" below):				
<i>No progress is being made. The government has been recommended to terminate the contract.</i>				
6. PROBLEM PROJECT (If the report is on "Problem Project," a memorandum to Files is required):				
YES ☒ NO ☐				
7. ACTION TAKEN OR TO BE TAKEN (Please check one):				
MEMORANDUM TO: FILES ☐ LETTER TO BORROWER: ☒ NO ACTION TAKEN: ☐ FRONT OFFICE ☐ PROGRAMS ☐ DIVISION CHIEF ☐				
<i>Based on SPN mission in April.</i>				

Sections 1, 2 and 3(a) will be completed by the Division Chief's secretary, or the Admin. Assistant.
Sections 3(b)(c) and (d) 4, 5, 6 and 7 will be completed by the person(s) named in Section 3(a).

MALAWI - NTC Project (6)

MAI-C.1879^{IV}

FACSIMILE TRANSMITTAL SHEET

TO: Worldbank Wash/AF6C0

FROM: VIA ITFTF FAXXCHANGE
10 MAY 1990

DELIVERY TIME: ~~10-MAY-1990 09:33:40~~

DELIVERY NODE: 2, Via ITFTF FaxXchange

SESSION: 2 - 6425

PAGES: 2 (including this page)

BALAKA - SALIMA ROAD
CORRESPONDENCE
WITH
HINDUSTAN.

Seite
page
page
páginaAnzahl der Seiten
number of pages
nombre de pages
número de páginas

Telefax-Anschluß KfW: (0-69) 7431 2944

Ministry of Works and Supplies
Lilongwe 3/Malawi
Attn. Mr. Clark
Principal Secretary
Telefax-Nr. 00265-730389

Palmengartenstraße 52
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon: (0-69) 74 31-0
Telegrammadresse:
Kreditanstalt Frankfurt/Main
Telex: 4 15 25 60 kwd
Telefax: (0-69) 74 31 29 44
Teletex: 69 98 04 = KfW

copy:
Ministry of Finance
Lilongwe 3/Malawi
Telefax-Nr. 00265-734739

Unsere Zeichen
our reference
notre référence
nuestra referencia
Wü/Krs

Durchwahl
extension
extension
extension
2763

Datum
date
date
fecha
9.5.1990

Worldbank
Washington, U.S.A.
Telefax-Nr. 001202-4776391

Subj.: L II b/2 - Malawi
DM 13.6 Mio for Rehabilitation of Salima-Mua Road
86 65 655

Dear Sirs,

we thank you for your telefax of 4/5/90. As already mentioned in our telefax of 28/4/90 a reconsideration of our decision to suspend disbursements can only take place after receipt of the documentation/information requested by our before mentioned telefax. From the last progress report we received recently it can be observed that the situation on site as per end of March 90 has even become worse than the month before.

Yours sincerely

KREDITANSTALT FÜR WIEDERAUFBAU

Handwritten signature: Name [illegible]

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

To KFW , ATTENTION MR. WUENSCH

Fax Number (069) 7431 2944

Country WEST GERMANY

Total Pages (including header) ONE

Our Ref. CONF. 84/1/57

Date 17.4.90 April 17/1990

Subject SALIMA-MUA ROAD CONSTRUCTION

Further to my telefax of 11 April, 1990 an additional message indicating financial support from the State Bank of India has been received. A copy of this is attached for your information.

A handwritten signature in black ink, appearing to read 'C. Clark'.

C. Clark
SECRETARY FOR WORKS



भारतीय स्टेट बैंक
भारतीय स्टेट बैंक
State Bank of India

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, ५म फ्लोर, १००५५, कक पारेड,
 मुंबई-४०० ००५.

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, ५म फ्लोर, १००५४, कक पारेड,
 मुंबई-४०० ००५.

Overseas Branch, World Trade Centre, 5th Floor No. 10054,
 Cuffe Parade, Bombay-400 005. दूरध्वनी नं./Telephone No. 219161
 टेलीग्राम/Telex : 011-5891 केबल/Cable : OSBRANBY-Bombay
 शाखा कोड नं./Branch Code No. 4791

(41)

L

उ. नं.
 Our Ref. No.

आपका/आपका उ. नं.
 Your Ref. No.

दिनांक
 Date

FAX TRANSMISSION

MESSAGE FROM : STATE BANK OF INDIA, OVERSEAS BRANCH,
 TERM EXPORT CREDIT DIVN., BOMBAY

TO : THE MINISTRY OF WORKS, LILONGWE, MALAWI

KIND ATTN MR. C. CLARK, SECRETARY FOR WORKS

HINDUSTAN CONSTRUCTION CO. LTD. (HCCL)
SALIMA & SALAKA ROAD

CONTRACT 44/86 & 45/86

FURTHER TO OUR FAX MESSAGE DTD 5TH APRIL WE ADVISE THAT
 HCCL IS SANCTIONED THE NECESSARY FINANCIAL FACILITY
 FOR THEIR MALAWI PROJECT AND FUNDS ARE BEING RELEASED TO
 THEM WITH IMMEDIATE EFFECT.

WE WOULD LIKE TO ASSURE YOU THAT ALL STEPS ARE BEING TAKEN
 TO SUPPORT OUR CLIENT HCCL FOR FINANCIAL REQUIREMENT OF THE
 PROJECT. WE REQUEST YOU TO GRANT NECESSARY EXTENSIONS IN
 THE CONTRACT EXECUTION PERIOD.

THANKS AND REGARDS.

OUR REF OB:BOM:TEC:HCCL:90

M Ranganathaiah

MANAGER (TERM EXPORT CREDIT DIVISION)

DATE : 12TH APRIL, 1990.

(38)

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

ToKFW (ATTENTION : MR. WUENSCH).....
Fax Number(069) 7431 2944.....
CountryWEST GERMANY.....
Total Pages (including header)12.....
Our Ref.CONE 84/1/57.....
Date11 APRIL, 1990.....
SubjectREHABILITATION: SALIMA-MUA ROAD.....

Thank you for your telefax of 10.4.90 in connection with the above project. Looking back through the correspondence your frustration at the apparent lack of action after our telex of 9.3.90 is appreciated but you should be reassured that the writer was fully aware of various telephone calls that had been made to this Ministry by you since then and believed you were fully informed of on-going developments.

However, for the record the following had been taking place:

1. Our telex to you of 9.3.90 informed you that we were unaware of the Belloni plan that you had brought to our attention but that we would now follow this up. We had met Mr. Belloni for the first time on the previous day.
2. As a result of a letter from HCC dated 9.3.90 (Copy attached A) introducing Belloni we responded in a telefax of 9.3.90 (copy attached B) advising that we needed the details of Belloni plan on or before 15.3.90.

2.

3. The plan was submitted and a meeting took place between the Contractors, Consultant and the Employer from which it emerged that the plan was only feasible if the necessary finance was forthcoming. This resulted in our telefax of 28.3.90 to HCC (copy attached as C)
4. As the representative of the other donor to the entire project was due in Malawi on 6.4.90 and as no reply was received from HCC a further reminder was sent on 4.4.90 (copy attached D). This resulted in a reply on 4.4.90 from HCC (copy attached E) and a comment from their Banker (copy attached F) Our reply to these is also attached (Copy G)

At the time of writing we believe additional finance has been made available and it is understood that a management proposal in line with our demands is being forwarded. These will be considered now and our comments communicated to you.

In the meantime it is understood that payment for extended work accepted by the Consultant and Employer have not been forthcoming from KfW. This state of affairs appears to be confirmed by your telefax of 10.4.90 where you advise that disbursement has been suspended. This is most unfortunate as it would appear to place us as employer in breach of contract and would seem to put the contractor in an extremely strong negotiation position at this delicate moment in discussions. You are therefore requested to withdraw your embargo on disbursements and we in turn will advise you of the outcome of or discussion with the contractor on their new financial and management proposals within the next few days (giving allowances for the Easter break). The proposals are basically as originally put forward by Mr. Belloni and we believe are already known to you in some detail. However, we find it important that the management structure should be submitted in writing and we ask for your forbearance until this is received and analysed.

Charles Clark

C. Clark
SECRETARY FOR WORKS

09/03/90

16:12

HCC LTD BOMBAY

PAF

001

24

SW

HCC THE HINDUSTAN
CONSTRUCTION
COMPANY
LTD.

CONSTRUCTION HOUSE, WALCHAND HIRACHAND MARG
BOMBAY 400 038
TEL : 261-8201 261-6956 DIRECT 262-0041
GRAM HINCON, BOMBAY FAX : 022-262-0042
TELEX : 011-73596 A/B HINC IN 011-75980 A/B WALB IN

AJIT GULABCHAND
MANAGING DIRECTOR

9th March, 1990

FAX MESSAGE

Mr. C. Clark
Secretary for Works
Ministry of Works
Capital City
Lilongwe 3
MALAWI

A

Reg: Sqilma - Balaka Road
Contract 44/86 and 45/86

Dear Mr. Clark,

We do appreciate your concern at the lack of progress on the above project. There have been some unfortunate delays in the movement of our equipments from Iraq through the port of Dar-es-Salaam where we had to re-divert our shipment due to disturbances in Mozambique. Coupled with this, have been the prolonged rainy months due to which we were unable to keep up to the targeted schedule.

We are now fully seized of the situation and are taking all necessary steps to try and endeavour to complete the work of 44/86 contract by end 1990 which is the scheduled time. Please be assured, that, we have initiated effective measures to retract from the lost ground. Mr. P. N. Desai, our General Manager will be actively associated with this work alongwith Mr. G. Belloni who will assist us on project co-ordination. Both of them are presently in Malawi and would soon come up with an effective action plan to set aside any doubts on our ability to perform on this project. Mr. D. M. Savur, our Vice President is following up this project from Corporate Office and will be in constant touch with you.

It is indeed an honour for us to work in your esteemed organisation and look forward to more opportunities to work in Malawi.

Yours sincerely,

Ajit Gulabchand
AJIT GULABCHAND

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



25
MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM
TO HINDUSTAN CONSTRUCTION (ATT. AJIT GULABCHAND)
Fax Number 22-262-0042
Country INDIA
Total Pages (including header) 1
Our Ref.
Date 7
Subject SALIMA-BALAKA ROAD CONTRACT 44/86 AND 45/86
.....

9.3.90

B

Thank you for your fax message of 9th March 1990. I am pleased to note your personal interest in this project which has been moribund for too long. I trust now that the position is understood we can expect a realistic implementatable action plan, as regrettably the previous attempts to provide such have resulted in no progress so far. I (and the donors) eagerly await the production of the plan which it is understood has been promised for the 15th of March 1990. On receipt of this and on an analysis being carried out by my staff a decision on what action the Government will take will be made.

Ref. No **CONF 84/1/57 (27)**
Telephone 733 188
Telefax 730389
Telex 44285



(27)
MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

28th March 1990

Mr. Ajit Gulabchand
Hindustan Construction
Company Limited
Construction House
Walchand Hirachand Marg
Bombay 400 038
India



RE : SALIMA - BALAKA ROAD
CONTRACT 44/86 AND 45/86

You will recall our recent correspondence on the above contracts culminating in my telefax message of 9th March 1990 in which I advised that we would analyse the action plan promised in your fax message of 9th March as soon as the plan had been received. The plan was tabled at a meeting in the Ministry of Works on 15th March and was followed by a cash flow projection on 19th March. We have now had an opportunity to study both and we found the technical proposal feasible but demanding. However, the cash flow poses specific problems that will require rapid action to solve. Chief amongst these are the steps that will have to be taken to address the negative cash flow predictions particularly over the period from 1st April until the end of the year.

Among the proposals are :-

1. Making available an additional K1.5 million advance.
2. Rescheduling repayment advances.
3. Phasing the repayments to Stirling International over 12 months.

These alone however, will not eradicate the deficit in the cash flow and further financial support will be necessary. We would therefore have to be satisfied that your company has both the will and the resources to finance such deficits both temporary and permanent. We would further require to be assured

- 2 -

that such financial support can be made available quickly in the light of the information given that in order to increase present resources the authority of the Indian Ministry of Finance would be required. Assurances on both counts would be necessary before this Ministry could consider approaching its donor(s) with a request to advance further monies.

I would therefore ask you to provide a statement from your bankers of the current and proposed funding facility and the feasibility of, and conditions which would attach to, an extension of these facilities. Such a statement should specifically mention when finance will be available bearing in mind that the job remains virtually at a stand still while your company in Malawi remains unable to pay its bills.

C. Clark
SECRETARY FOR WORKS

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



30
MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM

To **HINDUSTAN CONSTRUCTION (ATT. AJIT GULABCHAND)**.....

Fax Number **22 - 262 0042**.....

Country **INDIA**.....

Total Pages (including header) **1**.....

Our Ref.

Date **4th April 1990**.....

Subject **SALIMA-BALAKA ROAD CONTRACT 44/86 & 45/86**.....

You will recall my telex of 27th March followed by my letter of 28th March 1990 requesting to be urgently advised as to the status of the project finance which is required to be imported into Malawi to ensure that your revised programme can be met. So far no response to this has been received. It is intended to discuss the future of the project with the donors on or around the 6th of April 1990. Without the information required from you it will be difficult to defend the seriousness of Hindustan with regard to meeting their agreed programme and it may therefore be that the decision on the future of the project will be arrived at without requesting further information from you. I would not wish to this to happen but to avoid such a situation your assurance regarding the importation of finance is urgently required.

Charles Clark

C. Clark
SECRETARY FOR WORKS

* ACTIVITY REPORT *

04/04 '90 09:40

730389 MIN OF WORKS H/Q

MODE	CONNECTION TEL	CONNECTION ID	START TIME	USAGE T.	PAGES
TX	91 22 2620042	G-3	04/04 09:39	00'45	01(00)

**THE HINDUSTAN CONSTRUCTION CO. LTD.**

REGISTERED OFFICE : CONSTRUCTION HOUSE, WALCHAND HIRACHAND MARG,
BOMBAY-400 038. (INDIA).
PHONES : 2616996/2618201/2620318
GRAMS : HINCON BOMBAY.
TELEX : 11-73896 HINC IN
11-8575 HCCL IN
TELEFAX No. (022) 262 00 42

FAX MESSAGE

April 04, 90

Dear Mr Clark:

I acknowledge receipt of your telefax message dated April 4, 1990. I have to advise you that the arrangements with our bankers for additional project finance have been cleared but for certain minor procedural delays. We should be able to utilize these finances during the course of next week.

I may stress here that as communicated by me in my letter of March 09, and also as communicated by us in our detailed Action Plan submitted to the Ministry, we are totally committed to complete the works as spelt out by us in our Action Plan.

I am also certain that with the arrangements of our own financing that we have done, we would be having the facility of additional financing by way of Special Advance of MK1.50 Million requested by us from the Ministry so that the works could be carried out as per programme without having to face uncertainties on account of shortage of finances at this crucial juncture.

I am glad to note that you are intending to discuss the project programme with the donors in the first week of April and I trust that the detailed plan submitted by us could be appreciated by the donors and the Ministry will come forward to offer us the assistance we have requested.

190 17:35

091 22 2621889

HCC MARKETING

+++ MIN OF WORKS H/Q

0002

We do appreciate your concern at the lack of progress so far due to unfortunate delays beyond our control. We, however, have now taken all necessary actions to try and endeavour to complete the work as per our Action Plan. We also look forward for your support at this crucial juncture to achieve the project completion objective.

Thanking you,


AJIT GULABCHAND

05/04 '90 14:40

18/04 '90 09:11

22872714

S B I E F D

738389 MIN OF WORKS H/Q

MIN OF WORKS H/Q

001



भारतीय स्टेट बैंक
भारतीय स्टेट बैंक
State Bank of India

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, पच पेटी नं. 16094, कल परेड,
मुंबई-400 005.

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, पच पेटी नं. 16094, कल परेड,
मुंबई-400 005.

Overseas Branch, World Trade Centre, Post Box No. 16094,
Cuffe Parade, Bombay-400 005. दूरध्वनी नं./Telephone No. : 219161
टेलिक्स/Telex : 011-5891 केबल Cable : OSBRANBY-Bombay
शाखा कोड नं./Branch Code No. : 4791

36

*File as Balaka
Salima Corp files*

L

स. नं.

Our Ref. No.

आपका/आपका स. नं.

Your Ref. No.

दिनांक

Date

FAX TRANSMISSION

MSG FROM STATE BANK OF INDIA, OVERSEAS BRANCH. TERM EXPORT CREDIT
DIVISION, BOMBAY

TO THE MINISTRY OF WORKS, LILONGWE, MALAWI

KIND ATTN. : MR. C. CLARK, SECRETARY FOR WORKS

HINDUSTAN CONSTRUCTION CO. LTD. (HCCL)

SALIMA & BALAKA ROAD

CONTRACT 44/86 & 45/86

WITH REFERENCE TO THE ABOVE, WE WOULD LIKE TO INFORM YOU THAT
HCCL'S REQUEST FOR ADDITIONAL FINANCE TO COMPLETE THE PROJECT
AS PER THEIR REVISED PROGRAMME IS UNDER THE ACTIVE CONSIDERATION
OF INDIAN EXCHANGE CONTROL AUTHORITIES AND THE DECISION WOULD
BE COMMUNICATED TO YOU SHORTLY. THANKS & REGARDS.

OUR REF. OB:BOM:TEC:HCCL:90.

M. Rangarajan

MANAGER (TERM EXPORT CREDIT DIVISION)

DATE : 5.4.1990.

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

To HINDUSTAN (Attention : Mr. Gulabchand)
Fax Number 22 262 0042
Country INDIA
Total Pages (including header) Two (2)
Our Ref. CONF.84/157
Date 10TH APRIL, 1990
Subject SALIMA-BALAKA ROAD

G

I acknowledge receipt of your telefax dated April 4th, 1990 indicating that arrangements for additional finance have been cleared with your bankers. However, I have also received a telex from the Manager of the Term Export Credit Division of the State Bank of India dated the 5th of April indicating that a decision had still to be made and would be communicated to us shortly. Therefore there still appears to be an area of uncertainty.

In addition, this Ministry has just had sight of the proposed chain of command for operations on site. Regrettably, these still show the existing and unsuccessful management as remaining in control. If this project is to have any chance of regaining momentum radical alterations in the management control on site will be necessary. The following had been anticipated:

1. Belloni and his suggested supervisory personnel would have a more direct control than that presently proposed where he appears to be in an advisory capacity only. It had been expected that he would have had a management contract.
2. The morale is at such a low ebb that there would appear to be no possibility of restoring momentum without removing the present unsuccessful management team who have proved to have been unable to produce the necessary results. The removal of the previous project manager, Mr. Shah and the substitution of individuals within highway experience had been expected.

2.

Discussions are being held at present with the donors. Their outlook on the present situation is extremely pessimistic and their reaction to providing further finance as a working capital advance is very negative. Your management must therefore take this into account in considering financial proposals as I am extremely doubtful about the willingness of the donors to provide a further advance. Indeed, I am concerned that unless they can receive definite proof of further financial support from India and improved management structure, they will increase the pressure for drastic action on the present contract. Your speedy response to this fax giving your reaction and proposals to allay the donors' fears are required.

Yours faithfully



C. Clark
SECRETARY FOR WORKS

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



YAF

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

To **HINDUSTAN (Attention : Mr. Gulabchand)**
Fax Number **22 262 0042**
Country **INDIA**
Total Pages (including header) **Two (2)**
Our Ref. **CONF.84/157**
Date **10TH APRIL, 1990**
Subject **SALIMA-BALAKA ROAD**

I acknowledge receipt of your telefax dated April 4th, 1990 indicating that arrangements for additional finance have been cleared with your bankers. However, I have also received a telex from the Manager of the Term Export Credit Division of the State Bank of India dated the 5th of April indicating that a decision had still to be made and would be communicated to us shortly. Therefore there still appears to be an area of uncertainty.

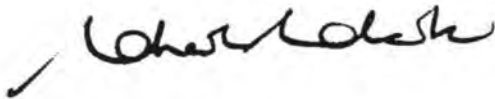
In addition, this Ministry has just had sight of the proposed chain of command for operations on site. Regrettably, these still show the existing and unsuccessful management as remaining in control. If this project is to have any chance of regaining momentum radical alterations in the management control on site will be necessary. The following had been anticipated:

1. Belloni and his suggested supervisory personnel would have a more direct control than that presently proposed where he appears to be in an advisory capacity only. It had been expected that he would have had a management contract.
2. The morale is at such a low ebb that there would appear to be no possibility of restoring momentum without removing the present unsuccessful management team who have proved to have been unable to produce the necessary results. The removal of the previous project manager, Mr. Shah and the substitution of individuals within highway experience had been expected.

2.

Discussions are being held at present with the donors. Their outlook on the present situation is extremely pessimistic and their reaction to providing further finance as a working capital advance is very negative. Your management must therefore take this into account in considering financial proposals as I am extremely doubtful about the willingness of the donors to provide a further advance. Indeed, I am concerned that unless they can receive definite proof of further financial support from India and improved management structure, they will increase the pressure for drastic action on the present contract. Your speedy response to this fax giving your reaction and proposals to allay the donors' fears are required.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'C. Clark', with a checkmark to its left.

C. Clark
SECRETARY FOR WORKS

09/03/90

16:12

HCC LTD BOMBAY

001

24

SW



AJIT GULABCHAND
MANAGING DIRECTOR

CONSTRUCTION HOUSE, WALCHAND HIRACHAND MARG
BOMBAY 400 038
TEL : 261-8201 261-8956 DIRECT 262-0041
GRAM HINCON BOMBAY FAX : 022-262-0042
TELEX : 011-73596 A/B HINC IN 011-75980 A/B WALB IN

9th March, 1990

FAX MESSAGE

Mr. C. Clark
Secretary for Works
Ministry of Works
Capital City
Lilongwe 3
MALAWI

Reg: Salima - Balaka Road
Contract 44/86 and 45/86

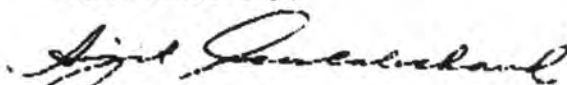
Dear Mr. Clark,

We do appreciate your concern at the lack of progress on the above project. There have been some unfortunate delays in the movement of our equipments from Iraq through the port of Dar-es-Salaam where we had to re-divert our shipment due to disturbances in Mozambique. Coupled with this, have been the prolonged rainy months due to which we were unable to keep up to the targeted schedule.

We are now fully seized of the situation and are taking all necessary steps to try and endeavour to complete the work of 44/86 contract by end 1990 which is the scheduled time. Please be assured, that, we have initiated effective measures to retract from the lost ground. Mr. P. N. Desai, our General Manager will be actively associated with this work alongwith Mr. G. Belloni who will assist us on project co-ordination. Both of them are presently in Malawi and would soon come up with an effective action plan to set aside any doubts on our ability to perform on this project. Mr. D. M. Savur, our Vice President is following up this project from Corporate Office and will be in constant touch with you.

It is indeed an honour for us to work in your esteemed organisation and look forward to more opportunities to work in Malawi.

Yours sincerely,


AJIT GULABCHAND

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



25
MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM
To HINDUSTAN CONSTRUCTION (ATT. AJIT GULABCHAND)
Fax Number 22-262-0042
Country INDIA
Total Pages (including header) 1
Our Ref.
Date
Subject SALIMA-BALAKA ROAD CONTRACT 44/86 AND 45/86

Thank you for your fax message of 9th March 1990. I am pleased to note your personal interest in this project which has been moribund for too long. I trust now that the position is understood we can expect a realistic implementatable action plan, as regrettably the previous attempts to provide such have resulted in no progress so far. I (and the donors) eagerly await the production of the plan which it is understood has been promised for the 15th of March 1990. On receipt of this and on an analysis being carried out by my staff a decision on what action the Government will take will be made.

Coldeh

290918 PIS
0811173596+
1173596 HINC IN
44285 WORKS MI

THIS IS THE CORRECTED VERSION OF THE TELEX SENT ON 27.3.90
AND IS THE ONE TO BE ACTED UPON AS THE PREVIOUS ONE CONTAINED
SOME ERRORS.

29TH MARCH, 1990

TO HINDUSTAN CONSTRUCTION CO. LTD. INDIA

YOU WILL RECALL OUR RECENT CORRESPONDENCE ON THE ABOVE CONTRACTS
CULMINATING IN MY TELEFAX MESSAGE OF 9TH MARCH IN WHICH I ADVISED
THAT WE WOULD ANALYSE THE ACTION PLAN PROMISED IN YOUR FAX MESSAGE OF
9TH MARCH AS SOON AS THE PLAN HAD BEEN RECEIVED. THE PLAN WAS TABLED
AT MEETING IN THE MINISTRY OF WORKS ON 15 MARCH AND WAS FOLLOWED BY A
CASH FLOW PROJECTION ON 19TH MARCH. WE HAVE NOW HAD AN OPPORTUNITY
TO STUDY BOTH AND WE FOUND THE TECHNICAL PROPOSAL FEASIBLE BUT
DEMANDING. HOWEVER THE CASH FLOW POSES SPECIFIC PROBLEMS THAT WILL
REQUIRE RAPID ACTION TO SOLVE. CHIEF AMONGST THESE ARE THE STEPS
THAT WILL HAVE TO BE TAKEN TO ADDRESS THE NEGATIVE CASH FLOW
PREDICTIONS PARTICULARLY OVER THE PERIOD FROM 1ST APRIL UNTIL THE END
OF THE YEAR.

AMONG THE PROPOSALS ARE:

1. MAKING AVAILABLE AN ADDITIONAL K1.5 MILLION ADVANCE.
2. RESCHEDULING REPAYMENT OF ADVANCES.
3. PHASING THE REPAYMENTS TO STIRLING INTERNATIONAL OVER 12 MONTHS.

THESE ALONE HOWEVER WILL NOT ERADICATE THE DEFICIT IN THE CASH FLOW
AND FURTHER FINANCIAL SUPPORT WILL BE NECESSARY. WE WOULD THEREFORE
HAVE TO BE SATISFIED THAT YOUR COMPANY HAS BOTH THE WILL AND THE
RESOURCES TO FINANCE SUCH DEFICITS BOTH TEMPORARY AND PERMANENT. WE
WOULD FURTHER REQUIRE TO BE ASSURED THAT SUCH FINANCIAL SUPPORT CAN
BE MADE AVAILABLE QUICKLY IN THE LIGHT OF THE INFORMATION GIVEN THAT
IN ORDER TO INCREASE PRESENT RESOURCES THE AUTHORITY OF THE INDIAN
MINISTRY OF FINANCE WOULD BE REQUIRED. ASSURANCES ON BOTH COUNTS
WOULD BE NECESSARY BEFORE THIS MINISTRY COULD CONSIDER APPROACHING
ITS DONOR(S) WITH A REQUEST TO ADVANCE FURTHER MONIES.

I WOULD THEREFORE ASK YOU TO PROVIDE A STATEMENT FROM YOUR BANKERS OF
THE CURRENT AND PROPOSED FUNDING FACILITY AND THE FEASIBILITY OF, AND
CONDITIONS WHICH WOULD ATTACH TO, AN EXTENSION OF THESE FACILITIES.
SUCH A STATEMENT SHOULD SPECIFICALLY MENTION WHEN FINANCE WILL BE
AVAILABLE BEARING IN MIND THAT THE JOB REMAINS VIRTUALLY AT A STAND
STILL WHILE YOUR COMPANY IN MALAWI REMAINS UNABLE TO PAY ITS BILLS.

REGARDS

C. CLARK
SECRETARY FOR WORKS,
LILONGWE - MALAWI

Telephone 733 188
 Telex 44285 Works MI
 Our Fax Number : 730 389



30
 MINISTRY OF WORKS
 PRIVATE BAG 316
 CAPITAL CITY
 LILONGWE 3
 MALAWI

FACSIMILE TRANSMISSION FROM

To **HINDUSTAN CONSTRUCTION (ATT. AJIT GULABCHAND)**

Fax Number **22 - 262 0042**

Country **INDIA**

Total Pages (including header) **1**

Our Ref.

Date **4th April 1990**

Subject **SALIMA-BALAKA ROAD CONTRACT 44/86 & 45/86**

You will recall my telex of 27th March followed by my letter of 28th March 1990 requesting to be urgently advised as to the status of the project finance which is required to be imported into Malawi to ensure that your revised programme can be met. So far no response to this has been received. It is intended to discuss the future of the project with the donors on or around the 6th of April 1990. Without the information required from you it will be difficult to defend the seriousness of Hindustan with regard to meeting their agreed programme and it may therefore be that the decision on the future of the project will be arrived at without requesting further information from you. I would not wish to this to happen but to avoid such a situation your assurance regarding the importation of finance is urgently required.

Charles Clark

C. Clark
SECRETARY FOR WORKS

* ACTIVITY REPORT *

04/04 '90 09:40

730389 MIN OF WORKS H/Q

MODE	CONNECTION TEL	CONNECTION ID	START TIME	USAGE T.	PAGES
TX	91 22 2620042	G-3	04/04 09:39	00'45	01(00)

04/04 '90 17:35

91 22 2621989

HCC MARKETING

+++ MIN OF WORKS H/Q

001

**THE HINDUSTAN CONSTRUCTION CO. LTD.**

REGISTERED OFFICE : CONSTRUCTION HOUSE, WALCHAND NIRACHAND MARG,
BOMBAY - 400 038, (INDIA).
PHONES : 2616096/2618101/2620318
GRAMS : HINCON BOMBAY.
TELEX : 11-73596 HINC IN
11-8576 HCCL IN
TELEFAX No. (022) 262 00 42

FAX MESSAGE

April 04, 90

Dear Mr Clark:

I acknowledge receipt of your telefax message dated April 4, 1990.
I have to advise you that the arrangements with our bankers for additional project finance have been cleared but for certain minor procedural delays. We should be able to utilize these finances during the course of next week.

I may stress here that as communicated by me in my letter of March 09, and also as communicated by us in our detailed Action Plan submitted to the Ministry, we are totally committed to complete the works as spelt out by us in our Action Plan.

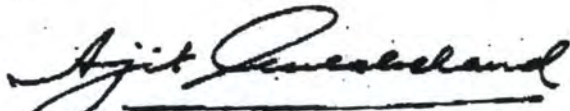
I am also certain that with the arrangements of our own financing that we have done, we would be having the facility of additional financing by way of Special Advance of MK1.50 Million requested by us from the Ministry so that the works could be carried out as per programme without having to face uncertainties on account of shortage of finances at this crucial juncture.

I am glad to note that you are intending to discuss the project programme with the donors in the first week of April and I trust that detailed plan submitted by us could be appreciated by the donors. The Ministry will come forward to offer us the assistance we have

91 22 2621889

We do appreciate your concern at the lack of progress so far due to unfortunate delays beyond our control. We, however, have now taken all necessary actions to try and endeavour to complete the work as per our Action Plan. We also look forward for your support at this crucial juncture to achieve the project completion objective.

Thanking you,


AJIT GULABCHAND



भारतीय स्टेट बैंक
भारतीय स्टेट बैंक
State Bank of India

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, पत्र पेटी नं. 16094, कल परेड,
 मुंबई-400 005.

विदेश व्यापार शाखा, वर्ल्ड ट्रेड सेंटर, पत्र पेटी नं. 16094, कल परेड,
 मुंबई-400 005.

Overseas Branch, World Trade Centre, Post Box No. 16094,
 Cuffe Parade, Bombay-400 005. दूरध्वनी नं./Telephone No. : 219161
 टेलिक्स/Telex : 011-5891 केबल Cable : OSBRANBY-Bombay
 शाखा कूट नं./Branch Code No. : 4791

L

सं. नं.

Our Ref. No.

आपका/आपका सं. नं.

Your Ref. No.

दिनांक

Date

FAX TRANSMISSION

MSG FROM STATE BANK OF INDIA, OVERSEAS BRANCH. TERM EXPORT CREDIT
 DIVISION, BOMBAY

TO THE MINISTRY OF WORKS, LILONGWE, MALAWI

KIND ATTN. : MR. C. CLARK, SECRETARY FOR WORKS

HINDUSTAN CONSTRUCTION CO. LTD. (HCCL)

SALIMA & BALAKA ROAD

CONTRACT 44/86 & 45/86

WITH REFERENCE TO THE ABOVE, WE WOULD LIKE TO INFORM YOU THAT
 HCCL'S REQUEST FOR ADDITIONAL FINANCE TO COMPLETE THE PROJECT
 AS PER THEIR REVISED PROGRAMME IS UNDER THE ACTIVE CONSIDERATION
 OF INDIAN EXCHANGE CONTROL AUTHORITIES AND THE DECISION : WOULD
 BE COMMUNICATED TO YOU SHORTLY. THANKS & REGARDS.

OUR REF. OB:BOM:TEC:HCCL:90.

M. Rangarajan

MANAGER (TERM EXPORT CREDIT DIVISION)

DATE : 5.4.1990.

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

To **HINDUSTAN (Attention : Mr. Gulabchand)**
Fax Number **22 262 0042**
Country **INDIA**
Total Pages (including header) **Two (2)**
Our Ref. **CONF.84/157**
Date **10TH APRIL, 1990**
Subject **SALIMA-BALAKA ROAD**

Sw copy

msg transmitted

I acknowledge receipt of your telefax dated April 4th, 1990 indicating that arrangements for additional finance have been cleared with your bankers. However, I have also received a telex from the Manager of the Term Export Credit Division of the State Bank of India dated the 5th of April indicating that a decision had still to be made and would be communicated to us shortly. Therefore there still appears to be an area of uncertainty.

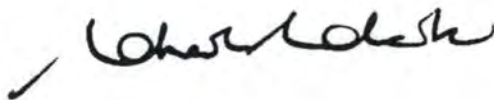
In addition, this Ministry has just had sight of the proposed chain of command for operations on site. Regrettably, these still show the existing and unsuccessful management as remaining in control. If this project is to have any chance of regaining momentum radical alterations in the management control on site will be necessary. The following had been anticipated:

1. Belloni and his suggested supervisory personnel would have a more direct control than that presently proposed where he appears to be in an advisory capacity only. It had been expected that he would have had a management contract.
2. The morale is at such a low ebb that there would appear to be no possibility of restoring momentum without removing the present unsuccessful management team who have proved to have been unable to produce the necessary results. The removal of the previous project manager, Mr. Shah and the substitution of individuals within highway experience had been expected.

2.

Discussions are being held at present with the donors. Their outlook on the present situation is extremely pessimistic and their reaction to providing further finance as a working capital advance is very negative. Your management must therefore take this into account in considering financial proposals as I am extremely doubtful about the willingness of the donors to provide a further advance. Indeed, I am concerned that unless they can receive definite proof of further financial support from India and improved management structure, they will increase the pressure for drastic action on the present contract. Your speedy response to this fax giving your reaction and proposals to allay the donors' fears are required.

Yours faithfully



C. Clark
SECRETARY FOR WORKS

MAI-C.1579

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

May 8, 1990

Mr. G.S. Hubbarde
Ministry of Transport and Communications
Private Bag 322
Capital City
Lilongwe 3
Malawi

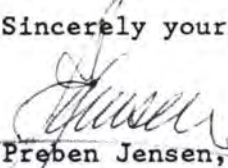
Dear Mr. Hubbarde:

MALAWI : Northern Transport Corridor Project

I acknowledge, with thanks, receipt of your letter dated April 5, 1990, enclosing three copies of the Progress and Financial Status Reports for the quarter ended March 31, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,


Preben Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

MAI - C.1879

May 8, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

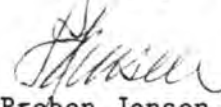
Dear Mr. Phiri:

MALAWI : Northern Corridor Project
Rehabilitation of Route M17 Between
Salima and Balaka (Contracts 44/86 and 45/86)

I acknowledge, with thanks, receipt of your letter dated April 23, 1990 together with two copies of the Progress Report No. 20 for March, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,


Preben Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

MA 1-04 1879

Telephone 733 188
Telex 44285 Works MI
Our Fax Number : 730 389



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

FACSIMILE TRANSMISSION FROM C. CLARK, SECRETARY FOR WORKS

To
Fax Number 69.7431.2944
Country WEST GERMANY
Total Pages (including header) ONE
Our Ref. CONF... 84/1/57
Date 4.5.90
Subject SALIMA -MUA ROAD REHABILITATION

Date Recd 5/7/90
Not Recd
15/7/90
Product Name 92 Malawi
Africa Info Center J NTC

Further to our telefax of 30 April, 1990, I am forwarding a further communication received from Hindustan Construction Co. Limited signed by their Managing Director and indicating that they are proceeding post-haste to meet the demands for additional finance and additional plant. The Consultants and this Ministry are presently investigating both the amount being provided and the method of payment for the plant but the seriousness of their intentions is evidenced by the commitments given by their Managing Director. You will note that once again our attention is drawn to the unreleased payments. These continue to be an embarrassment.

I would be grateful to learn if a reconsideration of the decision to cease disbursing can be made.

C. Clark
SECRETARY FOR WORKS

cc : Mr. Preben Jensen, World Bank, Washington D.C.



CONSTRUCTION HOUSE, WALCHAND HIRACHAND MARG,
BOMBAY 400 038
TEL : 261-8201 261-6956 DIRECT : 262-0041
GRAM: HINCON, BOMBAY FAX : 022-262-0042
TELEX : 011-73596 A/B HINC IN 011-73590 A/B WALB IN

AJIT GULABCHAND
MANAGING DIRECTOR

MAY 3, 1990

DEAR MR. CLARK :

I ACKNOWLEDGE RECEIPT OF YOUR TELEX DATED 2.5.1990.

1.01 I AM FULLY AWARE OF THE TOTAL ACTION PLAN THAT HAS BEEN SUBMITTED TO THE MINISTRY OF WORKS AND ALSO DETAILS OF IMMEDIATE TARGETS TO BE ACHIEVED BY END OF MAY.

1.02 YOU ARE AWARE THAT WE HAVE CONCLUDED AN AGREEMENT WITH M/S. STIRLING FOR THE PURCHASE OF PLANT AND EQUIPMENT NECESSARY TO OPERATE FULLY ON ONE MORE WORKFRONT. ACQUISITION OF THIS ADDITIONAL PLANT HAS CAST CONSIDERABLE FINANCIAL BURDEN ON US. WE UNDERTOOK TO ACCEPT THIS POSITION SO THAT WE ARE ABLE TO DISCHARGE OUR COMMITMENTS TO ACHIEVE COMPLETION OF BOTH THE CONTRACTS BY DECEMBER 1991. (44/86 BY DECEMBER 1990 AND 45/86 BY DECEMBER, 1991).

1.03 AS REGARDS THE VARIOUS POINTS RAISED BY YOU IN YOUR TELEX I HAVE TO INFORM YOU THAT :

A. A FRESH CREDIT FACILITY HAS ALREADY BEEN SANCTIONED BY OUR BANKERS AND THIS INFORMATION IS COMMUNICATED TO THE MINISTRY AND ALSO TO THE CONSULTANTS.

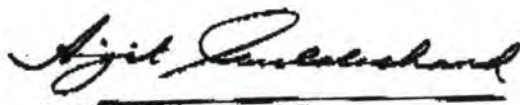
: 3 :

SATISFY THE MINISTRY IN A VERY SHORT TIME.

1.06 I UNDERSTAND THAT OUR WORK BILL PAYMENTS ARE HELD UP AND AT THIS CRUCIAL JUNCTURE YOU WOULD CERTAINLY AGREE THAT IT WOULD AFFECT US VERY ADVERSELY IF THESE PAYMENTS ARE NOT RELEASED. WE LOOK FORWARD TO RECEIVE SUPPORT OF THE MINISTRY IN OUR EFFORTS TO OPEN NEW WORK FRONTS AS PLANNED. I WOULD REQUEST YOU TO LOOK INTO THIS MATTER.

1.07 I HOPE THIS REPLIES THE POINTS RAISED IN YOUR TELEX.

REGARDS


AJIT GULABCHAND

MR. C. CLARK
PRINCIPAL SECRETARY
MINISTRY OF WORKS
GOVT. OF MALAWI
LILONGWE

: 2 :

B. WE HAVE TAKEN STEPS TO INSTALL AN EFFECTIVE MANAGEMENT TEAM AT SITE ALONG WITH 2 ITALIAN ROAD EXPERTS AS WAS SUGGESTED DURING THE DISCUSSIONS HELD WITH THE MINISTRY OFFICIALS REPRESENTATIVES OF CONSULTANTS AND DONORS.

C. WE ARE MAKING MOST EXPEDITIONARY ARRANGEMENTS TO SEE THAT THE PAYMENTS TO M/S. STIRLING CORPORATION DISCHARGED SO THAT THE EQUIPMENTS STARTS MOVING TO THE SITE FROM WEEK BEGINNING 7TH MAY.

WE ARE FOLLOWING THIS MATTER MOST VIGOROUSLY WITH OUR BANKERS AND WE ARE VERY HOPEFUL THAT WE WILL BE ABLE TO MEET THE DEADLINE OF MOVING THE EQUIPMENTS IN THE WEEK BEGINNING 7TH OF MAY.

HOWEVER, BECAUSE OF THE INTERVENING HOLIDAYS IN THE LAST WEEK THE MATTERS HAVE NOT MOVED AS FAST AS THEY SHOULD HAVE AND I EXPECT A DELAY OF ONE WEEK AT THE MOST IN MOVING THE MACHINERY.

1.04 YOU WILL PLEASE APPRECIATE THAT IN THE LAST THREE WEEKS OUR FRESH MOBILISATION EFFORT INCLUDING ACQUISITION OF ADDITIONAL PLANT WOULD AMOUNT TO ALMOST 6 MILLIONS MKS AND THIS BY NO MEANS WOULD EVIDENCE ANY LACK OF PURPOSE OR COMMITMENT ON OUR PART.

1.05 THIS IS ONCE AGAIN TO ASSURE YOU THAT ALL STEPS ARE BEING TAKEN BY US TO ACHIEVE THE OBJECTIVES SET FORTH AND THAT WE HAVE EVERY INTENTION OF COMPLETING THE CONTRACTS SUCCESSFULLY DESPITE THE EXTRA FINANCIAL BURDEN THAT IS IMPOSED ON US UNDER THE CIRCUMSTANCES. I BELIEVE MY OFFICERS MUST HAVE BRIEFED YOU IN DETAIL ON THESE MATTERS AND I ON MY PART CAN ONLY ASSURE YOU THAT ALL NECESSARY ACTIONS ARE BEING TAKEN WHICH WILL

44285 WORKS MI
1173596 HINC IN

TLX NO 3175 03.05.1990

DEAR MR. CLARK :

I ACKNOWLEDGE RECEIPT OF YR TLX DTD 2.5.1990.

- 1.01 I AM FULLY AWARE OF THE TOTAL ACTION PLAN THAT HAS BEEN SUBMITTED TO THE MINISTRY OF WORKS AND ALSO DETAILS OF IMMEDIATE TARGETS TO BE ACHIEVED BY END OF MAY.
- 1.02 YOU ARE AWARE THAT WE HAVE CONCLUDED AN AGREEMENT WITH M/S STIRLING FOR THE PURCHASE OF PLANT AND EQUIPMENT NECESSARY TO OPERATE FULLY ON ONE MORE WORKFRONT. ACQUISITION OF THIS ADDITIONAL PLANT HAS CAUSE CONSIDERABLE FINANCIAL BURDEN ON US. WE UNDERTOOK TO ACCEPT THIS POSITION SO THAT WE ARE ABLE TO DISCHARGE OUR COMMITMENTS TO ACHIEVE COMPLETION OF BOTH THE CONTRACTS BY DECEMBER 1991. (44/86 BY DECEMBER 1990 AND 45/86 BY DECEMBER 1991).
- 1.03 AS REGARDS THE VARIOUS POINTS RAISED BY YOU IN YR TLX I HV TO INFORM YOU THAT :
- A. A FRESH CREDIT FACILITY HAS ALREADY BEEN SANCTIONED BY OUR BANKERS AND THIS INFORMATION IS COMMUNICATED TO THE MINISTRY AND ALSO TO THE CONSULTANTS.
 - B. WE HV TAKEN STEPS TO INSTALL AN EFFECTIVE MANAGEMENT TEAM AT SITE ALONG WITH 2 ITALIAN ROAD EXPERTS AS WAS SUGGESTED DURING THE DISCUSSIONS HELD WITH THE MINISTRY OFFICIALS REPRESENTATIVES OF CONSULTANTS AND DONORS.
 - C. WE ARE MAKING MOST EXPEDITIOUS ARRANGEMENTS TO SEE THAT THE PAYMENTS TO M/S STIRLING CORPORATION DISCHARGED SO THAT THE EQUIPMENT'S STARTS MOVING TO THE SITE FROM WEEK BEGINNING 7TH MAY. WE ARE FOLLOWING THIS MATTER MOST VIGOROUSLY WITH OUR BANKERS AND WE ARE VERY HOPEFUL THAT WE WL BE ABLE TO MEET THE DEADLINE OF MOVING THE EQUIPMENT'S IN THE WEEK BEGINNING 7TH OF MAY. HOWEVER, BECAUSE OF THE INTERVENING HOLIDAYS IN THE LAST WEEK MATTERS HAVE NOT MOVED AS FAST AS THEY SHOULD HAVE AND I EXPECT A DELAY OF ONE WEEK AT THE MOST IN MOVING THE MACHINERY.
- 1.04 YOU WL PL APPRECIATE THAT IN THE LAST THREE WEEKS OUR FRESH MOBILISATION EFFORT INCLUDING ACQUISITION OF ADDITIONAL PLANT WOULD AMOUNT TO ALMOST 6 MILLIONS KSH AND THIS BY NO MEANS WOULD EVIDENCE ANY LACK OF PURPOSE OR COMMITMENT ON OUR PART.
- 1.05 THIS IS ONCE AGAIN TO ASSURE YOU THAT ALL STEPS ARE BEING TAKEN BY US TO ACHIEVE THE OBJECTIVES SET FORTH AND THAT WE HV EVERY INTENTION OF COMPLETING THE CONTRACTS SUCCESSFULLY DESPITE THE EXTRA FINANCIAL BURDEN THAT IS IMPOSED ON US UNDER THE CIRCUMSTANCES. I BELIEVE MY OFFICERS MUST HAVE BRIEFED YOU IN DETAIL ON THESE MATTERS AND I ON MY PART CAN ONLY ASSURE YOU THAT ALL NECESSARY ACTIONS ARE BEING TAKEN WHICH WILL SATISFY THE MINISTRY IN A VERY SHORT TIME.
- 1.06 I UNDERSTAND THAT OUR WORK WITH PAYMENTS ARE HOLD UP AND AT THIS CRUCIAL JUNCTURE YOU WOULD CERTAINLY AGREE THAT IT WOULD AFFECT US VERY ADVERSELY IF THESE PAYMENTS ARE NOT RELEASED. WE LOOK FORWARD TO RECEIVE SUPPORT OF THE MINISTRY IN OUR EFFORTS TO OPEN NEW WORK FRONTS AS PLANNED. I WOULD REQUEST YOU TO LOOK INTO THIS MATTER.
- 1.07 I HOPE THIS REPLIES THE POINTS RAISED IN YR TLX

REGARDS

AJIT GULABCHAND
MANAGING DIRECTOR
HINDUSTAN CONSTRUCTION CO LTD

MR C. CLARK
PRINCIPAL SECRETARY
MINISTRY OF WORKS
GOV. OF MALAWI
LILONGWE

=====
44285 WORKS MI TIME 1540 HRS/PYS
1173596 HINC IN

MALAWI

Northern Transport Corridor Project - Credit 1879-MAI

Supervision Mission - April 1990

Aide-Memoire

General

1. The World Bank mission of Mr. Preben Jensen, Principal Highway Engineer, visited Malawi from April 4 to 18, 1990, to review the status of the above project. Before proceeding to Malawi, the mission visited Tanzania from March 28 to April 4, in order to ascertain the status of the ongoing civil works in Dar es Salaam and Mbeya, and along the corridor in Tanzania. In Tanzania, the mission met with officials from the Ministry of Communications and Works, the Royal Netherlands Embassy, the EEC delegation, and representatives from the contractors and consultants responsible for the implementation of the project components located there. The mission, accompanied by Malawi representatives, visited all project sites in Dar es Salaam and Mbeya, and travelled by car from Mbeya via Ibanda, Karonga, and Chilumba to Lilongwe. The sites of Chipoka, Monkey Bay and Balaka-Salima road rehabilitation were visited on a separate field trip. The mission held meetings in Malawi with officials from the Ministry of Works (MOW), Ministry of Transport and Communications (MOTC), Ministry of Finance (MOF), and representatives from the contractors and consultants involved in the project, the various donors, USAID and ODA, and from the recently established Malawi Cargo Center (MCC) Company.

Tanzania Components

2. The Dry Cargo and Fuel Facilities in Dar es Salaam and Mbeya are at about the half-way mark. Some delays have occurred, but a realistic estimate is that all the facilities will become operational by early April 1991, including rail sidings, tank wagons, and gantry cranes. All orders for tools and equipment for the cargo centers have been placed, and it is becoming increasingly critical to put an organization in place to be responsible for receiving the equipment and operating the corridor facilities (para 14).

3. Contracts have been awarded for a 2-km section of the access road to the Yombo resettlement site (completion by end of September 1990), and for the dispensary to be built on the site (completion by end of July 1990). The contractors are still in the mobilization phase. Construction of water wells has begun by the City Council. The electricity supply to the site will be installed over a six-month period and be completed by the end of 1990.

4. Complications in arranging cofinancing have delayed the rehabilitation of the Ibanda-Uyole road. It was originally envisaged that the Netherlands would finance this work but

tenders received from five Dutch contractors in October 1988 far exceeded the amount available from the Netherlands grant. EEC offered to finance the balance but would require retendering in accordance with EEC procurement guidelines. A solution to the procurement problems has not yet been found. However, the mission was informed by the EEC representative in Dar es Salaam that if no decision had been made with the Netherlands on cofinancing the works by the end of April 1990, EEC would be prepared to finance the entire contract. In that case, it is estimated that a contract can be awarded before the end of 1990. EEC is financing the consulting services for construction supervision. The consultants, Sauti-Renardet (formerly COGEI), will be updating the bill of quantities for the works over a two months period, April-May 1990, and the tender invitations are scheduled to be issued in June-July 1990. According to this schedule, and with a 2-year contract period, the road would be completed by the end of 1993, that is, nearly two years after virtually all other project components in the corridor would have become operational.

5. The mission travelled over the Ibanda-Uyole road, which generally is in fair to bad condition. Three to four sections, totalling less than 10 km, are in extremely poor condition, permitting a travelling speed of only about 5 km per hour. The remainder of the road has numerous potholes but the travelling speed is generally more than 50-60 km per hour. The mission finds that with relatively modest efforts it would be possible to improve the bad sections and make these passable at more reasonable speeds as well as reduce the risk of damages to vehicles attempting to navigate the road. As a stopgap measure, until the new contractor has been appointed and is on site, the mission recommends that consideration be given to request the Ibanda-Karonga contractor, Held & Francke, to carry out improvements on the very bad sections. The surface should be scarified, reshaped and graded to gravel standards. Some few weeks input by a grader should suffice, which could be arranged through a variation order to the Tanzanian part of the Held & Francke contract if the financing agency, EEC, and the Tanzanian Government would be agreeable to this proposal.

6. The about 5 km Tanzanian part of the Karonga-Ibanda road is scheduled for completion by the end of July 1990 but some delays have occurred that could postpone the completion by a couple of months. The traffic is moving without any problems on the service road paralling the new road and on some stretches on the new road itself.

7. The IDA-financed consultancy services for construction supervision of the fuel facilities in Dar es Salaam and Mbeya are carried out by the consultants Lahmeyer/Sellhorn (LS). LS is also responsible for supervision of the Lake Malawi port works, which now are substantially completed. Because of delays in getting the fuel facilities under contract, the LS contract was amended to include additional man-months for the services in Tanzania up to the end of December 1990 (IDA-financed LS contract amendment nr. 3 refers). Further delays have occurred, and the estimated completion is now by the end of March 1991. Furthermore, LS is also claiming additional man-months because

the construction of the fuel facilities was started later than the Lake Malawi port works, instead of running simultaneously, and that caused less efficient utilization of specialist staff than had originally been planned. The LS request for contract extension is currently being reviewed by MOW. The Malawi Government has advised the mission that KfW will be requested to finance any new amendment, when it has been finally agreed with the consultants LS.

Malawi Components

8. The 46 km Malawian section of the Karonga-Ibanda road is well under way with completion scheduled for late March 1991. The contractor is making good progress and is confident that the schedule can be met. The traffic is moving smoothly on service roads or on completed sections of road.

9. The civil works in the three Lake Malawi ports have been completed, and the contractual one-year maintenance period began in June 1989 for Chipoka, November 1989 for Chilumba, and January 1990 for Monkey Bay. The facilities have been handed over to MOTC, and steps are now being taken to hand them on to Malawi Railways (MR) Lake Service. MOTC is currently studying a proposal to create a separate port authority and a separate Lake Service entity, either under MR or MOTC, or as semi-autonomous agencies. Regardless of these deliberations, MOTC has designated MR as the agency which would be responsible for receiving and operating all the tools and equipment which will be arriving over the next several months. Erection of the two gantry cranes for Chipoka and Chilumba is expected to begin in August 1990 and take about six months. The port facilities will thus be fully operational in early 1991.

10. The fabrication of the container vessel for the Lake Service is well under way in the Federal Republic of Germany. The first sections are scheduled to arrive in Monkey Bay in mid 1990 and the ship should be ready to be commissioned in early 1991. The Lake Malawi improvements of ports and Lake Service will thus be ready at about the same time when the Tanzanian MCCs become operational. The Lake Service Co-ordinator, Mr. Marden, has been in post for about six months with the task to identify and carry out actions to improve the operational efficiency of the Lake Service with regard to the NTC traffic.

11. The road rehabilitation work on the Balaka-Salima road has encountered serious problems. Only about 15% of the northern section (KfW-financed) and about 2% of the southern section (IDA-financed) have been completed in close to two years since the beginning of the contract period in June 1988. Mobilization of equipment took more than a year and since then, the contractor has been unable to demonstrate that a satisfactory rate of progress can be achieved. Over the last several months, financial problems have added to the contractor's difficulties, and the work on site has come to a complete standstill.

12. MOW has been considering whether to terminate the contracts and retender the works. However, the supervisory consultants have estimated that an additional MK 12 million would be required if the contract was retendered, or up to MK 21 million if the present contractor's performance bond and bank guarantee for the advance cannot be released in a timely fashion. Since the two financing agencies would be unable to provide supplementary funding, the burden of paying for the cost increase would fall on the Malawi Government, which would have serious problems in raising funds of that order. The cheapest solution would probably be to find ways and means for the present contractor to finish the job.

13. The contractor, Hindustan Construction Company (HCC), appears to be committed to complete the contract. In March 1990, senior management of HCC tabled an action plan and a proposal to (1) transfer additional working capital from India, and (2) appoint a construction management firm from Italy to reorganize the work activities on the site. HCC also wished to receive a further advance from MOW to purchase additional equipment. The mission recommends that the contractor be given up to the end of May 1990 to demonstrate that (1) the working capital has been transferred, (2) improved site management is in place, (3) site operations are in full swing, and (4) a minimum volume of work corresponding to, say, 10% of either of the two contract sections has been carried out since April 15, 1990. If none of these targets are met, the mission recommends that MOW take steps to terminate the contract. Since no additional funding would be available from the cofinanciers, MOW should consider retendering a reduced contract; for example, the section from Salima to Chipoka could be left out and completed later when additional financing has been identified.

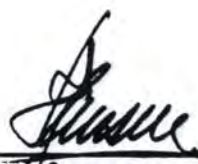
NTC Operations

14. With exception of the two rehabilitation contracts for the Ibanda-Uyole road and the Balaka-Salima road, all other project components would be operational by April 1991. The MCC company was incorporated on February 23, 1990. Applications for the General Manager position have been received (deadline: April 12, 1990) and at least four potential candidates have been identified. However, it is unlikely that the General Manager will be in post before August 1990. The MCC Board of Directors (MR, Petroleum Control Commission (PCC), acting as Secretariate, and 4 clearing agents) will meet in its first board meeting on April 20, 1990. In addition to reviewing the applications for the General Manager position, the Board will agree on steps to invite bids from interested parties for operation of the MCC facilities in Dar es Salaam and Mbeya. Action on this matter cannot await the appointment of the General Manager, since the operators would have to be selected and in place several months (for planning and training purposes and to receive tools and equipment) before the corridor facilities become operational in April 1991.

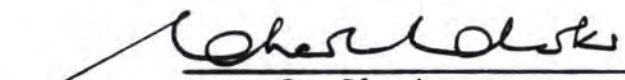
Acknowledgements

15. The mission wishes to express its gratitude and thanks for the cooperation and hospitality extended to it by officials of the Government, and contractors and consultants working on NTC components, as well as for the field trips organized by MOW staff and the supervisory consultants.

Lilongwe
April 18, 1990



P. Jensen
World Bank



C. Clark
Ministry of Works

Ref. No. RP 152^x ()
Telephone 733 188
Telefax 730389
Telex 44285



MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

23rd April, 1990

The World Bank,
1818H Street NW,
Washington D.C. 20433,
U.S.A.

Kreditinstitut Fur Woederaufbau (KFW)
Palmengartenstrasse 5-9
D-6000 Frankfurt AM Main II
West Germany

Dear Sirs

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA CONTRACTS 44/86
AND 45/86 PROGRESS REPORT NO. 20
FOR MARCH 1990

Find enclosed two copies of the above project and the other two KFW and one for each of the other addresses respectively.

Yours faithfully,

K.D. Chinyama Phiri
Controller of Roads
SECRETARY FOR WORKS

for :
:

- CC :
- : The Secretary to the President and Cabinet (Dev. Division), P.O. Box 30132, Lilongwe 3.
 - : The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
 - : The Secretary for Transport and Communications, P/Bag 322, Lilongwe 3.
 - : The Road Traffic Commissioner, P.O. Box 30177, Blantyre 3.

MAI - C.1879

5/4/90
5/8/90
PJ

Project No. 89 Malawi
Area into Gender 1 NTC

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 20, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

Dear Mr. Phiri:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of your letter dated March 31, 1990 together with two copies of the Progress Report No. 19 for February, 1990.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Jeffrey Racki, Acting Chief
Infrastructure Operations Division
Southern Africa Department

MAI - CR 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 19, 1990

Mr. D.Y.C. Wirima
Ministry of Finance
P. O. Box 30049
Lilongwe 3
Malawi

Dear Mr. Wirima:

I acknowledge, with thanks, receipt of your letter dated
March 20, 1990 together with a copy of the Progress Report No. 18 for
January, 1990.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,



Jeffrey Racki, Acting Chief
Infrastructure Operations Division
Southern Africa Department



MAI-G, 1879
In reply please quote No. ...C7/2/7B/XVII...

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

5th April, 1990

The World Bank,
1818, H Street, N.W.,
Washington, D.C., 20433,
United States of America.

Date Rec'd. 5/4/90
Date Ack'd 5/8/90
Assigned to RT

(Att : Mr. Preben Jensen, Principal Highway Engineer,
Infrastructure Operations Division, Southern Africa Department)

Project Name: 90 Malawi
Africa Info. Center J NTC

Dear Sir,

RE: MALAWI : NORTHERN TRANSPORT CORRIDOR PROJECT :
IDA CREDIT NO. 1879 MAI : PROJECT PROGRESS REPORT
FOR QUARTER ENDED 31ST MARCH 1990. (ALSO INCORPORATES
EUROPEAN ECONOMIC COMMUNITY (EEC); KREDITANSTALT FUR
WIEDERAUFBAU (KFW) WEST GERMANY; OVERSEAS DEVELOPMENT
ADMINISTRATION (ODA) UNITED KINGDOM; UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) AND
NETHERLANDS GOVERNMENT ASSOCIATED FUNDED ACTIVITIES)

Please find attached hereto the Northern Corridor Project Progress
and Financial Status reports, in triplicate in respect of the quarter
ended 31st March, 1990. (From this report you will note that we have
also incorporated progress relating to above donor agency associated
activities.)

QIR
Yours faithfully,

G.S. Hubbarde
(Project Accountant)

for: SECRETARY FOR TRANSPORT AND COMMUNICATIONS

- cc: The Secretary for Works, Private Bag 316, Lilongwe 3.
: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
: The Secretary for Economic Planning and Development, Lilongwe 3.
: The Resident Representative, World Bank, P.O. Box 30557, Lilongwe 3.

Att'd.....

PROGRESS REPORTING SLIP

(Regional Designation)

CARDER IN	May 4, 1990
ACKNOWLEDGEMENT OF RECEIPT	May 8, 1990
SENT TO FILES	5/11/90

1. DIVISION/SECTION: AF6IN		COUNTRY: MALAWI		LOAN/CREDIT NO.(S): NTC	
2. PERIOD OF REPORT: From _____ To <u>March 90</u>		TYPE OF REPORT: PROGRESS REPORT AND FINANCIAL STATUS REPORTS			
3. (a) FOR ACTION BY		(b) ACTION TAKEN	(c) INITIALS	(d) DATE	
P. Jensen, Acting Chief		<i>See below</i>	<i>[Signature]</i>		
A. Fantaye			<i>AF</i>	5/8/90	
A. Da Costa					
4. PHYSICAL PROGRESS OF PROJECT. (Please check one):					
IMPROVING ☐		AHEAD OF SCHEDULE ☐		ESTIMATED FINAL COST: SAME ☐	
STATIONARY ☐		ON SCHEDULE ☐		INCREASE _____ (%)	
DETERIORATING ☐		BEHIND SCHEDULE _____ (%)		DECREASE _____ (%)	
PROBLEMS REVEALED BY REPORT (If no problems are apparent, write "None" below):					
<i>All project components, except two roads, will be completed by April 1991. See SPN Aide-Memoire, April 1990.</i>					
6. PROBLEM PROJECT (If the report is on "Problem Project," a memorandum to Files is required):					
YES ☐		NO ☒			
7. ACTION TAKEN OR TO BE TAKEN (Please check one):					
MEMORANDUM TO: FILES ☐		LETTER TO BORROWER: ☒		NO ACTION TAKEN: ☐	
FRONT OFFICE ☐		<i>See SPN mission</i>			
PROGRAMS ☐		<i>Aide-Memoire.</i>			
DIVISION CHIEF ☐					

Sections 1, 2 and 3(a) will be completed by the Division Chief's secretary, or the Admin. Assistant.
Sections 3(b)(c) and (d) 4, 5, 6 and 7 will be completed by the person(s) named in Section 3(a).

WHITE: Information Center; YELLOW: Staff Member; PINK: Division File

MAT - C.1879

MALAWI - TANZANIA NORTHERN CORRIDOR PROJECT

CONSORTIUM



World Bank Washington,
AF6IN Room J11-041,
1818 H, Street, N.W.,
Washington, D.C 20433,
U. S. A.

Lilongwe Office:
P.O. Box 282
Telephone 723334
Telefax 723810

In your reply please quote : LI/RS/01-WBW/90

Date 17/04/90

Attention: Mr. Preben Jensen

*Rec. in Malawi in
April 1990*

Ref: **Malawi / Tanzania Northern Corridor Project**
Sub: **Monthly Progress Reports 21st September 1989 to 21st March 1990**

Dear Sir,

SAR 's

Please find enclosed 4 copies of the Monthly Progress Report of:

Dar-es-Salaam and Mbeya.

Yours faithfully,

PP

R. Stock
Chief Resident Engineer
for: THE CONSORTIUM
LAHMEYER International
SELLHORN Engineering
LAHMEYER International GmbH

Ref. No. RP 152 IX ()
Telephone 733 188
Telefax 730389
Telex 44285



MAI-er 1879

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

31st March, 1990.

The World Bank
1818 H Street NW
Washington D.C. 20433
UNITED STATES OF AMERICA.

Date Rec'd. 4/09/90
Date Ack'd 4/20/90
Assigned to P. Jensen & I. Sam

The Kreditanstalt Fur Wiederaufbau (KfW)
Palmengartenstrasse 5 - 9
D - 6000 Frankfurt AM Main II
WEST GERMANY.

#69
Project Name Malawi:
Affid Info Genral HWAY II
NTC

Dear Sir,

REHABILITATION OF ROUTE M17

BETWEEN SALIMA AND BALAKA CONTRACTS

44/86 AND 45/86 PROGRESS REPORTER NO. 19

TO END FEBRUARY, 1990

Find enclosed two copies of Progress Report for the above Project, and each one for the other addressees respectively.

Yours faithfully,

for : K.D. Chinyama Phiri
for : CONTROLLER OF BUILDINGS Roads
SECRETARY FOR WORKS

- cc : The Secretary to the President & Cabinet (Development Division), P.O. Box 30132, Lilongwe 3.
: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
: The Secretary for Transport and Communications, Private Bag 322, Lilongwe 3.
: The Road Traffic Commissioner, P.O. Box 30177, Blantyre 3.

BJSUTLE 3°
 : The Board of Commissioners, P.O. Box 30122,
 BJSUTLE 3°
 : The Secretary for Labour and Communications,
 : The Secretary to the President, P.O. Box 30040, BJSUTLE 3°
 Division, P.O. Box 30125, BJSUTLE 3°
 cc : The Secretary to the President & Cabinet (Development

for : SECRETARY FOR WORKS
 for : COMMISSIONER OF BUILDINGS
 K.D. SPRINGS BUILDING


YOURS faithfully,

Project, and each one for the other addressees respectively.
 Find enclosed two copies of Progress Report for the above

TO END WEEKLY, 1990

ATTENTION AND ATTENTION PROGRESS REPORT NO. 10
 BETWEEN CIVIL AND CIVIL CONTRACTS
 BEHAVIORAL OF BOULE WJS

Dear Sir,

MISS GERMANY.
 D - 6000 Frankfurt am Main II
 Bismarckstrasse 2 - 3
 The Kreditanstalt für Wiederaufbau (KfW)

UNITED STATES OF AMERICA.
 Washington D.C. 20540
 1818 H Street NW
 The World Bank

21st March, 1990.

Telex 44382
 Telex 130383
 Telephone 133 122

Ref. No. ()



MALAWI
 LIGONGWE 3
 CIVILIAN CITY
 BILALIE BVC 316
 MINISTRY OF WORKS

1990-05-18

ZCZC AFRF5847 F6IS1598

***** MAI
***** CR 1879

WDIAL
.AF6IN
OINFO

-SUBJECT: NORTHERN TRANSPORT CORRIDOR PROJECT (CR. 1879-MAI)
-DRAFTED BY: M. WILLIAMS:MOF
-EXT.: 34403
-AUTHORIZED BY: ISAAC K. SAM, DIVISION CHIEF, AF6IN
-DOCUMENT NAME: NTCP.TLX

855 27450 =
-SHERATON HOTEL, COPENHAGEN, DENMARK
-FOR MR. PREBEN JENSEN, WORLD BANK STAFF MEMBER, GUEST AT SHERATON
-COPENHAGEN
BT

WASHINGTON DC March 22, 1990

ATTENTION: MR. PREBEN JENSEN, WORLD BANK STAFF MEMBER, GUEST AT
SHERATON HOTEL, COPENHAGEN, DENMARK

WE HAVE RECEIVED THE FOLLOWING TELEX FROM MINISTRY OF WORKS,
LILONGWE, MALAWI. QUOTE RE: NORTHERN TRANSPORT CORRIDOR PROJECT
THIS IS TO CONFIRM MY TELEPHONE CONVERSATION WITH YOU THAT WE HAVE
ARRANGED A FLIGHT ON 4TH APRIL FROM DAR ES SALAAM TO MBEYA AND THAT
WE WILL DRIVE FROM MBEYA TO MALAWI ON 5TH APRIL.

MESSRS. G.J. CHISI, CONTROLLER OF ROADS AND M.J. KANDULU BANKA, CHIEF
PLANNING AND PROJECTS EVALUATION OFFICER WILL BE WITH YOU IN DAR ES
SALAAM FOR THE MEETINGS AND WILL TRAVEL WITH YOU BACK TO MALAWI.
REGARDS, G.J. CHISI, CONTROLLER OF ROADS, FOR SECRETARY FOR WORKS.
UNQUOTE

SINCERE REGARDS, ISAAC K. SAM, CHIEF, INFRASTRUCTURE OPERATIONS
DIVISION, SOUTHERN AFRICA DEPARTMENT, WORLD BANK.

=03230832

ALT RTD FROM:AFRO

IN DROPCOPY OF:F6IR

NNNN

Telegrams: FINANCE, Lilongwe
Telephone: Lilongwe 731 311

Communications should be addressed to:
The Secretary to the Treasury



MAI - 021879
In reply please quote No. 11/34/29/11/24

MINISTRY OF FINANCE
P.O. BOX 30049
LILONGWE 3
MALAWI

20th March, 1990

The World Bank,
1818 Street NW,
Washington D.C. 20433.

Dear Sir,

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA: CONTRACTS 44/86
AND 45/86 - PROGRESS REPORT No. 18

MR
Please find enclosed herewith one copy of the above
Progress Report for the month of January, 1990.

Please acknowledge receipt.

Yours faithfully,


D.Y.C. Wirima
for : SECRETARY TO THE TREASURY

Date Rec'd. 3/27/90
Date Ack'd. 4/19/90
Assigned to: JSOK/AF
IS

Project Name: 62 Malawi
Administrative Officer: NTC

" - Credit 1879
" - Credit 2069

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 19-Mar-1990 02:27pm

TO: See Distribution Below

FROM: Preben Jensen, AF6IN (PREBEN JENSEN)

EXT.: 34393

SUBJECT: MALAWI - Statement of Mission Objectives

Fifth Highway Project - Loan 2363/Credits 1423 &
SF-6-MAI
Northern Transport Corridor Project - Credit
1879-MAI
Infrastructure Project - Credit 2069-MAI
Supervision Mission

1. On or about April 4, 1990, I will arrive in Lilongwe for about 12 days to review the status of the above projects. Before arriving in Lilongwe, I will visit Dar es Salaam from March 28 for about a week to supervise components of the Northern Transport Corridor (NTC) Project being implemented there.

Fifth Highway Project

2. Most of the project components are completed. The only remaining civil works still ongoing are the rehabilitation work on Road S49, the resealing of Road M4 from Lilongwe to Mchinji, and DRIMP. Technical assistance is continuing with one Engineering Manager in PVHO and one Chief Planning Engineer in the Road Planning Unit. I will give particular attention to the following:

- status of the civil works and time schedule for completion;
- overall cost estimates for the project and financial status of the loan and credits;
- need for extension of the project's closing date; and
- arrangements to be made for data collection, etc., for preparation of the project completion report.

NTC Project

3. Before proceeding to Lilongwe, I will ascertain the status of the ongoing civil works in Dar es Salaam. Construction of the Malawi Cargo Center and fuel facilities, and the improvement works on the Yambic resettlement site are under way at present. Of particular importance is the time schedule for completing the installations so that they can be put into operation, and I will review this matter in detail.

4. Another project component located in Tanzania is the Ibanda-Uyole road, an important link in the corridor. Problems in arranging cofinancing for the rehabilitation works required on the road have delayed implementation of the work for nearly two years, and the road is now on the critical path to successful corridor operation. In Dar es Salaam, I will contact the relevant agencies involved, including the Royal Netherlands Embassy, the EEC Delegation, the design consultant, Sauti-Renardet, and the Ministry of Communications and Works, to review the financing issues and endeavor to reach agreement on a firm implementation schedule.

5. Of the project components located in Malawi, the port improvement works in the three lake ports are substantially completed. The gantry cranes for the ports are being erected, and manufacturing of the ship for the Lake Service has begun in the Federal Republic of Germany. The only IDA-financed civil works, the rehabilitation of the Salima-Balaka road, have encountered serious difficulties; only two percent of the work has been carried out in one and a half years. With the Ministry of Works I will review various possibilities and options to accelerate the work, including subcontracting arrangements, equipment rentals, etc., and if necessary, termination of the contract and retendering.

6. According to recent correspondence, the company to operate the facilities in the corridor, the Malawi Cargo Center, Ltd., has now been incorporated. I will review the Government's detailed plans to transfer the facilities to MCC for operation, and the expected timing for these activities.

Infrastructure Project

7. The project is in the early stages of implementation. The main actions taken so far have been selection of consultants for the technical assistance for MOW. Other actions currently under implementation are procurement and tendering of civil works. I will review these matters with MOW and provide assistance as required to expedite the initial implementation of the project.

Liaison and Reporting

8. I will keep Mr. John Malone informed of the mission's program and brief him on its findings. At the conclusion of the mission I will prepare an aide-memoire summarizing my findings and recommendations, and agreements reached with the Government. On my return to Washington, I will prepare full supervision reports, including Form 590s, for the three projects.

DISTRIBUTION:

TO: Isaac Sam	(ISAAC SAM)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Hardy Singh	(HARDYAL SINGH)
CC: Harold W. Messenger	(HAROLD W. MESSENGER)
CC: Fred King	(FRED KING)

CC: Vijitha Fernando
CC: Aberra Zerabruk
CC: Imogene Burns
CC: Ebenezer Aikins-Afful
CC: Asamanetch Fantaye
CC: Africa ISC Files
CC: JOHN MALONE

(VIJITHA FERNANDO)
(ABERRA ZERABRUK)
(IMOGENE BURNS)
(EBENEZER AIKINS-AFFUL)
(ASAMANETCH FANTAYE)
(AFRICA ISC FILES)
(JOHN MALONE @A1@PARIS)

ZCZC AFRF4443 F6IS1579

***** MALAWI
***** CR 1879-MAI

WDIAL
.AF6IN
OINFO

-SUBJECT: MALAWI - NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT
-1879-MAI
-DRAFTED BY: PJENSEN/MOF
-EXT.: 34393
-AUTHORIZED BY: PREBEN JENSEN, AF6IN
-CC: MESSRS. SAM, KONISHI, AIKINS-AFFUL, KING; MMES. BURNS, FANTAYE
-CC:
-DOCUMENT NAME: MAISPN2M.ISS

IBRDDAR
-INTBAFRAD, DAR ES SALAAM, TANZANIA
-FOR MR. IAN PORTER
BT

WASHINGTON DC March 15, 1990

IBRDDAR, DAR ES SALAAM, TANZANIA, FOR MR. IAN PORTER.
RE MALAWI NORTHERN TRANSPORT CORRIDOR - CREDIT 1879-MAI.
FURTHER TO MR. KONISHI'S TELEX OF MARCH 14, 1990, PLEASE BE ADVISED
THAT I, ON MY WAY TO MALAWI, AM SCHEDULED TO ARRIVE IN DAR ES
SALAAM ON MARCH 28, AIR TANZANIA FLT 733, ETA 1:35 P.M., STAYING IN
OYSTER BAY HOTEL. AM SCHEDULED TO LEAVE ON WEDNESDAY MORNING, APRIL
4. THE PURPOSE OF MY VISIT IS TO SUPERVISE PROJECT COMPONENTS
CURRENTLY UNDER EXECUTION IN DAR ES SALAAM, NAMELY, THE MALAWI CARGO
CENTER AND THE FUEL FACILITIES AS WELL AS THE YUMBO RESETTLEMENT
SITE. AS MENTIONED IN MR. KONISHI'S TELEX, I WOULD ALSO TRY TO
ASCERTAIN THE STATUS OF THE IBANDA-UYOLE ROAD REHABILITATION. I
WOULD APPRECIATE IT IF YOU WOULD ADVISE THE SUPERVISION CONSULTANTS,
JOHN BURROW FOR THE MALAWI CARGO CENTER, AND LAHMEYER/SELLHORN FOR
THE FUEL FACILITIES, OF MY VISIT. PLEASE ALSO LET MR. VAN WIER IN
THE ROYAL NETHERLANDS EMBASSY, THE TECHNICAL ADVISER OR OTHER
RELEVANT PERSON IN THE EEC DELEGATION, AND MR. BARUZO, DIRECTOR OF
CONSTRUCTION, MINISTRY OF COMMUNICATIONS AND WORKS, KNOW ABOUT MY
MISSION. IF POSSIBLE, PLEASE ARRANGE APPOINTMENTS WITH THE PEOPLE
MENTIONED ABOVE. BEST REGARDS, PREBEN JENSEN, PRINCIPAL HIGHWAY
ENGINEER, INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA
DEPARTMENT.

=03160540

ALT RTD FROM:AFRO

IN DROP-COPY OF:F6IR

NNNN

M41-Cr 1879 F.1

Fax 265 733826

Telex 44461 MITRACOM



In reply please quote No. C7/2/7B

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

26th February, 1990

The World Bank,
1818, H Street, N.W.,
Washington, D.C., 20433,
United States of America.

(Attention : Mr. P. Jensen, Principal Highway
Engineer, Infrastructure Operations
Division, Southern Africa Department)

Dear Sir,

Please refer to your Fax of 23-01-90 regarding the incorporation of Malawi Cargo Centres Limited (MCC) and initial financing of its staff.

In addition to approaching the Bank for assistance I called for a meeting of the nominated shareholders of the company on 30th January 1990. I am now pleased to advise that the company has been incorporated as of 23.2.90 as agreed at the meeting. A meeting of shareholders/Board of Directors will convene within the next two weeks at which the question of initial financing and recruitment of a General Manager will be discussed. The terms of reference for the General Manager have been finalised already.

With this development it is my sincere hope that the question of financing will be sorted out by the shareholders themselves. At the moment I would think the matter should be left there.

Yours faithfully,

J.L. Kalemera
PP J.L. Kalemera

SECRETARY FOR TRANSPORT AND COMMUNICATIONS

Copy to : Mr. J. M. Malone,
Resident Representative,
World Bank,
P.O. Box 30557,
Lilongwe 3.

Date Rec'd 2/26/90

Date Ack'd

Assigned to

Product Name

40

Malawi
NTC

MAI-CR 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

February 20, 1990

Mr. G.S. Hubbarde
Ministry of Transport and
Communications
Private Bag 322
Capital City
Lilongwe 3
Malawi

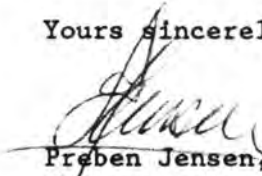
Dear Mr. Hubbarde:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of your letter dated January 22, 1990 together with three copies of the Progress and Financial Status reports for the quarter ended December 31, 1989.

Our comments, if any, will be communicated to you in due course.

Yours sincerely,


Preben Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

ZCZC AFRF9327 IWB0147
AF6IN AF6CO
REF : TCP MT
BK
.FTCCMAC 19-00312.01
DG/YS/GF DU 19 FEVRIER 1990
BANQUE MONDIALE A WASHINGTON

A L'ATTENTION DE M. PREBEN JENSEN
(AF 6 IN)
(AFRICA - SOUTHERN AFRICA DEPARTMENT)

RE: MALAWI - CONTRACT NO /84 - REHABILITATION OF SECTIONS OF ROUTE
M1 BETWEEN BALAKA AND LINLONGWE - FINAL CERTIFICATE NO 22

I HAVE BEEN INFORMED BY GS HUBBARDE (MINISTRY FOR WORKS OF MALAWI)
THAT MINISTRY OF FINANCE OF MALAWI HAS DISPATCHED APPLICATION FOR
DISBURSEMENT IN AMOUNTS OF FRENCH FRANCS 4,779,181.63 AND MALAWI
KWACHAS 101,910.47 TO WORLD BANK BY DHL COURIER SERVICE ON
9 FEBRUARY, 1990.
CAN YOU TELL ME ABOUT WHAT TIME I CAN EXPECT TO BE PAID : TWO WEEKS
OR FOUR WEEKS ?

REGARDS.

Y. SALMON
FOUGEROLLE

GIFLI C 698558F

=02200737

ALT RTD FROM:AFRI

NNNN

Telegrams: FINANCE, Lilongwe
Telephone: Lilongwe 731 311

Communications should be addressed to:
The Secretary to the Treasury



MAI - C.1879
In reply please quote No. C/28/3/48/VIII/102.

MINISTRY OF FINANCE
P.O. BOX 30049
LILONGWE 3
MALAWI

8th February, 1990

The World Bank,
1818 H. Street, N.W.,
Washington D.C. 20433,
UNITED STATES OF AMERICA.

(Attention: Mr. Isaac K. Samo.)

Dear Sir,

NORTHERN TRANSPORT CORRIDOR PROJECT : IDA DEVELOPMENT
CREDIT AGREEMENT NO. 1879 MAI (SDR11,100,000) : AUDIT
OF M.R. AND M.R.H.C. ACCOUNTS FOR 1988/89

Please find attached hereto Audited Accounts, in duplicate, in respect of the Malawi Railways Limited and Malawi Railways Holding Company for the financial year ended 31st March, 1989 in accordance with Article IV Financial Covenants, Section 4.01 (b)(i) and (ii), of IDA Development Credit Agreement No. 1879 MAI (Northern Transport Corridor Project).

We would also like to bring your attention to page 9 of Malawi Railways Limited's accounts. You will notice here that in 1988/89 their Lake service made operating losses amounting to MK993,000 on a turnover of MK3,020,000. The ratio of operating expenses to operating revenues was therefore 133 percent, which is 33 percent more than the 1988/89 ratio requirements of Section 4.02 (a) of Article IV of the IDA Development Credit Agreement.

You should however be assured that Malawi Railways are holding discussions with the Government on the possible restructuring of their Lake Service, including its passenger service operations. Under present structure it is most unlikely that the Lake Passenger Service can eliminate its operational loss by 30th June, 1991.

Yours faithfully,

for

D.Y.C.
D.Y.C. Wirima
SECRETARY TO THE TREASURY

Date Recd 2/20/90

Date Ackd

Assigned

37 Malawi
NTC

MAI - CR 1879

Preben Jensen

**KfW Kreditanstalt
für Wiederaufbau**

Ministry of Works and Supplies
Attn. Mr. Grundner
Lilongwe/Malawi
Telefax-Nr. 730 389

EILT SEHR**SOFORT AN FERNSCHREIB-ZENTRALE**

Date Rec'd. 2/14/90
Date Ack'd. Not Ack'd
Assigned to [Signature]

Mr. Wunsch/2763/8.2.1990
Wü/Krs

Copy:

Ministry of Finance
Lilongwe/Malawi
Telefax-Nr. 734 739

2/14/90 AFSC

Worldbank

Washington/U.S.A.
Telefax-Nr. 001202-4776391

Project Name: 29
Africa Info. Center J

Malawi
NTC

AF6 CO

Re: L II b/2 - Financial Cooperation with Malawi.
Salima-Mua Road Project
85 65 655

Dear Sirs,

confirm receipt of your letter No. RP 152/IX (9) dated 31st January 1990, according to which Hindustan Construction Co. Ltd has decided to sublet construction works from Salima to Chipoka to a subcontractor and that a draft agreement between Hindustan and the subcontractor will be reached on February 8, 1990. We understood that February 28, 1990 has been fixed as deadline for signing the subcontract and that Hindustan has been informed that his contract will be terminated in case he fails to enter into a satisfactory subcontract up to that date. We may ask you to provide us soonest with copy of the draft of the subcontract together with subcontractor's list of equipment and personnel as well as his proposed work-plan. Furthermore we should like to have your consultant's comments on the subcontractor's capability to execute the works and your Ministry's final decision. Meanwhile we will postpone our decision on suspension of disbursements up to end of February 1990.

Kind regards

KREDITANSTALT FÜR WIEDERAUFBAU

[Signature]

[Signature]

AUFTRAGGEBENDE ABTEILUNG

L II b

MAI- CR 1879

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

February 6, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

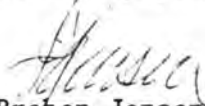
Dear Mr. Phiri:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of your letter dated January 19, 1990 together with two copies of the Progress Report No. 17 for December, 1989.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,


Preben Jensen, Acting Chief
Infrastructure Operations Division
Southern Africa Department

MAI-Cr 1879

2/6

ZCZC AFRF6445 IWB949
AF6IN AF6CO
REF : TCP SD

.FTCCMAC 05-00356.01
AUTOMATIC OUTPUT - DO NOT INTERRUPT

TLXA6416 14H28 05/02/90 NACHR.NR 14E008
PLEASE AVOID DUPLICATION
.2218
SCP
TLX NO2-125 RA MIN

MR. PREBEN JENSEN, INFRASTRUCTURE OPERATIONS
DIV. SOUTHERN AFRICA DEPARTMENT
FROM: KFW, DR. RASCHEN

RE: L II B/2 - NORTHERN TRANSPORT CORRIDOR PROGRAMME, MALAWI
FUEL TANKS IN DAR ES SALAAM AND MBEYA

WITH TELEFAX OF 24.01.1990 MINISTRY OF WORKS, LILONGWE, INFORMED
US THAT FINANCING OF THE CONSULTANT CONTRACT WITH LAHMEYER/
SELLHORN IS ONLY SECURED UNTIL 31.01.90 AND THAT
QUOTE

IDA HAS NO AVAILABLE FUNDS TO COVER ANY INCREASE IN COSTS NEEDED
TO FINALIZE THE SUPERVISION OF CONTRACT WORKS
UNQUOTE.

THEREFORE THEY ARE ASKING US FOR FINANCING. SINCE WE HAVE NO
FURTHER INFORMATION ON THIS WE ASSUME THAT MALAWI GOVERNMENT
HAS APPROACHED WORLD BANK FOR FINANCING CONTRACT EXTENSION UNDER
THE IDA CREDIT BUT HAS NOT BEEN SUCCESSFUL. YOU INFORMED US WITH
TELEX OF OCTOBER 11, 1989 THAT THERE IS STILL AN UNCOMMITTED
BALANCE OF THE IDA CREDIT OF SDR 3.3 MILLION BUT THAT IT WAS NOT
DEFINITELY CLEAR WHETHER IT WOULD BE REASONABLE TO USE A GREAT
PART OF THIS CONTINGENCY FOR ADDITIONAL CONSULTANCY SERVICES.
PLEASE LET US KNOW THE ACTUAL STATE OF AFFAIRS AS SOON AS POSSIBLE.

REGARDS, KREDITANSTALT

=02060508

ALT RTD FROM:AFRI

NNNN

ZCZC AFRF6532 F6IS1460
WDIAL
REF : AF6IN
OINFO

-SUBJECT: MALAWI - NORTHERN TRANSPORT CORRIDOR PROJECT
-DRAFTED BY: PJENSEN/MOF
-EXT.: 34393
-AUTHORIZED BY: PREBEN JENSEN, AF6IN
-CC: MESSRS. SAM, FERNANDO, AND MMES. FANTAYE, BURNS
-CC:
-DOCUMENT NAME: MAINTCKF.W

841 411352 =
-KREDITANSTALT FUR WIEDERAUFBAU
-FRANKFURT, FEDERAL REPUBLIC OF GERMANY
-FOR DR. RASCHEN
988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-COPY FOR MESSRS. CLARK AND HUBBARDE
IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. J. MALONE

BT

WASHINGTON DC February 5, 1990

FOR DR. RASCHEN, KREDITANSTALT FUR WIEDERAUFBAU, FRANKFURT, FEDERAL
REPUBLIC OF GERMANY. COPIED TO MESSRS. CLARK AND HUBBARDE, MINISTRY
OF WORKS, LILONGWE, MALAWI, AND MR. MALONE, WORLD BANK, LILONGWE,
MALAWI.

RE: MALAWI - NORTHERN TRANSPORT CORRIDOR PROJECT. REFERENCE YOUR
TELEX NO2-125 OF FEBRUARY 5, 1990, REGARDING LAHMEYER/SELLHORN
SUPERVISION CONTRACT. THIS IS TO ADVISE YOU THAT THE BANK ON OCTOBER
17, 1989, APPROVED AN EXTENSION OF THE CONTRACT IN THE REDUCED AMOUNT
OF DM 1,811,973, WHICH WILL EXTEND LAHMEYER/SELLHORN SERVICES FOR
ANOTHER YEAR, THAT IS, TO THE END OF 1990, WITH FINANCING UNDER THE
IDA CREDIT. BEST REGARDS, PREBEN JENSEN, PRINCIPAL HIGHWAY ENGINEER,
INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA DEPARTMENT.

=02060526

ALT RTD FROM:AFRO

IN DROP COPY OF:F6IR

NNNN

ZCZC AFRF4118 F6IS1428

***** MALAWI
***** CREDIT 1879 MAI

WDIAL
REF : AF6IN
OINFO

-SUBJECT: MALAWI NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT 1879-
-MAI
-DRAFTED BY: PJENSEN/MOF
-EXT.: 34393
-AUTHORIZED BY: PREBEN JENSEN, AF6IN
-CC: MESSRS. CROOKES AND ZERABRUK
-CC: MS. BURNS, MR. SAM (O/R)
-DOCUMENT NAME: MAINTCMC.CS2

988 44461 =
-MINISTRY OF TRANSPORT AND COMMUNICATIONS
-LILONGWE, MALAWI
-ATTENTION MR. KALEMERA

988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-COPY FOR MR. CLARK

IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. MALONE

BT

WASHINGTON DC January 23, 1990

FOR MR. KALEMERA, MINISTRY OF TRANSPORT AND COMMUNICATIONS, LILONGWE, MALAWI. COPY FOR MR. CLARK, MINISTRY OF WORKS, LILONGWE, MALAWI, AND MR. MALONE, WORLD BANK, LILONGWE, MALAWI.

RE NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI.

REFERENCE YOUR FAX LETTER NO. C7/2/7B, DATED JANUARY 18, 1990, REGARDING INCORPORATION OF THE MALAWI CARGO CENTERS COMPANY. WE ARE VERY CONCERNED TO LEARN THAT THE MCC COMPANY HAS NOT YET BEEN INCORPORATED AND THE SHARE CAPITAL HAS NOT BEEN PAID IN. THIS IS SURPRISING NEWS SINCE WE HAVE BEEN ASSURED THROUGHOUT OF THE PROPOSED SHAREHOLDERS' CONTINUED COMMITMENT TO THE PROJECT. CONSIDERING THAT THE INTERNATIONAL DONOR COMMUNITY IS FINANCING THE PROJECT WITH TOTAL CONTRIBUTIONS OF MORE THAN US DOLLARS 100 MILLION, AND THAT VIRTUALLY ALL RISKS IN ESTABLISHING THE MCC FACILITIES ARE CARRIED BY THE GOVERNMENT, WE DO NOT UNDERSTAND WHY THE SHAREHOLDERS NOW SHOW RELUCTANCE TO TAKE ACTION AND GET THE MCC COMPANY INCORPORATED AND THE CAPITAL PAID IN. NEVERTHELESS, WE ARE IN A CHICKEN-EGG SITUATION. UNTIL THE COMPANY HAS BEEN INCORPORATED AND THE BOARD OF DIRECTORS HAS BEEN APPOINTED (PLEASE REFER TO THE ARTICLES OF ASSOCIATION OF MALAWI CARGO CENTRES LIMITED, ARTICLE 57), THE GENERAL MANAGER (OR MANAGING DIRECTOR) CANNOT BE APPOINTED, SINCE IT IS THE PREROGATIVE OF THE BOARD TO APPOINT THE MANAGING DIRECTOR (ARTICLE 92). IF THE SHAREHOLDERS ARE UNWILLING TO FINANCE THE RELATIVELY SMALL AMOUNT OF MK 174,350 TO FINANCE MCC STAFF SALARIES FOR THE INITIAL PERIOD OF SIX MONTHS, WE HAVE A SERIOUS PROBLEM ON OUR HANDS WHICH WOULD REQUIRE IMMEDIATE ACTION BY THE GOVERNMENT AND OTHER PARTIES CONCERNED, INCLUDING THE DONOR AGENCIES. WE URGE YOU STRONGLY TO MAKE PRESENTATIONS TO THE SHAREHOLDERS AND HOLD THEM TO THEIR PREVIOUSLY EXPRESSED COMMITMENT. IT MIGHT STILL BE A TIME-

SIX MONTHS. CAPTAIN LEFEVRE RESIGNED THE POSITION PREMATURELY SO THERE WOULD STILL BE FUNDS IN THE CREDIT TO FINANCE THESE SERVICES UNDER TECHNICAL ASSISTANCE (CONSULTING SERVICES). PLEASE LET US KNOW AT THE EARLIEST WHAT YOU PROPOSE TO DO TO RESOLVE THE CRISIS. BEST REGARDS, PREBEN JENSEN, ACTING DIVISION CHIEF, INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA DEPARTMENT.

=01240548

ALT RTD FROM:AFRO

IN DROPCOPY OF:F6IR

NNNN

Telegrams: TRANCOM, Lilongwe 3
Telephone: Lilongwe 730 122

Communications should be addressed to:
The Secretary for Transport and Communications



MAI-CR 1879
In reply please quote No. C7/2/7B/XVII

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

22nd January, 1990

The World Bank,
1818, H Street, N.W.,
Washington, D.C., 20433,
United States of America.

(Att : Mr. Preben Jensen, Principal Highway Engineer, Infrastructure
Operations Division, Southern Africa Department)

Dear Sir,

RE : MALAWI : NORTHERN TRANSPORT CORRIDOR PROJECT :
IDA CREDIT NO. 1879 MAI : PROJECT PROGRESS REPORT FOR QUARTER
ENDED 31ST DECEMBER 1989. (ALSO INCORPORATES EUROPEAN ECONOMIC
COMMUNITY (EEC); KREDITANSTALT FUR WIEDERAUFBAU (KFW) WEST
GERMANY; OVERSEAS DEVELOPMENT ADMINISTRATION (ODA) UNITED
KINGDOM; UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT (USAID) AND NETHERLANDS GOVERNMENT
ASSOCIATED FUNDED ACTIVITIES)

Please find attached hereto the Northern Transport Corridor Project
Progress and Financial Status reports, in triplicate, in respect of the
quarter ended 31st December, 1989. From this report you will note that we
have also incorporated progress relating to above donor agency associated
activities.

DR

Yours faithfully,

G.S. Hubbarde
(Project Accountant)

for SECRETARY FOR TRANSPORT AND COMMUNICATIONS

Date Recd 2/20/90
Date Recd 2/20/90
Assigned to [Signature]

36 Malawi
NTC

- cc : The Secretary for Works, Private Bag 316, Lilongwe 3.
: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
: The Secretary for Economic Planning and Development, Lilongwe 3.
: The Resident Representative, World Bank, P.O. Box 30557, Lilongwe 3.

Ref. No. RP 152 Vol. IX (2)
Telephone 733 188
Telefax 730389
Telex 44285



MAI - CR 1879

MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI

19th January, 1990.

The World Bank
1818 Street NW
Washington D.C. 20433
U.S.A.

Date Rec'd. 2/5/90
Date Ack'd 2/6/90
Assigned to PJ

Kreditinstitut Fur Woederaufbau (KFW)
Palmengartenstrasse 5-9
D-6000 Frankfurt AM Main II
West Germany

H 24 Malawi
Project Name: NTC
Africa Info, Center J

Dear Sir,

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA CONTRACTS 44/86
AND 45/86 PROGRESS REPORT NO. 17
FOR DECEMBER 1989

Find enclosed two copies of reports for the above project for your office and two copies for KFW and one copy for each of the other addresses respectively.

for : K.D. Chinyama Phiri
for : Controller of Roads
: SECRETARY FOR WORKS

- COPY :
- : The Secretary to the President and Cabinet (Dev.Division) P.O. Box 30132, Lilongwe 3.
 - : The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.
 - : The Secretary for the Transport and Communications Private Bag 322, Lilongwe 3.
 - : The Road Traffic Commissioner P.O. Box 30177 Blantyre 3.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

January 18, 1990

Mr. K.D. Chinyama Phiri
Ministry of Works
Private Bag 316
Capital City
Lilongwe 3
Malawi

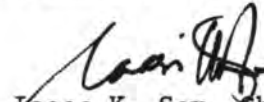
Dear Mr. Phiri:

MALAWI : Northern Corridor Project

I acknowledge, with thanks, receipt of your letter dated January 4, 1990 together with two copies of the Progress Report No. 16 for November, 1989.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department

CR-1879 MAJ^{P.1}

Telex 44461 MITRACOM
FAX 733826 MITRACOM



In reply please quote No. C7/2/7B

MINISTRY OF TRANSPORT
AND COMMUNICATIONS
PRIVATE BAG 322
CAPITAL CITY
LILONGWE 3
MALAWI

18th January, 1990

The World Bank,
Washington D.C.

(Attention : Mr. Preben Jensen, Principal Highway
Engineer Infrastructure Operations
Division, Southern Africa Department

RE : NORTHERN TRANSPORT CORRIDOR PROJECT MALAWI -
CREDIT 18/9 MAL : INCORPORATION OF MALAWI CARCO
CENTRES COMPANY

THANK YOU FOR YOUR TLX AF61N DATED 17 JANUARY 1990.

THE MCC COMPANY IS NOT YET INCORPORATED AND TODATE NO SHAREHOLDERS HAVE PAID IN THEIR SHARE CAPITAL. IN ADDITION, SOME SHAREHOLDERS ARE RELUCTANT TO PAY IN THEIR SHARE CAPITAL UNTIL SUCH TIME AS THE GENERAL MANAGER IS IN POST. THIS PROBLEM HAS SERIOUSLY DELAYED THE ESTABLISHMENT OF THE MCC COMPANY. IN ORDER TO REMEDY THE SITUATION WE PROPOSE THAT THE REQUIRED FUNDS AMOUNTING TO MK174,350 WHICH ARE NEEDED TO ESTABLISH THE COMPANY AND TO MOBILISE AND FUND ITS STAFF FOR THE INITIAL PERIOD OF SIX MONTHS BE ADVANCED FROM THE IDA CREDIT WITH THE INTENTION THAT THESE FUNDS WOULD BE RECOVERABLE AS SOON AS THE SHAREHOLDERS HAVE PAID IN THE NECESSARY INITIAL SHARE CAPITAL.

WE WOULD APPRECIATE YOUR VIEWS ON THE ABOVE PROPOSAL AS SOON AS POSSIBLE.

Date Rec'd. 1/18/90
Date Ack'd. 1/23/90
Assigned to [Signature]
[Signature]

[Signature]
J. D. KALEMERA

SECRETARY FOR TRANSPORT AND COMMUNICATIONS

Project Name: 14 Malawi
Africa Info. Center J NTC

ZCZC AFRF2787 F6IS1376

***** Malawi
***** CREDIT 1879-MAI

WDIAL
REF : AF6IN
OINFO

-SUBJECT: NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI
-DRAFTED BY: PJENSEN
-EXT.: 34393
-AUTHORIZED BY: PREBEN JENSEN, AF6IN
-CLEARED WITH AND CC: MESSRS. CROOKES AND ZERABRUK
-CC: MS. BURNS, MR. SAM
-DOCUMENT NAME: MAINTCMC.CS

988 44285 =
-MINISTRY OF WORKS, LILONGWE, MALAWI
-FOR MESSRS. CLARK AND HUBBARDE
IBRDLIL
-INTBAFRAD, LILONGWE, MALAWI
-COPY FOR MR. JOHN MALONE, RES. REP.
988 44461 =
-MINISTRY OF TRANSPORT AND COMMUNICATIONS
-LILONGWE, MALAWI
-COPY FOR MR. KALEMERA

BT

WASHINGTON DC January 17, 1990
FOR MESSRS. CLARK AND HUBBARDE, MINISTRY OF WORKS, LILONGWE, MALAWI.
COPY FOR MR. KALEMERA, MINISTRY OF TRANSPORT AND COMMUNICATIONS,
LILONGWE, MALAWI, AND MR. MALONE, WORLD BANK, LILONGWE, MALAWI.
RE NORTHERN TRANSPORT CORRIDOR PROJECT - CREDIT 1879-MAI.
REFERENCE YOUR LETTER NO. CONF. 84/1/45 XIII (30), DATED DECEMBER 15,
1989, REGARDING USE OF CREDIT FUNDS TO PAY FOR SALARIES OF MALAWI
CARGO CENTER STAFF. IT IS OUR UNDERSTANDING THAT THE MCC COMPANY WAS
INCORPORATED AND THE CAPITAL PAID IN BY JULY 1989. WE ARE CERTAINLY
IN FAVOR OF GETTING MCC STAFFED AT THE EARLIEST SO THAT BUSINESS
PLANS CAN BE PREPARED. HOWEVER, IT IS NOT CLEAR TO US WHY THE
GOVERNMENT (THROUGH THE IDA CREDIT) SHOULD PAY FOR MCC EXPENDITURES.
MCC HAS BEEN SET UP AS AN INDEPENDENT CORPORATION WHOSE EXPENDITURES
WILL BE COVERED BY THE REVENUES IT WILL GENERATE. WE DOUBT WHETHER
THE GOVERNMENT SHOULD BEGIN TO SUBSIDIZE THE OPERATIONS OF MCC, WHICH
WOULD BE THE CASE IF IT BEGAN TO FINANCE STAFF SALARIES. IF THE
GOVERNMENT INTENDS TO PASS ON A PORTION OF THE IDA CREDIT TO MCC AS
OPERATING CAPITAL, A PROJECT AGREEMENT WOULD BE REQUIRED AND AN
AMENDMENT OF THE CREDIT AGREEMENT WOULD ALSO BE NECESSARY. WE
BELIEVE THAT THE BEST APPROACH WOULD BE FOR THE SHAREHOLDERS OF MCC
TO RAISE THE NECESSARY OPERATING CAPITAL TO PAY, INTER ALIA, FOR MCC
STAFF SALARIES. BEST REGARDS, PREBEN JENSEN, PRINCIPAL HIGHWAY
ENGINEER, INFRASTRUCTURE OPERATIONS DIVISION, SOUTHERN AFRICA
DEPARTMRNT.

=01180527

ALT RTD FROM:AFRO

KfW Kreditanstalt für Wiederaufbau

Weltbank
International Bank for
Reconstruction and Development
1818 H Street N.W.
Washington D.C. 20433

~~Tx 64 145/248 423/197 688 worldbank~~

Telefax 1 00 1202 - 4776551

MSI-CR 1879

Date Rec'd 1/9/90

Date Ack'd Not reg'd

Assigned to [Signature]

2/20/90 AFISC Files

Project Name: Ob Malawi

EILT SEHR

SOFORT AN FERNSCHREIB-ZENTRALE

Emp. 00.01.90 17:05

Ausg. Nr.

from KfW, Frankfurt, Mr. Wunsch

Hv sent following tx to Ministry of Works and
Supplies, Lilongwe 3/Malawi last week:

quote

Subject: L II b/2 - Malawi

DM 13,6 Mio for Rehabilitation of Salima-Mua Road
85 65 655

On the basis of existing documents and our recent visit to the construction site we have found that the works of the contractor Hindustan Construction Co Ltd are still considerably delayed. On October 31, 1989 only 9.1 % of the works had been carried out though 55 % of the construction time had elapsed already by then. This delicate situation is still persisting. And what is worse, the contractor has obviously done nothing over the last six months to improve his performance though, on the occasion of our local follow-up in July 1989, he had been informed about the contractual consequences he would have to bear in case there was no substantial progress in his construction works until October 1989.

According to the Consultant, the inadequate equipment of the site and insufficient qualification of the management of the site are the main reasons for the lack of progress in construction. In the past, the contractor frequently promised to remedy these grievances but never kept his promises. We also regard the contractor's new proposal to step up his performance with the help of a sub-contractor only as an attempt to gain time. In view of the contractor's low price offer, we have severe doubts whether he will succeed in finding a qualified sub-contractor prepared to carry out part of the works for him.

If the contractor is employed further, the construction time, according to the Consultant, will be exceeded by several years. A delay of this extent carries major risks and is not acceptable to us. Thus, with respect to Article 6.1 a) of the Financing

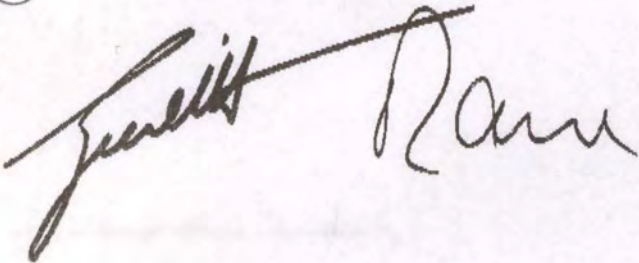
AUFTRAGGEBENDE ABTEILUNG

L II b

Agreement dated May 2, 1988, we request you to take appropriate measures until January 31, 1990 in order to ensure the correct execution of construction works. Taking into consideration all aspects of the situation, we feel that you will have to consider the termination of the existing building contract with Hindustan Construction Co Ltd and the invitation of new tenders for the works. ~~to the extent that we have not received any answer from you~~ by Jan. 31, 1990 about the steps to be taken we would have to examine, whether pursuant to Article 3.1 b) of the above-mentioned Financing Agreement we would have to suspend disbursements. Furthermore we may remind you to send us the progress report for Nov. and Dec. 1989.

Ministry of Finance, and World Bank have received copy of this telefax.
unquote

Regards Kreditanstalt
L II b

A handwritten signature in dark ink, appearing to read 'J. Ramm', is written over the typed name 'Ramm'.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

January 9, 1990

Mr. R. Stock
Chief Resident Engineer
Lahmeyer International GmbH
P. O. Box 282
Lilongwe
Malawi

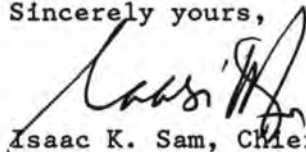
Dear Mr. Stock:

MALAWI : Northern Corridor Project - Progress Report

I acknowledge, with thanks, receipt of your letter dated January 4, 1990 together with two copies of the Monthly Progress Report for Monkey Bay (Contract 1/87) for the period October 16 to November 15, 1989.

Our comments, if any, will be communicated to you in due course.

Sincerely yours,



Isaac K. Sam, Chief
Infrastructure Operations Division
Southern Africa Department



Mr J Malone
World Bank
P O Box 30557
Lilongwe

BRITISH HIGH COMMISSION
P.O. BOX 30042
LILONGWE, MALAWI

Touch copy to
Isaac Sam

8 January 1990

CR - 1879 MAI

Dear John

NORTHERN CORRIDOR

I thought you would like to see a copy of my notes on a recent journey by road from Dar es Salaam to Lilongwe, during which I visited parts of the Northern corridor supported by British aid and saw some of the work of others.

We are concerned that work on the road from Mbeya south to Ibande near the Malawi border has not yet started, and that a substantial rehabilitation rather than just patchwork is required. I assume that the World Bank in its coordinating role has this very much in mind but I should be glad to know what you expect to happen with this sector and when. For this sector of the road to work well there will be a need for trucks. I believe the Bank is looking to the private sector for this provision, but private hauliers in Tanzania told me they are hesitant to send their trucks over this route while the road is so poor.

A copy of a criticism of work on the Tazara railway made by a Swedish aid agency was brought to my attention when I was in Tanzania. This was published in the Business Times, a Tanzanian journal, and I much admire the Tanzanians for allowing such free criticism! However that does not lessen my concern that this section of the Northern corridor may also be in jeopardy.

Following my recent brief visits to Chilumba and Chipoka I am keen to learn what progress has been made with the establishment of the Malawi Cargo Centres holding company which is to operate these facilities.

As the British High Commission chairs the Donors Coordination Sub-Group on transport you will understand my special concern about these matters. I shall be away in London until 25 January. Perhaps we could discuss this on my return.

Yours ever

Denis

Denis G Osborne

1/18/90 A-12
PJ FEE 1/26/90
PS JF to John
IS of Malone
1/29/90 - AFISC FILES

cc: Mr J C Malewezi
SPC, OPC

13

Malawi
NTC

NOT FOR GENERAL DISTRIBUTION OR PUBLICATION

THE NORTHERN CORRIDOR: A JOURNEY

Denis G Osborne, 17 December 1989

1. The Northern Corridor is Malawi's link with the sea at Dar es Salaam. The commercial viability of the present road route and the usefulness of a future route combining rail, road and Lake transport are much debated. Donors are helping establish the new route with aid worth £100 million - with £12 million from Britain.
2. I travelled by road from Dar es Salaam to Lilongwe between 12 and 15 December to see conditions for myself and to find out more about future expectations. I started at the harbour in Dar es Salaam, saw a transshipment facility under construction there for Malawi Cargo Services, and then drove to Mbeya where there is a similar facility for transshipment between rail and road. From Mbeya I continued by road to Lilongwe. The 1,500 km journey was easier and quicker than I had expected.
3. I found the present route used rather little for Malawian goods. I am following up ideas about the Northern Corridor, convinced that its success will depend on better recognition of its advantages to both Tanzania and Malawi. (Given that, its use will be limited by the strength of its weakest link - probably transport between Mbeya and the Malawi border.) I hope to recommend how to strengthen cooperation with the Tanzanians. Having lived in Tanzania from 1964 to 1971 and visited again in 1986 and 1987 I have a special interest in Malawi's Northern Corridor and give below a more detailed account of my impressions.

Dar es Salaam.

4. There is a World Bank project to improve Dar es Salaam harbour. Harbour operations are considered more efficient than at Mombasa, partly because British Technical Cooperation provides pilots. However congestion in the port causes delays, with competition between carriers for Zambia, Uganda, Rwanda and Burundi as well as Malawi and other parts of Tanzania. Delays in customs clearance of some 5 weeks show an apparent inability on the part of the Tanzanian authorities to make things move faster.
5. The separate facility for Malawi Cargo Services should speed up transshipment. Tractors will move bonded containers to this facility (though through a non-bonded area) and goods will not be cleared before shipment to Malawi. Thorold Masefield, British High Commissioner in Tanzania, Bob Smith and I visited the site with Trevor House of John Burrow and Partners, the Consulting Engineers. The foundations are laid and the site looks enormous, with a huge storage area for containers. (Does this indicate expected delays in their movement?) Construction is two months behind schedule and may be delayed further by early onset of the rains but completion is expected by the end of 1990. Goods will travel to and from Dar es Salaam mostly by train on the Tazara Railway provided the track is rehabilitated and extra engines and wagons arrive. A letter from the Swedish Government critical of Tazara's operation was published in Tanzania's "Business week" for 1 December and the High Commissioner has promised me a copy. Some goods, probably those of high value, will continue to travel by road rather than by rail. At present the road is used for freight. That is the route I took.

6. Before doing so Thorold Masefield and I called on the Malawian High Commissioner in Tanzania, Malumba, and found him well briefed on the project and on the problem of resettling squatters who had been displaced. The Mayor's office had failed to provide drawings of resettlement sites. We then called on the Mayor, who with his Deputy and his Director (presumably the equivalent of Town Clerk) promised that work on the drawings would restart next day. The Director sought British aid for some small projects and was told such requests might be considered when proper progress had been made in spending the aid funds committed for resettlement. The Mayor was well disposed towards the project.

The Road

7. The road from Dar es Salaam to Mbeya is tarred. Some sections remain good, but random pot holes and wash-outs present hazards, usually identified by patches of red-brown dirt on the grey tar. There were no signs of recent patching and heavy lorries and rains are likely to cause rapid deterioration.

8. The first 15 km from Dar es Salaam, to Ubungu near the University, is a rough urban road littered with dead buses and other warning signs for those concerned with transportation. For the next 100 km there is a pot hole or similar obstacle every 1 km or so. After that poor patches of road are to be found about every 3 km. At Chalinze 120 km from Dar there was a road toll of Tsh 150, or US\$ 3 for foreign registered vehicles. A sign for a "Road Toll Housing Project" undertaken by the Ministry of Finance, Planning and Economic Affairs, together with several newly completed houses, suggests that road tolls are expected to stay. There were five such tolls between Dar es Salaam and the Malawi border.

9. Compared with the town I knew 20 years ago Morogoro is now huge and sprawling. The intermittent bad patches of road continued to Mikumi, 280 km from Dar. From Mikumi the next 20 km into the hills are bad. After rain vehicles could slide and get stuck but in general this section should be passable. (This stretch of road was atrocious 20 years ago before it had been tarred.) Continuing along the Ruaha River valley the road is good, with bad patches at intervals as infrequent as 10 to 20 km, but my Tanzanian driver did not stop for fear of the robbers he thought might be lurking near the beauty spots. Near Iringa bad patches of road became more frequent, possibly associated with the extensive ribbon development of Ujamaa villages some 50 km either side of the town. The road from Iringa to Mbeya is shown by km posts as 329 km compared with 390 km given on the Michelin map (unmarked vintage but bought circa 1985) possibly indicating realignment when tarred. Patches every few km required careful driving. At Makambako we passed a junction with the Tazara Railway and the end of the ODA-funded road to Songea. Bad patches of road were more frequent and specially irksome for the last 70 km into Mbeya.

Mbeya

10. For goods that will use the railway to (or from) Mbeya there is a large transshipment facility for Malawi Cargo Services near the railway station, similar to that in Dar es Salaam. I was shown round by Charles Munday from the Consulting Engineers. Work here

is also about 2 months behind schedule and the contractors have been surprised by unusually early rains, though a perimeter drain is complete as are foundations for storage areas and ancilliary buildings. Foundations for gantry cranes are nearly ready and construction should be complete by the end of 1990.

11. Together with Tim Cullinan of the ODA health project I called on the Regional Commissioner in Mbeya, Nalaila Kiula. From graduating as one of "my" physics students in Dar es Salaam in 1970 he has had an interesting career in teaching, then as a Member of Parliament and later Deputy Minister for Education (in which capacity I met him again in Dar es Salaam in 1986) and now as Regional Commissioner. He seems likely to be elected to the National Executive Committee of the Party next year. Perhaps because of our earlier association the Regional Commissioner appeared to express his views freely. About Tanzania his views are pragmatic: government and parastatals are overstaffed, cooperatives have failed, Tanzanians work properly in the rural areas but not the towns and need more incentives. The regional offices had been filthy because there were too many cleaners (on my visit his offices were very clean!) and he was trying to get the gardens properly tended. I asked what Mbeya might be like 20 years from now and he feared there would be virtually no difference! He was critical of some of the attitudes engendered by socialism, though seeing advantages in Tanzania's high level of literacy and education. On the Northern Corridor he said Tanzanians blame the Malawians (and Zambians) for trucks breaking up their roads. He could see advantages to Tanzania from such transport, including cash and employment, but thought these need to be more publicised. District Commissioners from neighbouring districts in Malawi and Tanzania had met and he would welcome an opportunity to visit the Regional Administrator in Mzuzu.

The Road - continued

12. The 118 km from Mbeya to the Malawi border at Songwe, though tarred at one time, is in very poor condition especially through the hilltop town of Tukuyu. I was told that the proposed Dutch project was for resurfacing only and that major works are needed if the road is to sustain further heavy traffic. There were many stranded lorries by the roadside and as far as I know there are no facilities for repair nor are any to be installed.

13. At the border heavy vehicles go through in convoy from 2 to 4 pm each day. Some 15 were waiting at 1 pm when we passed, though most were relatively small trucks. We had passed few others on the road and I gained the impression that present use of the route from Dar es Salaam to Malawi is modest. Earlier in my journey I had noticed fairly heavy traffic on the Dar to Chalinze road, which also serves Northern Tanzania and Dodoma, and Uganda, Rwanda and Burundi. There was surprisingly little on the road from Morogoro to Mbeya and much of that was local traffic rather than for Zambia.

14. The dirt road for the 27 km between the Tanzanian and Malawian border posts and on for 20 km to Karonga is in good condition. Alongside there is the new EC-funded road which will link Karonga in Malawi with Ibanda in Tanzania. I called at the site office of the consultants (ADK) between the border posts and met Francis Westcott, a British materials engineer seconded from Scott Wilson Kilpatrick. Although two months behind the contractors (the German

firm, Held and Francke) expect to catch up for completion in April 1991. The experience of the engineers is that cooperation between Tanzania and Malawi at the border is excellent and workers have passes to travel freely in and near the road area. The road follows a new alignment and is being built to a high standard, calling in question the viability of the Dutch-funded link Northward to Mbeya.

In Malawi

15. In Malawi I looked at the port area at Chilumba where USAID are helping to provide for movement of goods between road to ship. The site is almost complete, ready for the expected delivery of gantry cranes from Zimbabwe in February. (I wondered, however, how containers are to be moved from ship to shore and whether a suitable crane will be mounted on board.) I have seen similar progress at Chipoka, the port near the Southern end of Lake Malawi.

16. Owen Kankhulungu, the Regional Controller for Works and Supplies, made helpful comments on the road project North from Karonga. He said also that 40 of the 46 km gap in the road South from Mzuzu should be open by the end of December. Meanwhile the dirt track beside the road under construction between Mzuzu and Chikangawa was the worst and slowest stretch of the whole journey. Recent rains had not helped. But when the new road is open Malawi will have an excellent road from Blantyre and the South through to Karonga, and soon to the Tanzania border. The Lake steamer to be provided under German aid and the container ports at Chipoka and Chilumba will provide an alternative route which should prove cheaper. In Tanzania there is also a choice between the Tazara railway and the road between Mbeya and Dar es Salaam. But between Chilumba and Mbeya there is only the road and the success of the Northern Corridor must depend on the strength of that link and the timing of any improvements.

Appreciation

17. I wish to thank all those who made my visit and journey so enjoyable, especially Thorold and Jenny Masefield, the staff of the High Commission and British Council in Dar es Salaam and Tim Cullinan and his colleagues in Mbeya. I much appreciated the use of the High Commissioner's Range Rover for the journey from Dar es Salaam to Mbeya and the help of his driver. I welcomed the opportunity to meet old friends, including Erasto Mpemba whose discovery that hotter liquids can freeze faster than cool liquids I helped make known in 1969, Herman Lupogo now a General in the Tanzanian army (who called on me in Mikumi), Joan Wicken, and several friends among the staff of the University of Dar es Salaam. I am grateful also to Charlie Clarke, Principal Secretary for Works and Supplies, and Owen Kankhulungu his Regional Controller, for making arrangements for my journey within Malawi and to my own staff for sending our Range Rover to Mbeya and for much other help. Excellent briefing by David Gillette of BDDSA helped my travels take me to a better understanding of the Northern Corridor.

Denis G Osborne
Lilongwe, 17 December 1989

MAI- CR 1879

MALAWI RAILWAYS LIMITED

46.038

Telephone: BLANTYRE 640844

Telegrams: MARAILAS, Limbe

Telex: LIMBE 44810 MARLYS MI

MANAGEMENT DEPARTMENT

P.O. BOX 5144

YOUR REF:

LIMBE

OUR REF: GM 234

Malawi.

Ministry of Works,
Private Bag 316,
Capital City,
LILONGWE 3.

Secretary for Transport & Communications,
Private Bag 322,
LILONGWE 3.

Sir,

NORTHERN TRANSPORT CORRIDOR PROJECT IDA DEVELOPMENT CREDIT AGREEMENT

We refer to your letter of 14th September 1989 and as requested attach herewith one copy each of the Annual Accounts as at 31st March 1989 of Malawi Railways Limited and of Malawi Railway Holdings Company.

Malawi Railways Limited's accounts were approved at the shareholders Annual General Meeting on 29th December 1989.

Malawi Railway Holdings Company's accounts were approved at a Directors Meeting, also held on 29th December 1989, and have been sent to the Auditor General for his audit.

You will note from page 9 of Malawi Railways Limited's accounts that in 1988/89 our Lake Service made operating losses of K993,000 on a turnover of K3,020,000. The ratio of operating expenses to operating revenues was therefore 133%, which is 33% more than the 1988/89 ratio requirement of section 4.02(b) of Article IV of the IDA Agreement.

Discussions are being held with Government on the possible restructuring of our Lake Service, including its passenger service operations. Under the present structure it is most unlikely that the Lake Passenger Service can eliminate its operational loss by 30th June 1991.

Yours faithfully,

R Foster-Brown

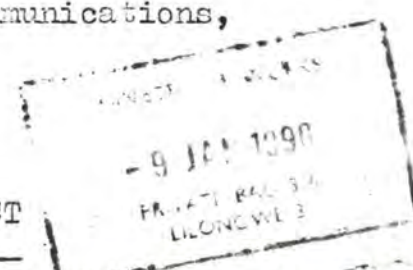
R. Foster-Brown
FINANCIAL CONTROLLER/COMPANY SECRETARY

Att.

IDA Accountant - for your comment

*Africa Files:
Malawi Northern Transport
Corridor Project*

*CR
What letter of 14/9?
Why are we writing?
4th January 1990
bbs
9/1*



Ref. No. RP 152 VIII()
Telephone 733 183
Telefax 730389
Telex 44285



MAI - C.1879
MINISTRY OF WORKS
PRIVATE BAG 316
CAPITAL CITY
LILONGWE 3
MALAWI
4th January, 1990

THE WORLD BANK
1818H STREET NW
WASHINGTON D.C. 20433
U.S.A.

KREDIRITALT FUR WOEDERAUFHAU (KFW)
PALMENGARLENSTRASSO 5-9
D-6000 FRANKFURT AM MAIN II
WEST GERMANY

Dear Sir,

REHABILITATION OF ROUTE M17 BETWEEN
SALIMA AND BALAKA CONTRACTS 44/86 AND
45/86 PROGRESS REPORT NO. 16 FOR NOV. 1989

Find enclosed two copies of Reports for the above project for your office and two copies for KFW and one copy for each of the other addresses respectively.

mlr

K.D. Chinyama Phiri

for : Controller of Roads
for : SECRETARY FOR WORKS

cc : The Secretary ~~to~~ the President & Cabinet (Development Division)
P.O.Box 30132
LILONGWE 3.

The Secretary to the Treasury
P.O.Box 30049
LILONGWE 3.

The Secretary for the Transport & Communications
Private Bag 322
LILONGWE 3.

The Road Traffic Commissioner
P.O.Box 30177
BLANTYRE 3.

Date Recd: 1/18/90
Date Ack: 1/18/90
File: PS/AF
IS

Project Name: IS Malawi
Africa Intra Center: NTC

PROGRESS REPORTING SLIP

(Regional Designation)

CARDED IN	NEW Jan. 18/90
ACKNOWLEDGEMENT OF RECEIPT	Jan. 18/90
SENT TO FILES	1/25/90

1. DIVISION/SECTION: AF6IN		COUNTRY: MALAWI	LOAN/CREDIT NO.(S): Northern Transport Corridor	
2. PERIOD OF REPORT: From <u>November</u> To <u>1989</u>		TYPE OF REPORT: PROGRESS REPORT		
3. (a) FOR ACTION BY	(b) ACTION TAKEN	(c) INITIALS	(d) DATE	
Isaac K. Sam, Chief		<i>JS</i>	<i>7/19</i>	
Jensen	<i>See below</i>	<i>J</i>	<i>1/23/90</i>	
... Fantaye				
A. Da Costa				

4. PHYSICAL PROGRESS OF PROJECT. (Please check one):

IMPROVING ☐ AHEAD OF SCHEDULE ☐ ESTIMATED FINAL COST: SAME ☐
 STATIONARY ☐ ON SCHEDULE ☐ INCREASE 2V (%)
 DETERIORATING ☒ BEHIND SCHEDULE ✓ (%) DECREASE 8 (%)

Several months

5. PROBLEMS REVEALED BY REPORT (If no problems are apparent, write "None" below):

The Government is reviewing whether the contract should be terminated. Outcome of December 22, 1990 meeting with contractor awaited

6. PROBLEM PROJECT (If the report is on "Problem Project," a memorandum to Files is required):

YES ☐

NO ☒

but this component is!

7. ACTION TAKEN OR TO BE TAKEN (Please check one):

MEMORANDUM TO: FILES ☐

LETTER TO BORROWER: ☐

NO ACTION TAKEN: ☒

FRONT OFFICE ☐

PROGRAMS ☐

DIVISION CHIEF ☐

await outcome of December 22 meeting

Sections 1, 2 and 3(a) will be completed by the Division Chief's secretary, or the Admin. Assistant.
 Sections 3(b)(c) and (d) 4, 5, 6 and 7 will be completed by the person(s) named in Section 3(a).

WHITE: Information Center; YELLOW: Staff Member; PINK: Division File

1/4
MALAWI-TANZANIA NORTHERN CORRIDOR PROJECT

CONSORTIUM

MAT - C. 1879



World Bank Washington
AF6IN Room J11-041
1818 H. Street, N. W.,
Washington, D.C. 20433
U. S. A.

Lilongwe Office:
P.O. Box 282
Telephone 723334
Telefax 723810

In your reply please quote : LI/RS/011-NCP

Date 04/01/90

Attention: Mr. P. Jensen

Ref: Northern Corridor Project - Malawi

Sub: Monthly Periodical Progress Report 16th October to 15th November, 1989

Dear Sir,

Please find enclosed 2 copies of Monthly Periodical Progress Report for:-

Monkey Bay

Contract 1/87.

Yours faithfully,

R. Stock
Chief Resident Engineer
for: THE CONSORTIUM
LAHMEYER International
SELLHORN Engineering
LAHMEYER International GmbH

M/R
Date Rec'd 1/9/90
Date Ack'd 1/9/90
Assigned to [Signature] PJ
18
10 Malawi
Sitan NTC

PROGRESS REPORTING SLIP

(Regional Designation)

CARDED IN	Jan. 9/90
ACKNOWLEDGEMENT OF RECEIPT	Jan. 9/90
SENT TO FILES	1/25/90

1. DIVISION/SECTION: AF6IN		COUNTRY: MALAWI	LOAN/CREDIT NO.(S): NORTHERN CORRIDOR PROJECT	
2. PERIOD OF REPORT: From <u>Oct. 16</u> To <u>Nov. 15, 1989</u>		TYPE OF REPORT: PROGRESS REPORT		
3.	(a) FOR ACTION BY	(b) ACTION TAKEN	(c) INITIALS	(d) DATE
	I. Sam, Chief, AF6IN		<i>[Signature]</i>	
	P. Jensen, AF6IN	<i>None</i>	<i>[Signature]</i>	1/23/90
	A. Fantaye, AF6IN	<i>None</i>	<i>[Signature]</i>	1/24/90
	A. Da Costa, AF6IN			

4. PHYSICAL PROGRESS OF PROJECT. (Please check one):

IMPROVING ☒	AHEAD OF SCHEDULE ☐	ESTIMATED FINAL COST: SAME ☐
STATIONARY ☐	ON SCHEDULE ☒	INCREASE <u>7</u> (%)
DETERIORATING ☐	BEHIND SCHEDULE <u> </u> (%)	DECREASE <u> </u> (%)

5. PROBLEMS REVEALED BY REPORT (If no problems are apparent, write "None" below):

This project component is substantially completed!

6. PROBLEM PROJECT (If the report is on "Problem Project," a memorandum to Files is required):

YES ☐ NO ☐

7. ACTION TAKEN OR TO BE TAKEN (Please check one):

MEMORANDUM TO: FILES ☐	LETTER TO BORROWER: ☐	NO ACTION TAKEN: ☐
FRONT OFFICE ☐		
PROGRAMS ☐		
DIVISION CHIEF ☐		

Sections 1, 2 and 3(a) will be completed by the Division Chief's secretary, or the Admin. Assistant.
Sections 3(b)(c) and (d) 4, 5, 6 and 7 will be completed by the person(s) named in Section 3(a).