



GOVERNMENT OF MALAWI

(Issued under the provisions of the Malawi Public Finance Act)

10-YEAR FIXED COUPON DEVELOPMENT BOND – 17 AUGUST 2021

The Government of Malawi as fiscal authorities in the Republic of Malawi invites bids for the above Treasury Development Bond whose terms are as follows:

A. TERMS AND CONDITIONS

1. Issuer:	Government of Malawi
2. Purpose:	To finance public infrastructure development projects
3. Mode:	Multiple price bid auction
4. Auction frequency:	To be prescribed by the Government
5. Initial auction	17 August 2021
6. Amount:	K20.00 Billion
7. Tenor:	10 years
8. Settlement date:	Funds to be received on value date (T+2) by debit of customer accounts at commercial banks
9. Price per K100 Par Value of Treasury bond:	Quoted at discount
10. Minimum bid size:	K1,000,000.00 and multiples of K100,000.00 thereafter
11. Access to bid forms	Investors are required to complete bid forms available at Reserve Bank of Malawi offices and on Reserve Bank of Malawi website
12. Bids closure	15:30 hours on auction day
13. Non-competitive bids:	Non-competitive bidding strictly prohibited
14. Coupon:	16.00 percent per annum
15. Coupon payments:	Semi-annual
16. Day count convention:	Actual/365
17. Tax:	Discount/interest amount is subject to withholding tax as provided for under existing tax laws
18. Form of issuance:	Dematerialized certificates
19. Rediscounting:	RBM will rediscount as a last resort
20. Listing:	The bond will be listed on the Malawi Stock Exchange
21. Trading:	Secondary trading to commence immediately after settlement
22. Eligibility:	Unrestricted
23. Right to accept applications:	Government through Reserve Bank of Malawi reserves the right to accept bids in full or part thereof or reject them in total without giving any reason

For further details contact any of the following:

- Financial Markets Department, Reserve Bank of Malawi, P O Box 30063, Lilongwe 3
- Tel: 01771600,01770600 Fax: 01772219, 01774498
- e-Mail: RBMDdealers@rbm.mw
- website: www.rbm.mw

B. GENERAL INFORMATION

1. Notice

- This prospectus only applies to Development Bonds issued under this prospectus.

2. Advantages of the Treasury bond

- It is transferable and negotiable.
- It can be pledged as collateral.
- The rate of return is competitive.
- It is issued through market-based procedures.

3. Auction Process

- Market players will be notified before each auction, announcing the auction date, and other terms and conditions.
- Investors are invited to submit bids using prescribed tender forms, which will be available from Reserve Bank of Malawi offices and website as well as commercial bank offices.
- The auction for this bond will be conducted on a multiple price bid basis whereby each successful bidder pays the price quoted for the amount tendered. Bids are listed, starting with the highest bid price, down to the lowest bid price that exhausts the face value amount of the bond offered for sale.
- Results of the auction will be published on the Reserve Bank of Malawi website: <http://www.rbm.mw> and may also be published in the print media.

4. Payment and Settlement Procedures

- Payment shall be received on value date by debit of customer accounts at commercial banks.
- In case of non-compliance with the time limit for payment, successful bidders will be disqualified from participation in subsequent auctions. In case of failed settlement, Reserve Bank of Malawi reserves the right to indefinitely bar the investor from participating in all or subsequent auctions.
- Coupon will be paid semi-annually by crediting customer accounts at commercial banks.

5. Redemption

- On maturity, the bonds will be redeemed directly at Reserve Bank of Malawi.
- Investors will receive the par value (100 percent) of their respective bids.

6. Secondary Market Trading

- After the primary auction, the bond may be traded on the Malawi Stock Exchange.
- Rules and guidelines for trading bonds on the Malawi Stock Exchange shall apply.
- The listing price for the bond shall equal the weighted average price from the primary auction.
- Malawi Stock Exchange will notify Reserve Bank of Malawi immediately after transactions occur to allow Reserve Bank of Malawi update its register with respect to holders of respective securities.

C. INDIVIDUAL PROJECT DETAILS

1. Construction of the Balaka Market - Nkhotakota - Nkhatabay Road (Kaphatenga – Dwangwa Section)

Description:

The project will involve rehabilitation/reconstruction of the Kaphatenga – Dwangwa Road (161 kilometres) to a 7 metre carriageway with 2 metre wide sealed shoulders.

The project will also include replacing all single lane bridges with two lanes bridges.

Motivation and expected impact:

The overall goal of the project is to facilitate trade and transport within the project area in order to support economic growth by providing a safe and reliable road. The M05 road is one of the key roads in Malawi running parallel to the North – South Corridor while serving the lakeshore's economic and social activities. The condition of the road has deteriorated over time due to traffic and environmental factors which has consequently compromised road user safety and increased travel time and costs. In addition, the numerous single lane bridges have to be replaced as they are potential accident spots and the capacity of some of the bridges needs to be increased due to changes in land use.

Rehabilitation of the project road will enhance economic potential of the lakeshore area and Malawi as a whole by reducing transport costs for cross border and local traders. It will provide an efficient, safer and shorter alternative link between the Mtwara Port and the rest of the country; it will encourage investment in real and productive sectors particularly agriculture and tourism bringing about competitiveness of the sector products and services. The improvement of the road will also provide an alternative route to the North – South Corridor.

Economic project appraisal results of 2013 show that the project is economically viable with a Net Present Value (NPV) of US\$21.498 million and an Internal Rate of Return (IRR) value of 14.9% against a 12% discount rate over a 20 year period.

Map of Kaphatenga _ Dwangwa Road Section (M5)



2. Construction of the Ntcheu - Tsangano - Neno - Mwanza Road

Description:

This project involves upgrading the Ntcheu - Tsangano - Neno – Mwanza Road (112 kilometres) from earth to paved standard. The works include construction of a 6.8 metre wide carriageway with 1.5 metres sealed shoulders

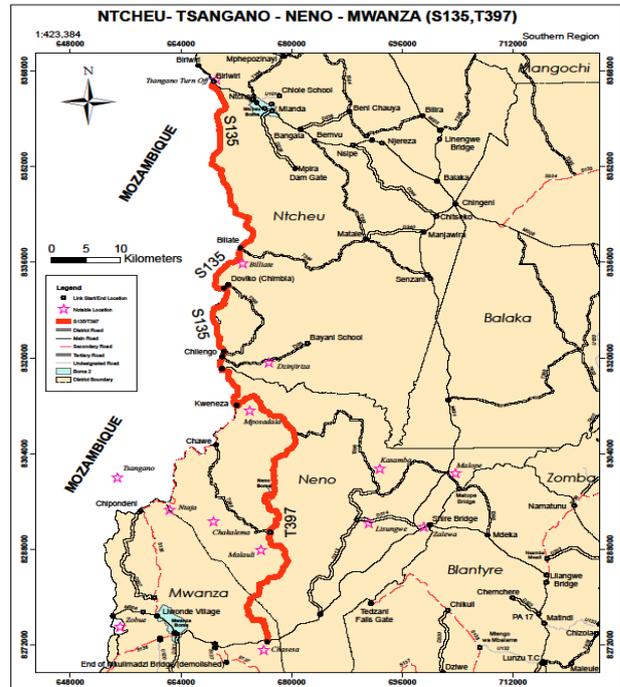
Motivation and expected impact:

The overall goal of the project is to facilitate trade and transport within the project area in order to support economic growth by providing a reliable all weather road. The road lies within the Ntcheu, Neno and Mwanza belt which is predominantly rural with a large agricultural base that supports both local and national economic activities. The project area significantly contributes to the national supply of subsistence and cash crops and fruits such as irish potatoes, tangerines and bananas. The area is also rich with mineral deposits. There are at least sixteen different types of minerals within project area. Vercumilite is the most abundant with 13 identified deposits, granite with 4 deposits, marble and kaolinite with deposits each. The Ntcheu - Tsangano

- Neno — Mwanza road is strategically located to supply and link the central and southern regions of Malawi. However, the current poor condition of the road makes mobility and access to this productive area challenging.

Upgrading of the road shall therefore boost the economy by promoting and enhancing the agricultural and mining industries; easing access to social and economic amenities within the project area; and reducing travel time and cost of travelling on the project road.

Economic project appraisal results of 2011 show that the project is economically viable with a Net Present Value (NPV) of US\$2.299 million and an Internal Rate of Return (IRR) value of 12.5% against a 12% discount rate over a 20 year period.



3. Construction of the Aquatic complex at Kamuzu Institute for Sports (KIS)

Description:

This project involves construction of: 50-metre-long competition swimming pool, 25-metre-long training swimming pool, New covered stand, Existing stand, Double storey VIP stand, Social service block, Gym/Conference block, Blockwall fence A, Blockwall fence B, Gate houses (No 7), Turnstile entrance, Water tower, External works (carpark and access roads)

Once this project is finished, it would host the African Youth Games swimming competition in 2022

Motivation and expected impact:

Once this facility is completed, it will give a chance to Malawi to host international swimming competition. This will help Malawian swimmers to improve their skills and also compete in international competitions. Failure to host these games will attract heavy fines and a ban on the country from participating in international games.

Apart from the swimming, construction of this facility will enable the country to acquire good facilities that can be used to generate funds through tourism as well as through renting out space for conferences. In addition, Malawians, especially the youth, will have a chance of training at a cheaper cost than would be the case if they attended privately owned swimming pools.

During international competitions the country will be able to generate foreign exchange for the economy. Apart from this, many Malawians will be employed during construction of the facility as well as during its management. In view of all these, this project will contribute positively to the aspirations of the Malawi Growth and Development Strategy (MGDS) III through youth empowerment, decent job creation as well as revenue generation, among others.

4. Construction of the Jenda- Edingeni- Engalaweni Road

Description:

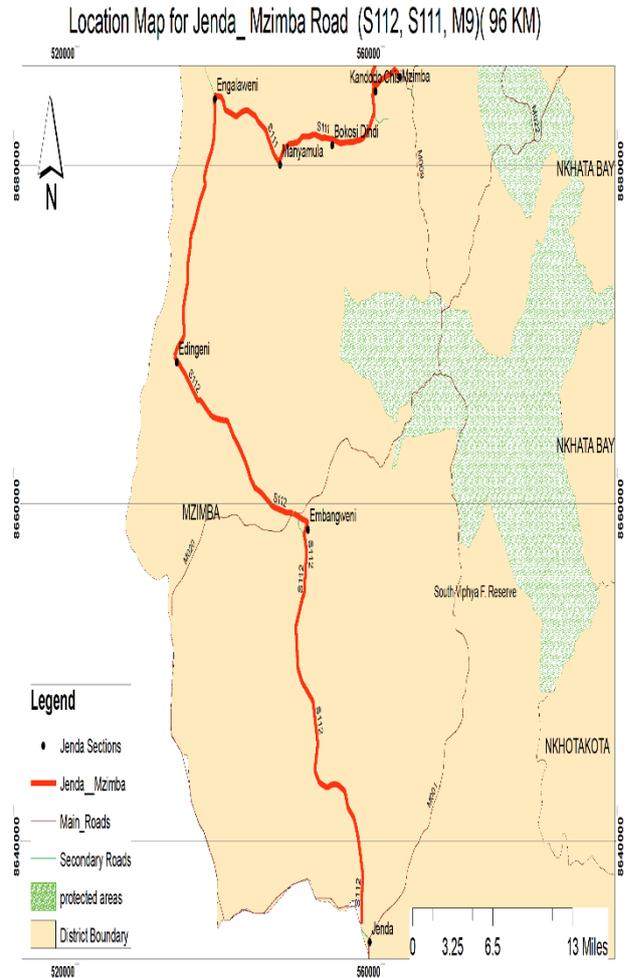
This project involves upgrading the Jenda — Edingeni - Engalaweni - Manyamula - Mzimba Road (39.2 kilometres) from earth to paved standard. The works include construction of a 6.8 metre wide carriageway with 1.5 metre sealed shoulders on each side, and construction of concrete bridges and box culverts as the project road has a number of rivers and streams.

Motivation and expected impact:

The overall goal of the project is to facilitate trade and transport within the project area in order to support economic growth by providing a reliable all weather road. The proposed route serves some heavily populated settlements and Rural Growth Centres in Mzimba. The project road provides access to a number of secondary schools at Embangweni and Euthini, the main headquarters for Paramount Chief Mmbelwa V at Edingeni and a number of trading centres, post offices and health facilities along the project road. The area has a number of tobacco estates, which is the number one export crop for the country. The road further connects the rich agricultural areas of Mbalachanda and Madede to the main transport corridors of the country.

Construction of this road will grant the people safe and affordable access to income generating activities, which are mostly agro-based; better markets for their goods; and social services such as hospitals, schools thus facilitating the continued development of the country's rural areas.

Preliminary economic project appraisal results for Jenda – Edingeni section of 2021 show that the project is economically viable with a Net Present Value (NPV) of US\$384 thousand and an Internal Rate of Return (IRR) value of 12.3% against a 12% discount rate over a 20 year period.



5. Construction of the Dzaleka - Ntchisi - Mpalo - Malomo Road

Description:

This project involves upgrading the Dzaleka - Ntchisi - Mpalo - Malomo Road (70 kilometres) from earth to paved standard. The road works will include construction of a 6.8 metre wide carriageway with sealed shoulders of 2 metres on each side.

Motivation and expected impact:

The overall goal of the project is to facilitate trade and transport within the project area in order to support economic growth by providing a reliable all weather road. The primary economic activity in the project area is farming with the road's influence covering three Extension Planning Areas (EPAs) across the two districts of Dowa and Ntchisi. The project road further serves Dzaleka Refugee camp, health centres at Msakambewa and Mwangala, Ntchisi District Hospital and a health centre as well as a Rural Growth Centre at Malomo Trading Centre, where a new hospital is under construction.

Whereas Rural Growth Centres (RGCs) constitute an important means of generating economic activities to improve rural livelihoods, access to these hubs continues to be a constraint because of poor road networks. Enabling better access by means of an all-weather road will enhance the impact of RGCs and thereby alleviate poverty within the project area.

Economic project appraisal results of 2020 show that the project is economically viable with a Net Present Value (NPV) of US\$30.755 million and an Internal Rate of Return (IRR) value of 22.8% against a 12% discount rate over a 20 year period.

