

CONFORMED COPY

**GRANT NUMBER H159 - MAI**

# **Development Grant Agreement**

**(Education Sector Support Project)**

**between**

**REPUBLIC OF MALAWI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated May 10, 2005**

**GRANT NUMBER H159 - MAI**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated May 10, 2005, between REPUBLIC OF MALAWI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Recipient, dated October 21, 2004, describing a program designed to improve quality and efficiency of its education sector and lay a foundation for a broader education sector program (the Program) and declaring the Recipient's commitment to the execution of such program;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement:

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary" means a school or an educational institution that has met the eligibility criteria set out in the DGM (as hereinafter defined) and the requirements of

Schedule 4 to this Agreement and as a result, has received, or is entitled to receive, a DSS Grant (as hereinafter defined);

(b) “Community Day Secondary Schools” or “CDSS” means the schools established by the Recipient in 1998 to provide secondary school education;

(c) “DSS” means direct support to schools, the activities to be financed under Part D of the Project;

(d) “DSS Grants” means a grant to be made out of the proceeds of the Grant to finance activities under Part D.1 of the Project;

(e) “DSS Grant Guidelines” means the set of guidelines for the Beneficiary to comply with in order to receive a DSS Grant in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement and the provisions of the DGM (as hereinafter defined);

(f) “DSS Grant Manual” or “DGM” means the manual referred to in paragraph 10 of Schedule 4 to this Agreement;

(g) “Education Development Management Unit” or “EDMU” means the Education Development Management Unit of the Recipient’s Ministry of Education which is responsible for overseeing day-to-day implementation of the Project and referred to in paragraph 5 of Schedule 4 to this Agreement;

(h) “Eligible Categories” means Categories (1) and (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(i) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(j) “Environmental and Social Management Framework” or “ESMF” means the framework dated May 2004 issued by the Recipient and outlining the environmental and social screening procedures to be followed during implementation of the Project including potential environmental and social risks and adverse impacts of the Project along with proposed mitigation measures;

(k) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(l) “Malawi Kwacha” means the currency of the Recipient;

(m) “Operating Account” means each of the accounts referred to in Part C of Schedule 1 to this Agreement;

(n) "Procurement Plan" means the Recipient's procurement plan, dated October 6, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(o) "Project Affected Person" or "PAP" means any person who owns or occupies land, property or other assets or structures which are adversely affected by the Project, or whose livelihood, business, trade or other occupation is adversely affected as a result of the Project, and who is declared accordingly eligible to compensation or other assistance under the RPF (as hereinafter defined);

(p) "Project Implementation Manual" or "PIM" means the manual to prepared by the Recipient for the implementation of the Project and referred to in paragraph 6 of Schedule 4 to this Agreement;

(q) "Project Steering Committee" means the committee to be established by the Recipient to provide strategic guidance for Project implementation and referred to in paragraph 1 of Schedule 4 to this Agreement;

(r) "Project Technical Committee" means the committee to be established by the Recipient to review and approve Project work plans and implementation arrangements and referred to in paragraph 3 of Schedule 4 to this Agreement;

(s) "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework, dated May 2004 issued by the Recipient, and describing a program of actions, measures and policies designed to avoid or minimize any adverse impact or hardship to PAPs as a result of the Project or, if such adverse impact or hardship cannot be avoided altogether, provide for the compensation and resettlement of such PAPs as may be appropriate; and

(t) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in the Development Grant Agreement, an amount in various currencies equivalent to twenty two million Special Drawing Rights (SDR 22,000,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (a) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant; and (b) amounts paid (or, if the Association shall so agree, amount to be paid) by the Recipient on account of withdrawals made under DSS Grants to meet the reasonable cost of goods, works and services to be financed under Part D.1 of the Project, in respect of which the withdrawal from the Grant Account is requested.

Section 2.03. The Closing Date shall be September 15, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. Commitment charges shall be payable semiannually on June 15 and December 15 in each year.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its Ministry of Education with due diligence and efficiency and in

conformity with appropriate administrative, financial, educational and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Recipient shall:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
  - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 15 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:



- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which will make it improbable that the Program, or a significant part thereof, will be carried out.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VII**

**Representative of the Recipient; Addresses**

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Minister of Finance  
Ministry of Finance  
P.O. Box 30049  
Lilongwe 3  
Malawi

Cable address:	Telex:	Facsimile:
FINANCE Lilongwe	44407 (MI)	(265) -1- 789173

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Lilongwe, Republic of Malawi, as of the day and year first above written.

REPUBLIC OF MALAWI

By /s/ Goodall Gondwe

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hartwig Schafer

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	8,500,000	100%
(2) Goods, Vehicle and Equipment	4,700,000	100%
(3) Consultants' Services	3,300,000	100%
(4) Workshops and Training	1,900,000	100%
(5) DSS Grants under	1,900,000	100% of amounts disbursed Part D.1 of the Project
(6) Operating Costs	1,700,000	100%
	<u>22,000,000</u>	
TOTAL	<u>=====</u>	

2. For the purposes of this Schedule, the term "operating costs" means incremental recurrent expenditures incurred on account of the Project implementation including office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, bank and services fees, travel and supervision, but excluding salaries of officials of the Recipient's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 500,000, may be made on account of payments made for expenditures before that date but after July 1, 2004; and (b) payments made under category (5), unless the Recipient has furnished to the Association a DGM in form and substance satisfactory to the Association, and the DSS Grants have been made in accordance with criteria, procedures, term and conditions set forth or referred to in Section IV of Schedule 4 to this Agreement and the DGM.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$200,000 equivalent per contract; (b) works costing less than \$300,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) workshops and training; (f) DSS Grants; and (g) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall

so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

### C. Operating Account

1. The Recipient shall open and maintain in Malawi Kwacha an Operating Account in a commercial bank, on terms and conditions satisfactory to the Association (including appropriate protection against set-off, seizure or attachment).

2. The Recipient shall, in accordance with procedures acceptable to the Association, withdraw from time to time from the Special Account and deposit into the Operating Account, an amount required to finance eligible expenditures for a period of 90 days of Project implementation.

3. Payments out of the Operating Account shall only be made for eligible expenditures.

4. In the event that the Association, after consultation with the Recipient, determines that any outstanding amount in the Operating Account is not further required to cover payments for eligible expenditures, the Recipient, upon notice from the Association shall promptly refund such outstanding amount to the Special Account.

**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. The term “Authorized Allocation” means an amount equivalent to \$3,500,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 9,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts, which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.



3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to improve the education quality in the Recipient's territory through development of a broad education sector policy, enhancing the capacity and number of qualified teachers, enhancing the capacity and quality of education service delivery, and improving learning outcome at all school levels.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Development of Teacher Capacity

1. Improving capacity of teacher development and training at University of Malawi (Polytechnic) through: (a) construction of buildings and laboratories; (b) acquisition of equipment and teaching and learning materials; and (c) provision of technical advisory services.
2. Provision of support to University of Malawi (Chancellor College) to improve capacity of teacher education, facilitate sustainable expansion of student intake, and regularize continuing professional development programs, including: (a) rehabilitation of lecture rooms and laboratories; (b) acquisition of equipment and teaching and learning materials; and (c) provision of technical advisory services.
3. Provision of support to Mzuzu University (Faculty of Education) to improve quality of teacher education, carry out educational research, expand enrollment by approximately 400 students, and strengthen teaching practicum, including: (a) construction of class rooms, library, facilities, and laboratories; (b) acquisition of equipment and teaching and learning materials; and (c) provision of technical advisory services.
4. Establishment of a new teacher education college for primary education teachers with a capacity of approximately 540 students through: (a) construction of class rooms, laboratories, arts and crafts rooms, a library, offices, halls, facilities, hostels, and staff rooms; (b) acquisition of equipment, books, and teaching and learning materials; and (c) provision of technical advisory services.

5. Strengthening teacher development capacity across the education system and teacher training colleges, through: (a) improving staff development at teacher training colleges through provision of technical advisory services and facilitation of training and workshops; (b) provision of support to facilitate institutional networking between existing teacher training colleges; (c) carrying out of pilot strategies to strengthen entry level capacity of student teachers through provision of technical advisory services; (d) facilitating continuing professional development and distance learning for teachers through provision of technical advisory services; (e) facilitating teaching and learning using locally available materials; and (f) provision of technical advisory services and program support to ensure continuous and further expansion of the present University Partners for Institutional Capacity (UPIC) bachelor of education primary degree program at Domasi College.

6. Establishment of a baseline for measuring student achievements, and assessment of relevant learning factors in schools and homes through: (a) carrying out of a student assessment surveys; (b) provision of technical advisory services and training; and (c) facilitation of workshops and stakeholder consultation.

#### Part B: Learning Quality improvements

1. Improving teaching and learning conditions at Dedza Secondary School, Lilongwe Girls Secondary School, Blantyre Secondary School and Mzuzu Government Secondary School, through: (a) rehabilitation of class rooms, facilities including facilities for special needs students, laboratories, dormitories, and some teacher houses; and (b) acquisition of equipment, books, and teaching and learning materials including equipment and materials for special needs students.

2. Improving teaching and learning conditions at CDSS classrooms through provision of support to CDSS teachers including acquisition of basic teaching references and guidelines and facilitation of classroom-based assessment of student progress.

#### Part C: Mitigation Externalities Affecting Quality of Education

1. Provision of health services and nutrition package to primary school children to reduce school absenteeism and enhance learning performance.

2. Capacity building for the Ministry of Education and other relevant ministries to develop, plan, implement, and evaluate school health and nutrition programs through: (a) provision of technical advisory services; and (b) facilitation of workshops and training.

3. Enhancing coordination of school health and nutrition interventions among relevant ministries, donors, and civil society through: (a) provision of technical advisory services; (b) facilitation of workshops; and (c) carrying out of sensitization and information dissemination campaigns.

Part D: Direct Support to Schools

1. Decentralization of management of primary education and improving quality of primary education at the school level through provision of DSS Grants.

2. Provision of support for the preparation, implementation, and monitoring of the DDS Grants program including: (a) provision of technical advisory service; (b) facilitation of workshops and training; and (c) carrying out of information dissemination campaigns.

Part E: Capacity Building and Policy Development

1. Development of a medium to long-term education sector strategic plan through: (a) provision of technical advisory services; and (b) facilitation of workshops.

2. Development of teacher education policy, strategy, model, and implementation plan through: (a) provision of technical advisory services; and (b) facilitation of consultations.

3. Facilitating a review of the language of instruction policy through: (a) provision of technical advisory services; and (b) facilitation of consultations.

4. Supporting the ongoing primary education curriculum reform and assessment through: (a) provision of technical advisory services; and (b) facilitation of workshops.

5. Capacity building for staff at the Ministry of Education in procurement and financial management through: (a) provision of technical advisory services; and (b) facilitation of training.

6. Improving efficiency in utilizing resources allocated to universities, and development of a policy and sustainable mechanism for student financial assistance through: (a) provision of technical advisory services; (b) facilitation of training; and (c) carrying out of information dissemination campaigns.

7. Improving capacity of school managers at secondary school level through: (a) provision of technical advisory services; and (b) facilitation of training.

8. Implementation of the Recipient's policy on decentralization of primary education through: (a) acquisition of equipment; (b) provision of technical advisory services; and (c) facilitation of training.
9. Improving the Recipient's capacity to assess environmental and social impacts through provision of training.
10. Development of new human resources policy for recruitment and deployment of teachers.
11. Development of a plan for outsourcing hostels and catering services through provision of technical advisory services.
12. Development of financial management and procurement procedures for universities.

\* \* \*

The Project is expected to be completed by March 15, 2010.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$600,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$30,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Procurement from UN Agencies. Medicines & micronutrients may be procured directly from United Nations agencies in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

4. Community Participation. Goods, works and services required for Part D.1 of the Project may be procured on the basis of community participation in accordance with rules and procedures acceptable to the Association set forth in the DSS Grants Manual.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Audit services and services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

5. Workshops and Training. Workshops and training shall be carried out on the basis of annual work programs which shall have been approved by the Association, and which shall identify: (a) the workshops or training envisaged; (b) the personnel to attend the workshop or to be trained; (c) the selection methods of institutions or individuals participating in the workshop or conducting the training; (d) the institutions which will facilitate the workshop or conduct the training, if already selected; (e) the



duration of proposed workshop or training; and (f) the cost estimate of the workshop or training.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$200,000 or more; (b) each contract for works estimated to cost the equivalent of \$300,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

**SCHEDULE 4**

**Implementation Program**

**I. Overall Project Oversight**

1. The Recipient shall maintain at all times during the implementation of the Project, a Project Steering Committee which shall be chaired by the Recipient's Secretary of Education and include representatives of the Recipient's Ministry of Finance, Ministry of Economic Planning and Development, Ministry of Health, Ministry of Local Governments and Rural Development, Accountant General, Department of Human Resources Management and Development; heads of education institutes and universities involved in the Project; and representatives of civil society, development partners and stakeholders.
2. The Project Steering Committee shall provide overall strategic guidance for the implementation of the Project and approve Project work plan.
3. The Recipient shall maintain at all times during the implementation of the Project, a Project Technical Commit which shall be chaired by the Permanent Secretary of the Recipient's Ministry of Education and include managers of all Project components and representatives for Project executing agencies.
4. The Project Technical Committee shall review the Project work plan, implementation, monitoring, evaluation, financial, technical, and audit reports.

**II. Project Administration and Management**

5. EDMU shall be responsible overseeing the day-to-day implementation of the Project including carrying out financial management and procurement aspects of the

Project. The Recipient shall appoint to EDMU by December 31, 2004 staff having qualifications and experience satisfactory to the Association.

6. The Recipient shall prepare and furnish to the Association a PIM in form and substance satisfactory to the Association setting out details of: (a) Project implementation arrangements; (b) Project procurement, financial management and disbursement arrangements; (c) Project environmental and social management; (d) Project performance indicators; and (e) such other administrative, financial and organizational arrangements as shall be required for the Project.

7. The Recipient shall carry out the Project in accordance with the provisions of the PIM, and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

### III. Environmental and Social Measures

8. Except as the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the ESMF and RPF, and shall not amend or waive, or permit to be amended or waived, the ESMF, RPF or any provisions thereof in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of Project.

9. Without limitation upon the Recipient's other reporting obligations under Section 4.02 of this Agreement, the Recipient shall submit quarterly consolidated reports on compliance with environmental and social safeguard measures under the Project, giving details of measures taken in furtherance of the RPF and the mitigation measures specified in the ESMF, and conditions, if any, which interfere or threaten implementation of the RPF or the mitigation measures specified in the ESMF, and remedial measures taken or required to be taken to address such conditions.

### IV. Procedures and Eligibility Criteria for DSS Grants

10. The Recipient shall prepare and furnish to the Association a DSS Grant Manual (DGM) in form and substance satisfactory to the Association setting out details of: (a) DSS Grants, activities to be financed by DSS Grants, Beneficiaries and eligibility criteria; (b) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of activities to be financed by DSS Grants; (c) procurement, financial management and disbursement arrangements; (d) performance indicators; (e) standard formats for a DSS Grant Guidelines; and (f) such other administrative, financial and organizational arrangements as shall be required for providing DSS Grants.

11. The Recipient shall provide DSS Grants in accordance with procedures and eligibility criteria set forth in the DGM.

12. DSS Grant shall be provided after a DSS Grant Guidelines is signed by the Beneficiary, including under terms and conditions satisfactory to the Association, which shall include the following:

(a) the Beneficiary's obligation to carry out the activities to be financed by the DSS Grant in accordance with the DGM, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the DSS Grant;

(b) the requirement that: (i) goods, works and services to be financed from the proceeds of the DSS Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the eligible activities in accordance with the DGM;

(c) the right of EDMU to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction financed by the DSS Grant, the operations thereof and any relevant records and documents;

(d) the right of the EDMU to obtain all information as EDMU or the Association shall reasonably request regarding the administration, operation and financial conditions of activities to be financed by the DSS Grant; and

(e) the right of the Ministry of Education to suspend or terminate the right of the Beneficiary to use the proceeds of the DSS Grant upon the failure by the Beneficiary to comply with the DSS Grant Guidelines.

V. Dated Covenants

14. The Recipient shall:

(a) develop and implement by December 31, 2006 teacher distribution formulae and teacher establishment by school;

(b) finalize its policy in community participation and direct support to schools by December 31, 2005;

(c) ensure that the Ministry of Education has finalized a human resources development policy by December 31, 2005 to be used for training of its staff;

(d) prepare costed and integrated sector implementation plan for selected core priorities such as curriculum, teacher development, decentralization and community participation by July 31, 2006;

(e) prepare guidelines, criteria and mechanism for the rehabilitation and maintenances of CDSSs and secondary schools including tuition fees and maintenance policy by December 31, 2006; and

(f) develop a strategy for higher education and its financing including plans for: (i) integrated higher education sector development; (ii) financial resources for retrenching university staff; and (iii) cost recovery at tertiary levels, bursary and loan schemes, security cleaning and boarding, all by December 31, 2007.

VI. Project Monitoring and Evaluation

15. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31, 2008, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **Performance Indicators**

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Recipient and the Association:

1. The Recipient has improved the pupil qualified teacher ratio in standard 1 to 8 to a maximum of 80:1 by Closing Date.
2. The Recipient has improved the pupil qualified teacher ratio in community day secondary schools to a maximum of 65:1 by Closing Date.
3. The Recipient has delivered effective health and nutrition interventions to at least 80% of primary school pupils under the age of 10 by Closing Date.
4. The Recipient has provided DSS Grants: (a) within the first quarter of the school calendar year to primary schools by March 31, 2007; and (b) to at least 2000 primary schools by Closing Date.

## SCHEDULE 6

### Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

(a) The term “Borrower” is modified to read “Recipient”.

(b) The term “Credit” is modified to read “Grant”.

(c) The term “Credit Account” is modified to read “Grant Account”.

(d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Section 1.01 is modified to read as follows:

“Section 1.01. *Application of General Conditions*

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”

5. Article III is modified as follows:

(a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

(b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02(a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:

(a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.

(b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*”

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”