

Date: 18-Sep-2020

Honourable Felix Mlusu
Minister of Finance
Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Re: Republic of Malawi: Advance Agreement for the Preparation of
the Proposed Skills for a Vibrant Economy Project
Project Preparation Advance No. V3480-001

Honourable Minister:

In response to the request for financial assistance made on behalf of Republic of Malawi (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million five hundred thousand Dollars (\$1,500,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase equitable access to market-relevant skills in priority areas of the economy, especially for females and vulnerable youth (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 
Hugh Riddell
Country Manager for Malawi
East and Southern Africa Region

AGREED:
REPUBLIC OF MALAWI

By 
Authorized Representative

Name Felix Mlusu

Title Dr

Date 22-Sep-2020

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, including the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Carrying out preparatory studies and consultations to support Project design, including *inter alia*: (i) environmental and social safeguards studies; (ii) skills gap assessment; and (iii) an institutional distance learning assessment.
- (b) Providing support for the development of key Project documents including, *inter alia* Project implementation manual, environment and social safeguards instruments, and monitoring and evaluation framework.
- (c) Providing technical assistance in drafting Project proposals.
- (d) Providing support in establishment and capacity building of Project’s implementation unit.
- (e) Acquisition and installation of equipment to facilitate virtual meetings and consultations under the COVID 19 pandemic conditions.
- (f) Provision of goods, consultant’s services, Training and Operating Costs, for the management and implementation of the Activities under the COVID19 pandemic conditions.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Ministry of Education, Science and Technology in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011, and as of July 1, 2016.

2.03. ***Institutional and Other Arrangements.*** Without limitation upon the provisions of Section 2.02 above:

(a) The Recipient shall, throughout the Refinancing Date, ensure that the MoEST is maintained with staffing, functions and resources satisfactory to the World Bank, to be responsible for the overall implementation of the Activities, including financial management and procurement.

(b) The Recipient shall, throughout the Refinancing Date, ensure that the Technical Committee and the Task Force are maintained with staffing, functions and resources satisfactory to the World Bank, to be responsible for the oversight and implementation of the Activities.

(c) The Recipient shall, ensure that not later than three months after the Effective Date of this Advance, an accountant and a senior accounts clerk with terms of reference, qualifications and experience satisfactory to the Bank, are assigned and thereafter maintained throughout the Refinancing Date for the purpose of Project preparation.

2.04. ***Environmental and Social Standards***

(a) The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the World Bank.

(b) Without limitation upon paragraph (a) above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the World Bank. To this end, the Recipient shall ensure that:

(i) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;

(ii) sufficient funds are available to cover the costs of implementing the ESCP;

(iii) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(iv) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the World Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

(c) In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(d) The Recipient shall ensure that:

(i) all measures necessary are taken to collect, compile, and furnish to the World Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the World Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the World Bank, setting out, *inter alia*: (A) the status of implementation of the

ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and

- (ii) the World Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- (e) The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the World Bank.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient or such other period as agreed to by the World Bank, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement.** All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 and August 2018 (“Procurement Regulations”) and the provisions of the Recipient’s procurement plan for the Activities dated June 22, 2020 (“Procurement Plan”) provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III Withdrawal of the Advance

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised

from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, consulting services, non-consulting services, Operating Costs and Training under the Activities	1,500,000	100%
TOTAL AMOUNT	1,500,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is July 30, 2021.

Article IV Terms of the Advance

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its minister responsible for finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Facsimile:

265-1-789173

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

1-202-477-6391

APPENDIX

Section I. Definitions

1. “COVID 19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
2. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated September 16, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
3. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the World Bank.
4. “Ministry of Education, Science and Technology” or “MoEST” means the Recipient’s ministry responsible for education, or any successor thereto.
5. “Ministry of Labor” means Recipient’s ministry of labor.
6. “Operating Costs” means the incremental operating expenses incurred on account of the implementation of the Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment, office supplies, additional staff costs, travel and supervision costs, *per diem*, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.
7. “Task Force” means a unit set up by the Recipient, consisting of specialists with expertise in education and vocational skills training as well as from procurement, finance, planning, gender and youth, to be responsible along with the Technical Committee, for oversight and implementation of the Activities.
8. “Technical Committee” means a committee set up by the Recipient with representation from its Ministry of Education, Science and Technology, Ministry of Labor, other key ministries responsible for skills development particularly in relation to gender and youth, the private

sector, and key stakeholders critical to Project preparation and implementation, to be responsible along with the Task Force, for oversight and implementation of the Activities.

9. “Training” means the reasonable costs associated with training, study tours and workshops (other than for consultants’ services), including: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.