

Date: 16-Jul-2021

Honorable Felix Mlusu  
Minister of Finance, Economic Planning and Development  
Ministry of Finance, Economic Planning and Development  
P.O. Box 30049  
Lilongwe 3

**Re: Credit No. 6379-MW  
(Equity with Quality and Learning at Secondary Project)  
Amendment to the Financing Agreement**

Honorable Minister:

We refer to the Financing Agreement dated July 25, 2019, between the Republic of Malawi (“Recipient”) and the International Development Association (“Association”) (“Financing Agreement”), for the Equity with Quality and Learning at Secondary Project (“Project”). We also refer to the proposed additional financing to the Project in an amount equivalent to \$5 million in support of the Project.

We are pleased to inform you that the Association proposes to amend the Agreement as follows:

1. Schedule 1 to the Financing Agreement is hereby amended as follows:

(a) Part A.1 is amended by adding paragraphs (d) and (e) which read as follows:

“(d) improving health security of the school environment to facilitate learning, including through: (i) provision of personal protective equipment (PPE), including reusable face masks; (ii) orientation of teaching and non-teaching staff in public and private boarding secondary schools on the handling of COVID-19; and (iii) recruitment of auxiliary teachers in public secondary schools; and

(e) development and implementation of a Remedial Program in response to the learning gaps manifested in the secondary examination results, including through: (i) training of teachers in the design of individualized educational programs with intensive remedial support to help students regain lost competences; and (ii) inspection visits to beneficiary schools to observe and enforce implementation of the Remedial Program.”.

(b) Part B.1 is amended by adding a new paragraph (c) which reads as follows:

“(c) developing and disseminating Open, Distance and e-Learning (ODEL) materials.”

(c) Part B.2 is amended by adding a new paragraph (e) which reads as follows:

“(e) provision of: (i) Sub-grants to Sub-grant Beneficiaries; and (ii) guidance and counseling services for vulnerable children who dropped out of school during the COVID-19 school closures and are willing to return to school.”.

(d) Part B.3 is amended to read as follows:

“3. Upgrading and expanding day secondary schools in 13 selected remote Districts including: (a) upgrading school infrastructure for such schools, *inter alia*: furnished classroom blocks, a twin furnished multi-purpose science block installed with requisite systems to facilitate science instruction, two gender and disabled friendly 6-stance ablution blocks; a block comprising a furnished library and equipped information and communication technology (ICT) laboratory; and solar power installations for schools not connected to a main power grid; and (b) constructing twin-block low cost classrooms in schools with large enrolments where effective social distancing is not practical due to limited or dilapidated classrooms and facilities.”.

(e) Part C.4 is amended by deleting the acronym “DLIs” and replacing it with the acronym “PBCs”.

2. Schedule 2 to the Financing Agreement is hereby amended as follows:

(a) The terms:

(i) “Eligible Expenditure Programs” and “EEPs” are deleted and replaced with the term “Eligible Expenditures for PBCs”; and

(ii) “DLI” and “DLR” are deleted and replaced with the term “PBC”;

(b) Section I.A.1 is amended by:

(i) deleting the terms “Ministry of Education, Science and Technology” and “MoEST” and replacing them with the terms “Ministry of Education” and “MoE” respectively; and

(ii) deleting the terms “Directorate of Secondary and Distance Education” and “DSDE” and replacing them with the terms “Directorate of Secondary Education” and “DSDE” respectively.

(c) Section I.C.1 is amended as follows:

(i) a new sub-paragraph (g) is added which reads as follows:

“(g) guidelines for Sub-grants and the eligibility criteria and procedures to be applied for selection of Sub-grant Beneficiaries, including a model Sub-grant Agreement”.

(ii) The old sub-paragraph (g) is renumbered as sub-paragraph (h).

(d) A new Section I.E is added which reads as follows:

**“E. Sub-grants under Part B.2(e)(i) of the Project**

1. The Recipient shall provide Sub-grants to Sub-grant Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association described in the PIM.

2. The Recipient shall make each Sub-grant under a Sub-grant Agreement with the respective Sub-grant Beneficiary which is consistent with the model Sub-grant Agreement in the PIM, which shall include the Recipient's right to:
  - (a) suspend or terminate the right of the Sub-grant Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the said Sub-grant, upon the Sub-grant Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and
  - (b) require each Sub-grant Beneficiary to:
    - (i) carry out its respective Sub-project with due diligence and efficiency and in accordance with sound technical and financial standards and practices satisfactory to the Association, including the requirements set out in the Anti-Corruption Guidelines applicable to the recipients of the loan proceeds other than the Recipient;
    - (ii) procure the goods and/or services to be financed out of the Sub-grant in accordance with the provisions of this Agreement;
    - (iii) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;
    - (iv) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
    - (v) enable the Association and Recipient to inspect the Sub-project, its operation and any relevant records and documents; and
    - (vi) prepare and furnish to the Association and Recipient, all such information as the Association and Recipient shall reasonably request relating to the foregoing.
3. The Recipient shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association to accomplish the purposes of the Financing. Except as the Association shall provide,

the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

4. In case of any inconsistency between the provisions of the Sub-grant Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.”

The table in Section III.A of Schedule 2 to the Financing Agreement is amended as set forth in Annex 1 to this letter.

3. Schedule 4 to the Financing Agreement is amended by:
  - (i) deleting the term “Disbursement Linked Indicators” and replacing it with the term “Performance-Based Conditions”; and
  - (ii) deleting the acronyms “DLI” and “DLR” and replacing them with the acronym “PBC”.
4. The Appendix to the Financing Agreement is amended as set forth in Annex 2 to this letter.

*[remainder of the page intentionally left blank]*

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below and returning one fully signed original of this letter to us. Upon receipt by the Association of the countersigned copy of this Amendment Letter, the Amendment Letter shall become effective on the later of the date of its countersignature or the Effective Date of the financing agreement providing additional financing for the Project (Grant No. D871-MW)

Sincerely,  
**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By: *Hugh Riddell*  
Hugh Riddell  
Country Manager for Malawi  
Eastern and Southern Africa Region

AGREED:  
**REPUBLIC OF MALAWI**

By: *Honourable Felix Mlusu*  
Authorized Representative

Name: Honourable Felix Mlusu

Title: Dr

Date: 19-Jul-2021

**Annex 1**

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Eligible Expenditures for PBCs under Parts A and B of the Project except Parts A.1(d) and (e); B.1(c); B.2(e); and B.3(b) of the Project	57,200,000	100% of amounts spent in compliance with PBC amounts set out in Schedule 4 of this Agreement as reported under the Eligible Expenditures for PBCs Spending Reports for each Withdrawal
(2) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Parts B.3(b) and C of the Project	6,280,775	100%
(3) Refund of Preparation Advance	142,385	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(4) Sub-grants under Part B.2(e)(i)	1,176,840	100%
<b>TOTAL AMOUNT</b>	64,800,000	

**Definitions**

1. “Annual Work Plan” means the annual work program to be prepared by the Recipient in cooperation with the schools during each calendar year, including a program of activities and budget proposed for inclusion in the Project during the following fiscal year.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Committees” means the ESIP Steering Committee, EDMCs, Secondary Education Technical Working Group, EPIC, and SMCs, all referred to in Section I.A.2 of Schedule 2 to this Agreement.
5. “Community Day Secondary Schools” or “CDSSs” means community secondary as set forth in the Recipient’s Secondary School Education Policy of 1998.
6. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
7. “Directorate of Secondary Education” or “DSE” means a department within the MoE charged with the responsibility for secondary education, or any successor thereto.
8. “District” means an education district as set forth in the Recipient’s Education Policy.
9. “Education Division Management Committees” or “EDMCs” means the committees referred to in Section I.A.2(c) of Schedule 2 to this Agreement.
10. “Eligible Expenditure for PBCs” means a set of defined expenditures for goods, works, consulting and non-consulting services, Training and Operating Costs (including salaries of secondary school teachers, and bursaries and scholarships to eligible students) made by the Recipient under Parts A and B of the Project.
11. “Eligible Expenditure for PBCs Spending Reports” means the bi-annual reports prepared by the Recipient, including the verification report by Independent Verifiers, in accordance with the details provided in the Project Implementation Plan to make disbursement recommendations for each Withdrawal based on the spending status of the Eligible Expenditure for PBCs under Parts A and B of the Project and the compliance with the Disbursement-Linked Indicators.
12. “Environmental and Social Management Framework” or “ESMF” means the framework dated September 2018, satisfactory to the Association, and disclosed on the Association’s website on October 2, 2018, and by the Recipient on October 2, 2018, said framework setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities including impacts, and risks of gender-based violence and sexual exploitation and abuse and the measures to be taken to offset, reduce or mitigate such adverse impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; as well as for the preparation of environmental and social management plans, as such

framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

13. “Environmental and Social Management Plan” or “ESMP” means each plan, approved by the Association for Parts A and B of the Project, to be prepared by the respective schools and adopted by the Recipient, as required by the ESMF, setting out details of potential environmental and social risks, including risks of gender-based violence and sexual exploitation and abuse, and adverse impacts associated with any Project activities, together with an environmental and social management plan defining measures to manage such risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, and including any schedules to such assessment, and as such assessment may be amended by the Recipient from time to time, with the prior written approval of the Association.
14. “EQUALs Project Implementation Committee” or “EPIC” means the committee referred to in Section I.A.2(e) of this Agreement.
15. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
16. “Government” means the government of the Recipient.
17. “Independent Verifiers” means the independent verifiers referred to in Section I.C of Schedule 2 to this Agreement.
18. “Malawi Education Sector Investment Plan Steering Committee” or “ESIP Steering Committee” means a committee referred to in Section I.A.2(a) of Schedule 2 to this Agreement.
19. “Ministry of Education” or “MoE” means the Recipient’s ministry responsible for education, or any successor thereto.
20. “Malawi National Examination Board” means the Recipient’s Board established and operating pursuant to the Malawi National Examinations Board Act, CAP 30:04 of the laws of the Recipient.
21. “Malawi School Certificate of Education” means a certificate issued by the Malawi National Examination Board upon successful completion of secondary level education.
22. “Open, Distance and e-Learning” or “ODEL” means distance learning activities that allow for learning to continue outside the traditional school environment using print or online content (such as prescribed books or textbooks) instead of a teacher providing instructions inside a traditional classroom.
23. “Operating Costs” means costs included in the Annual Work Plan and budget, acceptable to the Association, which includes incremental costs of Project implementation such as vehicle operation and maintenance including for fuel, community, insurance, banking charges, rental, office supplies, consumables and maintenance, utilities, document production, travel costs and per diem for Project related travel and accommodation and subsistence allowances for authorized travel, but excluding salaries of the Recipient’s civil servants.
24. “Performance-Based Conditions” means each of the conditions as specified in Schedule 4 to this Agreement.



25. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on October 29, 2018, and on behalf of the Recipient on November 2, 2018.
26. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
27. "Project Implementation Manual" means the Recipient's manual, in form and substance satisfactory to the Association, and referred to in Section I.D.1 of Schedule 2 to this Agreement, as said plan may be amended from time to time with the agreement of the Association.
28. "Remedial Program" means a set of activities, including teacher training and targeted support to students, required to help students experiencing difficulties in their learning process to catch up with the learning materials.
29. "Safeguard Instruments" means collectively, the ESMF, and any ESMP, and "Safeguard Instrument" means any of such Safeguards Instruments.
30. "School Management Committees" or "SMCs" means the committees referred to in Section I.A.2(d) of Schedule 2 to this Agreement.
31. "Secondary Education Technical Working Group" or "SETWG" means the committee referred to in Section I.A.2(b) of Schedule 2 to this Agreement.
32. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
33. "Sub-grant" means a cash grant made to Sub-grant Beneficiaries under a Sub-grant Agreement for the purpose of carrying out Sub-projects as described in Section I.E of Schedule 2 to this Agreement, intended to cover, *inter alia*, the costs of tuition, school uniforms, shoes, socks, school bags, books and stationary. "Sub-grants" means the plural thereof.
34. "Sub-grant Agreement" means the agreement to be entered into between the Recipient and the Sub-grant Beneficiary, for the purpose of carrying out Sub-projects in accordance with Section I.E of Schedule 2 to this Agreement.
35. "Sub-grant Beneficiary" means a school that is eligible to receive a Sub-grant under Part B.2(e)(i) of Schedule 1 to this Agreement for the purpose of carrying out Sub-projects, as detailed in the PIM. "Sub-grant Beneficiaries" means the plural thereof.
36. "Sub-project" means a set of activities carried out by the Sub-grant Beneficiary to assist vulnerable children who dropped out of school during the COVID-19 school closures to return to school as described in the PIM.
37. "Training" means the reasonable cost of training of persons involved in Project-supported activities, based on the Annual Work Plan approved by the Association, such term including scholarships, seminars, workshops, and study tours, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the

services of trainers, rental of training facilities, preparation, acquisition and reproduction of training materials, and other costs directly related to training preparation and implementation.

38. “Unified Beneficiary Registry” means information systems that support processes of outreach, intake and registration, and assessment of needs and conditions to determine potential eligibility for social programs.
39. “Withdrawal” means each withdrawal under Category (1) of the table in Section IV of Schedule 2 to this Agreement.