

Public Disclosure Authorized

ADMINISTRATION AGREEMENT

ADDENDUM 1

The following provisions of EC-WB Administrative Agreement for TF070797- Malawi BESTAP 2008 concluded on the 2nd December 2008 are hereby replaced / completed as follows:

Article 3 - Completion date

It is expected that the Grant funds will be fully utilized in accordance with the provisions of this Administration Agreement by June 30, 2012. The International Development Association shall only disburse the Grant funds for the purposes of this Administration Agreement after such date upon the approval of the Commission.

Annex I (Description of the Operation) and Annex III (Budget for the Operation)

The revised versions of Annex I and Annex III are attached to this addendum.

All other terms and conditions of the Administrative Agreement remain unchanged. This addendum shall enter into force on the later date of signature by the Parties.

EUROPEAN COMMUNITY, REPRESENTED BY THE COMMISSION OF THE EUROPEAN COMMUNITIES

By: Alexander Baum

Head of Delegation

Date: December 22, 2010

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Sandra Bloemenkamp

Country Manager for Malawi

Date: January 12, 2011

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Description of the Operation

1. Strategic Context

The constraints to private sector development in the Republic of Malawi (“Recipient”) are well-known due in part to the large amount of analytical and diagnostic work that has been carried out in recent years. These constraints include the following: poor regulatory environment; weak contract enforcement and limited access to justice; low capacity in property rights institutions; weak policy analysis, formulation and implementation; and limited access to finance. The Investment Climate Assessment of 2006 based on a detailed survey of 300 enterprises, and the annual publication of Doing Business survey indicators, has helped to focus the reform efforts of the Recipient. In response, the Recipient’s Private Sector Development (PSD) program seeks to address most of these constraints through a combination of different projects and programs. BESTAP is only one such project and represents a “bite size” chunk of Malawi’s broader and longer-term PSD program.

2. Trust Fund Development Objectives

The objectives of the trust fund are to support the Recipient to improve the ease of doing business in Malawi.

3. Project Implementation Unit

The Project Implementation Unit (PIU) will coordinate the implementation of BESTAP. Without limitation on the foregoing, the PIU will be in charge of preparing the consolidated procurement plan, providing advice on implementation and coordinating the reporting on procurement implementation, and carrying out internal quality assurance systems for procurement in all the Project component implementing agencies.

4. Description of the Activities to be Financed by the Trust Fund

The trust fund: will co-finance Part A of the IDA financed BESTAP (IDA Grant No. H293 MAI) as set out in the Financing Agreement between the Recipient and the International Development Association dated July 17, 2007, as amended from time to time, and described below, and the IDA administrative fee pursuant to Article 5 of this Administration Agreement, up to a maximum amount of two million eight hundred thousand Euros (€2,800,000).

Part A of BESTAP consists of the activities below:

1. Streamlining the business regulatory framework

Strengthening the Recipient’s business regulatory environment by: (a) carrying out of a diagnostic review of economic laws to identify those requiring revision on a priority basis; (b) expanding the legal drafting section of the Ministry of Justice through the recruitment of two draftspersons to draft revisions to identified economic laws; (c) providing training to strengthen the legislative drafting capacity of the Ministry of Justice, including short-term attachments in other common law jurisdictions; and (d) carrying out of sensitization workshops on the Recipient’s economic laws legislative

reform program to key stakeholders, including parliamentary committees, civil society, and the private sector.

2. Improving access to commercial justice

Supporting the operations of the High Court's Commercial Division by: (a) establishing information systems for effective court case management and alternative dispute resolution (ADR) services; (b) strengthening its institutional capacity through the provision of training to judges, registrars, and ADR administrators, including short-term attachments in other common law jurisdictions; study tours; and on-the-job training by foreign judges, registrars, and ADR administrators, attached to the Recipient's High Court; and (c) carrying out private sector awareness programs on procedures for institution of legal actions in commercial cases.

3. Improving Business ,Land Registration, and Business Permit Issuance Services

Strengthening the capacity of land and business registries to provide effective securitization and/or registration services, as the case may be, through: (a) computerization of the business and land registries; (b) restructuring of the operational and procedural framework of the business and land registries; and (c) supporting the operation of the Department of Immigration through upgrading the information technology infrastructure to establish an efficient process of issuance of business residency permits and temporary employment permits; and (d) provision of staff training.

4. Project Management and Coordination

Provision of operational support to the key implementing agencies of BESTAP including, Ministry of Justice, High Court Commercial Division, Registrar General's Office and Ministry of Lands) to facilitate implementation of their respective activities, as described in Parts (a) through (c) above.

5. Visibility

All contracts or grant agreements entered into by the International Development Association in relation to activities financed under the trust fund, all publications, training programmes, seminars or symposia financed under the trust fund, and all press releases or other information materials issued by the World Bank with respect to the trust fund shall clearly indicate that the activities in question have received funding from the European Community.

The PIU will ensure that promotional events and materials of key Project events are undertaken, including the main training sessions.

Annex III

**Budget for the operation
Expenditures per sub-component**

<i>Activity/ Component</i>	<i>Dates</i>		<i>Execution by</i>		<i>TF Output</i>	<i>Euros</i>
	<i>Start Date</i>	<i>Implementation Completion Date</i>	<i>Recipient Govt.</i>	<i>Other Non-Govt.</i>		
Part A						
1. Streamlining the regulatory environment for business	As per AA.	12/31/2011	X		Legislative backlog of laws impacting cost of doing business reduced from 40 to 22 bills by mid term review and cleared by end of the Project.	347, 000
2. Improving access to commercial justice	As per AA.	12/31/2011	X		Time to settle commercial disputes reduced from 337 to less than 180 calendar days by end of the Project.	400, 000
3. Improving business, land registration and business permit issuance services	As per AA.	12/31/2011	X		Time to formally start a business reduced from 37 to 10 calendar days by end of the Project. Time to register property title reduced from 118 to less than 60 calendar days by end of the Project.	1, 827, 000
4. Beneficiary institutions operating costs	As per AA.	12/31/2011	X		Refers to operating costs for supporting all of the above ...	170,000
5. Administrative cost recovery arrangements (2%)	As per AA.	12/31/2011		X	n/a	56,000
Total						2,800,000

