Financing Agreement

(Business Environment Strengthening Technical Assistance Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 17, 2007
AGREEMENT dated July 17, 2007, entered into between REPUBLIC OF MALAWI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to ten million Special Drawing Rights (SDR10,000,000) (variously, "Grant" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are April 15 and October 15 in each year.

2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out or cause the Project to be carried out in accordance with the provisions of Article IV of the General Conditions, as follows: (a) the Ministry of Industry, Trade, and Private Sector Development shall be responsible for overall coordination, management, and supervision of Project implementation and for the implementation of Parts B.1 (in conjunction with the Ministry of Finance and the Malawi
Investment and Trade Center), B.3, C.2, and D of the Project; (b) Part A.1 of the Project shall be implemented through the Ministry of Justice, Part A.2 of the Project through the High Court’s Commercial Division, and Part A.3 of the Project through the Registrar General’s Office and the Ministry of Lands, respectively; (c) Part B.1 of the Project shall be implemented through the Malawi Investment and Trade Center (in conjunction with the Ministry of Finance and the Ministry of Industry, Trade, and Private Sector Development); Part B.2 of the Project through the Ministry of Finance and the Privatization Commission, and Part B.4 of the Project through the Malawi Confederation of Chambers of Commerce and Industry; and (d) Part C.1 of the Project shall be implemented through the Ministry of Finance, and Part C.3 of the Project through the Reserve Bank of Malawi.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof shall be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

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

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

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at 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/ Timothy Gilbo

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support capacity development and investment climate reforms in order to accelerate economic growth.

The Project consists of the following parts:

Part A: Strengthening Property Rights Institutions and Business Facilitation

1. **Streamlining the business regulatory framework**

   Strengthening the Recipient’s business regulatory environment by: (a) carrying out 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 and land registration 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) provision of staff training.
Part B: Strengthening Private Sector Development Support Agencies and Services

1. Establishment of a One-Stop-Shop Investment and Trade Center

   Supporting the Recipient in undertaking reforms aimed at facilitating and promoting private sector investment, including: (a) preparation of a medium-term strategy for attracting investments, national policy statement(s), and the associated legal framework; and (b) establishing an appropriate institutional framework, including, without limitation, the establishment and operationalisation of the MITC.

2. Establishment of an Institutional Framework for Public-Private Partnerships

   Supporting the Recipient in facilitating public-private partnerships, through: (a) the development of a legal and institutional framework; and (b) establishment of a public-private partnership unit in the Recipient’s Ministry of Finance and provision of technical advisory services to support it.

3. Strengthening MITPSD’s Department of Private Sector Development

   Strengthening the Recipient’s private sector development policy analysis and implementation capabilities, through: (a) provision of two private sector development specialists; (b) development of information systems; and (c) provision of MITPSD staff training, including study tours and short-term attachments.


   Supporting a sustainable framework to foster dialogue between the public and private sectors, through: (a) establishment of a public-private sector dialogue secretariat in MCCI; (b) carrying out of a review of MCCI’s governance structure and development of a long-term business sustainability plan; (c) development of information systems; and (d) provision of technical advisory services and training to MCCI staff.

Part C: Promoting Access to Finance and Productivity Enhancement

1. Establishment of a sustainable small and medium enterprise financing mechanism

   Provision of technical advisory services to assist the Recipient in establishing a financing mechanism for small and medium enterprises.
2. **Business Growth Scheme (BUGS)**

   (a) Strengthening the capacity of private business firms through provision of: (i) technical advisory services by the BUGS Unit; and (ii) Matching Grants to finance specialized business development or human immunodeficiency/acquired immunodeficiency (HIV/AIDS) on-site voluntary counseling and testing services.

   (b) Provision of operational support to the BUGS Unit by financing Operating Costs and goods.

3. **Merger of the Malawi Rural Finance Company and the Malawi Savings Bank**

   Provision of technical advisory services to assist the Recipient with the merger of the Malawi Rural Finance Company and the Malawi Savings Bank.

**Part D: Project Implementation and Capacity Building**

   Provision of operational support to the PIU to facilitate the coordination, implementation, and monitoring and evaluation of the Project by financing technical advisory services; goods; and Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Private Sector Development Steering Committee

   (a) Composition. The Recipient shall at all times during Project implementation maintain the PSC with a membership composition satisfactory to the Association. Without limitation to the foregoing, the PSC shall be chaired by the Principal Secretary of MITPSD, and shall include representatives from all the Key Project Implementing Entities, and the Ministry of Economic Planning and Development.

   (b) Role. The PSC shall be responsible for providing strategic guidance and oversight during Project implementation and shall meet at least bi-annually, in-country. Without limitation to the foregoing, the PSC shall: (i) approve consolidated annual work plans and budgets prepared by the PIU with inputs from the Key Project Implementing Entities prior to submission by the Recipient to the Association for its review and approval; (ii) review consolidated progress reports prepared by the PIU with inputs from the Key Project Implementing Entities prior to submission by the Recipient to the Association; (iii) review financial audit reports prepared by the Recipient’s Office of the Auditor General prior to submission by the Recipient to the Association; and (iv) resolve any major problems arising during Project implementation brought to its attention by the PRC.

2. Project Review Committee

   (a) Composition. Except as otherwise provided in this Agreement, the Recipient shall at all times during Project implementation maintain the PRC with a membership composition satisfactory to the Association. Without limitation to the foregoing, the PRC’s membership shall comprise the PIU manager, the BUGS Unit manager, and MITPSD’s private sector development director.

   (b) Role. The PRC shall be responsible for providing technical and operational guidance to the Key Project Implementing Entities, including the review of annual work plans and budgets and progress reports prior to submission to the PSC, and the resolving of any technical or implementation problems arising during Project implementation.
3. **Project Implementation Unit**

(a) **Composition.** The Recipient shall at all times during Project implementation maintain the PIU adequately staffed with persons having qualifications, experience, and terms of reference, that are satisfactory to the Association, including the following key staff: a Project manager, a procurement specialist, a financial management specialist, an accountant, and a monitoring and evaluation specialist.

(b) **Role.** The PIU shall be responsible for coordinating, managing, and supervising the day-to-day implementation of the Project by the Key Project Implementing Entities. Without limitation to the foregoing, the PIU shall carry out tasks that shall include: (i) preparation of consolidated annual work plans and budgets incorporating inputs from the Key Project Implementing Entities; (ii) financial management, including preparation of Interim Unaudited Financial Reports; (iii) preparation of consolidated Project Reports incorporating inputs from all the Key Project Implementing Entities; and (iv) procurement.

4. **BUGS Unit**

(a) **Composition.**

The Recipient shall:

(i) recruit a second business adviser under terms of reference, and with qualifications and experience, that are satisfactory to the Association, within three (3) months of the fulfillment by the Recipient of the Disbursement Condition set forth in paragraph B.1 (b) of Section IV of Schedule 2 to this Agreement; and

(ii) except as otherwise provided in this Agreement, maintain the BUGS Unit at all times during Project implementation, adequately staffed with persons having qualifications, experience, and terms of reference, that are satisfactory to the Association, including the following key staff: a manager and two business advisers.

(b) **Role.** The BUGS Unit shall be responsible for the implementation of Part C.2 of the Project, and shall work closely with the PIU, and provide promptly all such information as shall be required with respect to the said part of the Project.

5. **Key Project Implementing Entities**

The Recipient shall ensure that competent staff are assigned to work on all the parts of the Project. Without limitation to the foregoing, the Recipient shall assign specific persons from each Key Project Implementing Entity to manage their respective part(s) of the Project and to act as the focal point. The focal points shall be responsible for managing all technical and operational aspects relating to their respective part(s) of the Project, including without limitation, the preparation of terms of reference for consultancies, annual work plans and budgets, monitoring and evaluation, and progress
reporting. The focal points shall submit to the PIU all such information as the PIU shall require in a timely manner to facilitate, without limitation, the preparation of consolidated progress reports, including the Interim Unaudited Financial Reports and Project Reports; annual work plans and budgets; and Procurement Plan updates.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Implementation Manual

The Recipient shall carry out or cause the Project to be carried out in accordance with the PIM, and except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM.

D. Annual Work Plans and Budgets

The Recipient shall prepare and furnish to the Association for its approval, not later than November 30 of each year of Project implementation or such later date as the Association may agree, a consolidated annual work plan and budget containing all proposed activities to be carried out in the following Project year as provided by all the Key Project Implementing Entities, and implement or cause to be implemented all proposed activities, accordingly.

E. Matching Grants under Part C.2 of the Project

1. Any private business firm operating within the Recipient’s territory that meets the eligibility criteria set out in the PIM shall be eligible to receive Matching Grant(s) under Part C.2 of the Project, such criteria to include, without limitation that the business firm must:

   (a) require assistance with either business development and/or provision of HIV/AIDS on-site voluntary counseling and testing services;

   (b) in cases where business development services are required: (i) consent to the undertaking of a detailed diagnostic of its operations to identify weaknesses and gaps that need addressing, and to establish if specialized business development services other than those that can be provided by the BUGS Unit are required; and (ii) consent to working with the BUGS Unit to develop and implement an action plan based on the outcomes of the diagnostic review of its operations;

   (c) agree to pay in advance the total costs of any specialized business services that the BUGS Unit agrees fall outside its expertise as set out in
the agreed action plan, or for the HIV/AIDS on-site voluntary counseling and testing services;

(d) agree to use commercial practices that are acceptable to the Association, as set out in the PIM, for the procurement of the business development and/or HIV/AIDS on-site voluntary counseling and testing services and provide all such evidence of such usage as shall be required by the Association; and

(e) agree to provide all such documentation as shall be required by the BUGS Unit to facilitate the payment of Matching Grants.

3. Decisions on the awards of Matching Grant(s) in the individual or cumulative amount of the equivalent of twenty-five thousand Dollars ($25,000) or less shall be made by the BUGS Unit manager. Any awards above the individual or cumulative amount of the equivalent of twenty-five thousand Dollars ($25,000) shall be made by an approvals committee comprising two public sector representatives and one private sector representative to be appointed by the PSC. The Matching Grant(s) shall be awarded based on eligibility criteria set out in this Agreement and the PIM. No one business firm or group of business firms with “common control” can receive Matching Grant(s) in an individual or cumulative amount that is more than the equivalent of fifty thousand Dollars ($50,000). No more than the cumulative amount of two hundred thousand Dollars ($200,000) equivalent shall be utilized by the Recipient for HIV/AIDS on-site voluntary counseling and testing services out of the total amount allocated from time to time to Matching Grants under Category 4 of the table in paragraph A.2 of Section IV of Schedule 2 to this Agreement.

For purposes of this Agreement, “common control” shall be deemed to occur when: (a) a business firm is owned or controlled by the same individual owner or group of individual owners (or a combination thereof), whether directly or otherwise; or (b) a business firm owns a majority of issued and outstanding shares of another business firm and/or controls the said business firm through the ability to appoint the majority of its board of directors (or an equivalent body), thereby directing its policies and affairs.

4. A letter of agreement that is satisfactory to the Association in form and substance shall be entered into with each business firm both in the case where technical advisory services are provided directly by the BUGS Unit and where a Matching Grant is provided. The letter of agreement shall include provisions relating to, without limitation: the type of services to be provided; the particulars of the service provider, where applicable; an undertaking by the business firm to implement any action plans agreed with the BUGS Unit, and to cooperate as necessary throughout Project implementation with the said Unit; the requirement for the provision of evidence of payment by the business firm in cases eligible for Matching Grant reimbursement and of the use of commercial practices acceptable to the Association in undertaking the related procurement; and compliance with the Anti-Corruption Guidelines.
5. The Recipient shall carry out a survey prior to the date of the Project’s mid-term review (set out in Section II A (c) of Schedule 2 to this Agreement), of both the business firms supported under Part C.2 of the Project and a control group of non-participating business firms; and another survey prior to the Project’s Closing Date, both surveys to be used as a basis of evaluating the effectiveness of the said Part C.2 of the Project.

F. Other Covenants

The Recipient shall: (a) publish the bill relating to the establishment of MITC, under Part B.1 of the Project, by December 31, 2007; (b) publish the bill relating to the legal and institutional framework for public-private partnerships, under Part B.2 of the Project, by March 31, 2008; and (c) establish the public-private sector dialogue secretariat referred to in Part B.4 of the Project by October 31, 2007.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of a calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) at least eighteen (18) bills relating to economic laws are submitted to the Recipient’s Parliament by the date of the Project’s mid-term review (set out in Section II A (c) of Schedule 2 to this Agreement), and at least an additional twenty-two (22) bills are submitted by the Closing Date;

(ii) average time of settlement of commercial disputes reduced from three hundred thirty seven (337) calendar days to less than one hundred eighty (180) calendar days by the Closing Date;

(iii) average time taken to establish a business reduced from thirty-seven (37) calendar days to ten (10) calendar days by the Closing Date;

(iv) average time taken for the registration of real property reduced from one hundred eighteen calendar (118) days to sixty (60) calendar days by the Closing Date; and
(v) average time taken to obtain business-related licenses and permits reduced from one hundred eighty-five (185) calendar days to thirty (30) calendar days by the Closing Date.

(c) Without limitation to the generality of sub-paragraph (a) above, the Recipient shall carry out jointly with the Association, a comprehensive mid-term review to assess the status of Project implementation on or about November 30, 2009. The Recipient shall, not later than one (1) month before such review, prepare and furnish to the Association a report, in scope and detail satisfactory to the Association, needed to undertake the review.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, Interim Unaudited Financial Reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Quality Based Selection</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Individual Consultants</td>
</tr>
<tr>
<td>(f) Commercial Practices</td>
</tr>
<tr>
<td>(g) Selection Based on Consultants’ Qualification</td>
</tr>
</tbody>
</table>
D. **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 $250,000 or more;
(b) each contract for goods procured on the basis of Direct Contracting;
(c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more;
(d) each contract for an individual consultant estimated to cost the equivalent of $50,000 or more;
(e) the first contract procured by a firm on the basis of Selection Based on Consultants’ Qualifications, Least Cost Selection, Quality Based Selection, and Fixed Budget Selection; and
(f) each contract for an individual consultant or a firm procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.

**Section IV. ** **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (Excluding Part C.2 of the Project)</td>
<td>580,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works</td>
<td>33,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ Services (including financial audits), Training and Workshops</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) (a) Matching Grants under Part C.2 of the Project</td>
<td>1,060,000</td>
<td>50%</td>
</tr>
<tr>
<td>(4) (b) Operating Costs and goods under Part C.2 of the Project</td>
<td>640,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs under Part D of the Project</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>1,337,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   
   (a) for payments prior to the date of this Agreement; or
   
   (b) under Category (4) for Part C.2 of the Project until the Recipient has recruited under terms of reference, and with qualifications and experience that are satisfactory to the Association, a manager and one (1) business adviser for the BUGS Unit, in accordance with the
procurement procedures set forth in Section III of Schedule 2 to this Agreement ("Disbursement Condition").

2. The Closing Date is December 31, 2012.
APPENDIX

Definitions


2. “BUGS Unit” means the Unit established by the Recipient with the composition and role described in paragraph A.4 of Section I to Schedule 2 to this Agreement.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “Co-financier” means the European Commission, referred to in paragraph 10 of the Appendix to the General Conditions.

5. “Co-financing” means a grant in an amount of two million, seven hundred eighty thousand Euros (€2,780,000), to be provided by the Co-financier to the Association, as administrator of the said grant, to assist in financing the Project.

6. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association, as administrator of the Co-financing on behalf the Co-financier, providing for the Co-financing.


8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

9. “Interim Unaudited Financial Report” means a report describing progress in Project implementation which: (a) sets forth the sources and uses of funds for the Project, both cumulatively and for the period covered by the said report, and explains variances between the actual and planned uses of such funds; (b) describes physical progress in Project implementation, both cumulatively and for the period covered by the said report, and explains variances between the actual and planned Project implementation; and (c) sets forth the status of procurement under the Project, as at the end of the period covered by the said report.

10. “Key Project Implementing Entities” mean MITPSD; Ministry of Justice; High Court’s Commercial Division; Registrar General’s Office; Ministry of Lands,
Housing, and Surveys; MITC; Ministry of Finance; Reserve Bank of Malawi; and MCCI, and includes any successor to each individual Key Project Implementing Entity.

11. “Malawi Confederation of Chambers of Commerce and Industry” or “MCCCI” means a body corporate, duly established under the Trustees Incorporation Act, Chapter 5:03 of the laws of the Recipient, to, inter alia, promote the development of trade, commerce, and industry, in a competitive and minimally regulated business environment, and includes any successor thereto.

12. “Malawi Investment and Trade Center” or “MITC” means the Center to be established by the Recipient to promote private investment within its territory and increased trading opportunities, and includes any successor thereto.

13. “Malawi Rural Finance Company” means the company established by the Recipient under the Companies Act, Chapter 46:03 of the laws of the Recipient, to provide credit services to persons living in the rural areas of its territory, and includes any successor thereto.

14. “Malawi Savings Bank” means the bank established by the Recipient under the Companies Act, Chapter 46:03 of the laws of the Recipient, to provide retail banking services, and includes any successor thereto.

15. “Matching Grant” means a grant to be financed under Part C.2 of the Project, on a reimbursable basis, for a specialized business development service and/or a HIV/AIDS on-site voluntary counseling and testing service, in an amount equivalent to fifty per cent (50%) of the aggregate service cost, under terms and conditions set out in this Agreement and the PIM, and Matching Grants shall mean such Matching Grants, collectively.

16. “Ministry of Industry, Trade, and Private Sector Development” or “MITPSD” means the Recipient’s Ministry responsible for industry, trade and private sector development, and includes any successor thereto.

17. “Office of the Auditor General” means the Recipient’s constitutionally mandated auditor with responsibility for undertaking financial audits under the Project.

18. “Operating Costs” means the incremental operating costs arising under the Project on account of Project coordination, implementation, and monitoring activities undertaken by the PIU and BUGS Unit including office supplies, utilities, office rentals, and vehicle operation and maintenance costs, but excluding salaries of the Recipient’s civil servants, as set forth in the annual work plans and budgets submitted by the Recipient to the Association for its approval from time to time.

20. “Private Sector Development Steering Committee” or “PSC” means the Committee established by the Recipient with the composition and role described in paragraph A.1 of Section I of Schedule 2 to this Agreement.


22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 13, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Program” means the program designed to support investment climate reforms and related capacity building in order to accelerate economic growth, set forth or referred to in the letter dated April 12, 2007, from the Recipient to the Association.

24. “Project Implementation Manual” or “PIM” means the Manual specifying, inter alia, the procedures for procurement, disbursement, financial management, accounting, reporting, monitoring and evaluation, and other implementation arrangements agreed upon by the Recipient and the Association, as the same may be amended from time to time with the approval of the Association and such term includes any annexes to the said Manual.

25. “Project Implementation Unit” or “PIU” means the Unit established by the Recipient with the composition and role described in paragraph A.3 of Section I of Schedule 2 to this Agreement.

26. “Project Review Committee” or “PRC” means the Committee established by the Recipient with the composition and role described in paragraph A.2 of Section I of Schedule 2 to this Agreement.

27. “Training and Workshops” means the costs associated with the training and workshop activities to be carried out under the Project (excluding consultant services), as set out more specifically in the annual work plans and budgets to be prepared by the Recipient and submitted to the Association for its approval from time to time, including study tours/short-term attachments and associated travel and per diem costs, and workshop materials and facilities.