Global Partnership for Education Fund
Grant Agreement

(Malawi Education Sector Improvement Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Global Partnership for Education Fund)

Dated September 22, 2016

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. 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.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through the Ministry of Education, Science and Technology (“MoEST”) in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to forty-four million nine hundred thousand United States Dollars ($44,900,000) (“Grant”) to assist in financing the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following, namely, that:

(a) As a result of events which have occurred after the date of this Agreement, a situation has arisen which makes it improbable that the Program, or a significant part of it, can be carried out; and

(b) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied, namely, that the Recipient has prepared and adopted the Project Implementation Manual in accordance with the provisions of Section 1.B.1 of Schedule 2 to this Agreement.

5.02. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which
would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**

**Recipient's Representative; Addresses**

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance, Economic Planning and Development  
P.O. Box 30049  
Capital City  
Lilongwe 3  
Malawi  
Cable: FINANCE  
Facsimile: 265-1-789173  
Lilongwe

6.03. The World Bank's Address referred to in Section 7.01 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
AGREED at Lilongwe, MALAWI, as of the day and year first above written.

REPUBLIC OF MALAWI

By

Authorized Representative

Name: Hon. Goodall Gondwe
Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of the Global Partnership for Education Fund)

By

Authorized Representative

Name: Laura Kullenberg
Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to improve the equity and quality of primary education service delivery in early grade levels with an emphasis on improved accountability and functioning at the school level.

The Project consists of the following parts:

Part 1. Performance-Based School Improvement Grants for Improving Promotion and Retention

(a) Implementing a pilot program designed to strengthen the capacity of Participating Schools for enhancing learning outcomes, improving promotion rates and reducing dropouts in select classes, through: (i) provision of School Improvement Grants to said Participating Schools for implementation of their respective School Improvement Plans; and (ii) provision of Performance-Based Grants to Participating Schools with enhanced learning outcomes under Part 1(a)(i) immediately above.

(b) Supporting implementation of said pilot program through provision of technical advisory services, training and acquisition of goods for the purpose.

Part 2. Improving Equity for the Most Disadvantaged, Including Girls

(a) Construction of approximately: (i) 500 classrooms; (ii) 300 latrine/sanitation blocks; and (iii) washing water points, all in Eight Most Disadvantaged Districts.

(b) Strengthening the monitoring and supervision capacities of communities in said Eight Most Disadvantaged Districts, through provision of technical advisory services and training.

Part 3. Improving Learning Outcomes, Accountability, and Cost-Effectiveness at School Level

(a) Development and implementation of a comprehensive school leadership and teacher training program focusing on, among others, effective management of school resources by head teachers/principals in Participating Schools.

(b) Design and rolling out of an automated school level data collection platform.

(c) Design and implementation of an information, communications and technology application designed to collect and transmit feedback on the effectiveness of Project activities.
Part 4. Variable Part/Disbursement Linked Indicators

Implementing the following Disbursement Linked Indicators program of activities:

(a) Carrying out of a program of actions designed to reduce pupil to qualified teacher ratio ("PQTR") in grades 1 and 2 in Eight Most Disadvantaged Districts (learning outcomes dimension) ("Disbursement Linked Indicator 1"), in particular:

(i) (A) Development of a comprehensive strategy for improving teacher distribution consisting of: (aa) a policy framework informing legitimate transfer of teachers; (bb) review and updating of school establishment positions based on current enrolments by DHRMD and MoEST; (cc) synchronizing teacher payrolls and teacher deployments at the district level; (dd) a policy framework for increasing transparency and accountability in deployments, transfers, and management of teachers; and (ee) a policy framework for rationalizing hard-ship allowances, promotions and provision of housing to teachers; and (B) endorsement of said comprehensive strategy by the technical and sector working groups.

(ii) Endorsement of said comprehensive strategy by all appropriate stakeholders including, district councils, district managers, teacher union representatives and the local education group, in particular: (A) carrying out of consultations on said comprehensive strategy with a view to developing appropriate action plans; (B) endorsement and signing of a teacher management compact incorporating said comprehensive strategy and said action plans; and (C) development of operations manuals and dissemination of appropriate circulars for timely implementation of said comprehensive strategy and said action plans.

(iii) Operationalization of said comprehensive strategy and said action plans, in particular: (A) development of an appropriate monitoring and evaluation ("M&E") framework; (B) undertaking continuous assessments and monitoring of the quantitative targets and distribution of teachers in schools; and (C) undertaking an independent assessment designed to evaluate performance against agreed Disbursement Linked Indicator ("DLI") 1 targets.

(b) Carrying out of a program of actions designed to increase female to male teacher ratio in grades 6 to 8 in Eight Most Disadvantaged Districts (equity dimension) ("DLI 2"), in particular:

(i) (A) Undertaking a comprehensive review of the national girls education strategy with a view to incorporating, among others: (aa) a policy framework on deployment of new female teachers to remote and rural schools with low female to male teacher ratios; (bb) a policy framework
on institutionalization of mandatory school-level establishment positions with DHRMD for female teachers in all schools; (cc) an updated policy framework on teacher deployment designed to encourage female teachers to relocate to and stay in inaccessible/remote areas; and (dd) a policy framework prioritizing provision of sanitary facilities in schools; and (B) endorsement of said reviewed national girls education strategy by the technical and sector working groups.

(ii) Endorsement of said reviewed national girls education strategy by all appropriate stakeholders including, district councils, district managers, teacher union representatives and the local education group, in particular: (A) carrying out of consultations on said reviewed national girls education strategy with a view to developing appropriate action plans; (B) endorsement and signing of said reviewed national girl’s education strategy and said action plans; and (C) dissemination of appropriate policy circulars for timely implementation of said reviewed national girls education strategy and said action plans.

(iii) Operationalization of said reviewed national girls education strategy and said action plans, in particular: (A) development of an appropriate M&E framework on implementation of said reviewed national girls education strategy and said action plans; (B) undertaking continuous assessments and monitoring of the quantitative targets and distribution of female teachers in schools; and (C) undertaking an independent assessment designed to evaluate performance against agreed DLI 2 targets.

(c) Carrying out of a program of actions designed to reduce repetition rates in grades 1 to 4 in Eight Most Disadvantaged Districts (efficiency dimension) (“DLI 3”), in particular:

(i) Undertaking a comprehensive review of the Circular on Reduction of Class Sizes, Repetition, and Improvement of Promotion Rates in Public Primary Schools and preparation of an appropriate national implementation strategy and action plan on reduction of student repetition.

(ii) Endorsement of said national implementation strategy and action plan by all appropriate stakeholders including district councils, district managers, teacher union representatives and the local education group, in particular: (A) carrying out of consultations on said national implementation strategy and action plan; (B) endorsement and signing of said national implementation strategy and action plan by all stakeholders; and (C) dissemination of the revised Circular on Reduction of Class Sizes, Repetition, and Improvement of Promotion Rates in Public Primary Schools and the national implementation strategy and action plan to districts and schools.
(iii) Operationalization of said national implementation strategy and action plan, in particular: (A) development of an appropriate M&E framework; (B) implementation of said national implementation strategy and action plan in Eight Most Disadvantaged Districts; and (C) undertaking continuous assessments and monitoring of the quantitative targets on repetition rates so as to evaluate performance against agreed DLI 3 targets.

Part 5. Project Management, and Sector Program Support and Coordination

(a) Strengthening the capacities of MoEST and the Project Facilitation Team for day to day implementation, coordination and management of Project activities (including procurement, financial management, environmental and social Safeguards, monitoring and evaluation, supervision, reporting and communication aspects) and verification of results, all through the provision of technical advisory services, training, operating costs and acquisition of goods for the purpose.

(b) Supporting: (i) development of a communications strategy and plan; and (ii) related policy development (including achievement of policy triggers under Part 4 immediately above), all through the provision of technical advisory services.

(c) Supporting monitoring and evaluation of Project activities and results including progress reports, baselines, mid and end-term evaluation and related studies, impact evaluation and documentation of good practices.

(d) Strengthening the capacities of Participating Schools in the Eight Most Disadvantaged Districts for day to day implementation, coordination and management of Project activities and verification of results, all through the provision of technical advisory services, training, operating costs and acquisition of goods for the purpose.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. ESIP-II Steering Committee

   The Recipient shall ensure that the ESIP-II Steering Committee is maintained at all times during the implementation of the Project, with a composition, mandate, terms of reference and resources satisfactory to the World Bank. The ESIP-II Steering Committee shall be responsible for: (i) providing strategic and policy guidance on matters relating to the Project; (ii) facilitating coordination of Project activities and ensuring synergies with other projects and programs in the sector, and making recommendations for removal of any obstacles to the implementation of the Project; and (iii) reviewing progress made towards achieving the Project's objective.

2. Ministry of Education, Science and Technology ("MoEST")

   (a) The Recipient shall designate, at all times during the implementation of the Project, the MoEST to be responsible for prompt and efficient oversight of implementation of activities under the Project, and shall take all actions, including, the provision of funding, personnel and other resources necessary to enable the MoEST to perform said functions.

   (b) To this end, the MoEST shall establish and thereafter maintain, at all times during Project implementation, a fully operational Project Facilitation Team ("PFT") to be responsible for day to day oversight and coordination of the implementation of activities under the Project, in accordance with the provisions of the Project Implementation Manual. The PFT shall comprise: (i) designated MoEST staff led by a Project coordinator; and (ii) a procurement specialist, a financial management specialist, a monitoring and evaluation specialist, a Project facilitator and such other personnel as may be agreed with the World Bank, all appointed in accordance with the provisions of Section III of this Schedule 2.

3. Eight Most Disadvantaged Districts

   Without limitation upon the provisions of paragraphs 1 and 2 of this Section I.A, the Recipient, through MoEST, shall designate at all times during the implementation of the Project, the respective Eight Most Disadvantaged Districts to be responsible for selection and/or implementation of activities under Parts 2 and 4 of the Project, in accordance with the provisions of the Project
Implementation Manual. The Recipient, through MoEST, shall take all actions including the provision of funding, personnel and other resources to enable said Eight Most Disadvantaged Districts to perform said functions.

B. **Implementation Arrangements**

1. **Project Implementation Manual**

(a) The Recipient shall prepare, in accordance with terms of reference acceptable to the World Bank and furnish to the World Bank for review:

(i) an implementation manual, which shall include provisions on the following matters: (A) capacity building activities for sustained achievement of the Project’s objectives; (B) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (C) procurement management procedures; (D) institutional administration, coordination and day to day execution of Project activities; (E) monitoring and evaluation; (F) reporting; (G) information, education and communication of Project activities and results; (H) the eligibility criteria, guidelines and detailed procedures for provision of School Improvement Grants and Performance-Based Grants under Part 1(a) of the Project; (I) the eligibility criteria and detailed procedures for the selection and approval of activities under Part 2(a) of the Project as well as guidelines for assessing potential environmental and social impacts of said Project activities and designing appropriate mitigation, management, and monitoring measures in respect of said impacts; and (J) such other technical and organizational arrangements and procedures as shall be required for the Project;

(ii) a DLI annex, which shall include provisions on the following matters: (A) the DLIs under Part 4 of the Project and the maximum amounts allocated to each DLI; (B) the arrangements, policies and procedures for carrying out the verification; (C) a description of the methodology for determining whether the DLIs have been met (wholly or partially) or not met; and (D) the Eligible Expenditures Program (collectively, “Project implementation manual”).

(b) The Recipient shall afford the World Bank a reasonable opportunity to exchange views with the Recipient on said Project implementation manual, and thereafter, shall adopt such Project implementation manual, as shall have been approved by the World Bank (“Project Implementation Manual”).
The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Project Implementation Manual; provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Except as the World Bank shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual.

2. Annual Work Plan and Budget

(a) The Recipient shall prepare and furnish to the World Bank not later than May 31 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities (including Eligible Expenditures Program under Part 4 of the Project), proposed to be included in the Project during the following Fiscal Year (and Safeguards Instruments applicable to said activities in accordance with the provisions of Section I.E of this Schedule 2 and the measures proposed to be carried out under said Safeguards Instruments), and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

(b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the training; and (vi) the cost of the Training.

(c) The Recipient shall afford the World Bank a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter shall ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the World Bank (“Annual Work Plan and Budget”).

(d) The Recipient shall not make or allow to be made any material change to the approved Annual Work Plan and Budget without prior approval in writing by the World Bank.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. **Donor Visibility and Visit**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

E. **Safeguards Arrangements**

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Frameworks and Safeguards Instruments. To this end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the World Bank:

   (a) if any Project activity would, pursuant to the Environmental and Social Management Framework (“ESMF”): (i) require the carrying out of an Environmental and Social Impact Assessment (“ESIA”), the Recipient shall ensure that an ESIA for such activity is: (A) carried out, in accordance with the requirements of the ESMF and furnished to the World Bank for review and approval; and (B) disclosed as required by the ESMF and approved by the World Bank; and (ii) require the preparation of an Environmental and Social Management Plan (“ESMP”), such ESMP is prepared in accordance with the ESMF and furnished to the World Bank for review and approval, and is disclosed as required by the ESMF and approved by the World Bank; and

   (b) if a Resettlement Action Plan (“RAP”) would be required for any Project activity on the basis of the Resettlement Policy Framework (“RPF”): (i) said RAP shall be prepared in accordance with the requirements of the RPF, furnished to the World Bank for review and approval, and disclosed as required by the RPF and approved by the World Bank; and (ii) no works under said activity shall be commenced until all measures required to be undertaken under said RAP prior to the initiation of said works have been undertaken.

2. Without limitation upon its other reporting obligations under this agreement and under Section 2.06 of the Standard Conditions, the Recipient shall include in the Project Reports referred to in Section II.B of this Schedule, adequate information on the implementation of the Safeguards Frameworks and the Safeguards Instruments, giving details of: (a) measures taken in furtherance of such Safeguards Frameworks and such Safeguards Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such
Safeguards Frameworks and such Safeguards Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguards Frameworks and such Safeguards Instruments.

F. School Improvement Grants and Performance-Based Grants under Part 1(a) of the Project

In order to ensure the proper implementation of Part 1(a) of the Project, the Recipient shall make School Improvement Grants and Performance-Based Grants to Participating Schools in accordance with eligibility criteria, guidelines and detailed procedures acceptable to the World Bank, as further elaborated in the Project Implementation Manual.

G. Verification of DLIs under Part 4 of the Project

The Recipient, through MoEST shall, commencing in Fiscal Year 2017/2018 and prior to disbursing any payment against the achievement of Disbursement Linked Indicators ("DLIs"), carry out or cause to be carried out, in accordance with terms of reference acceptable to the World Bank and elaborated in the Project Implementation Manual, internal and/or independent verifications, as the case may be, of the delivery of said DLIs for which payment is requested.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

1. all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (a) this Agreement, all addenda thereof, and any amendments thereto; (b) the Recipient’s financial and narrative progress reports submitted to the World Bank; (c) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (d) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (e) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

2. the representatives of the World Bank are: (a) able to examine all records referred to above in paragraph 1; (b) provided all such information concerning such records as they may from time to time reasonably request; and (c) able to disclose such records and information to the Donor(s).
B. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

3. The Recipient shall, not later than one (1) month prior to the mid-term review referred to in paragraph 4 of this Section II.B, furnish to the World Bank for comments, a report, in such detail as the World Bank shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

4. The Recipient shall, not later than twenty-four (24) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, a comprehensive mid-term review of the Project during which it shall exchange views with the World Bank and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said implementing agencies, having regard to the performance indicators referred to in paragraph 1 of this Section II.B.

5. Following the mid-term review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project 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.
3. The Recipient shall, upon the World Bank's request, have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Recipient or such other period acceptable to the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

D. Financial Management Covenants

1. To facilitate the proper maintenance of its financial management system referred to in Part C.1 of this Section II, the Recipient, through MoEST shall, not later than three (3) months after the Effective Date, appoint a financial management specialist in accordance with the provisions of Section III of this Schedule 2.

2. To facilitate the proper maintenance of its financial management system referred to in Part C.1 of this Section II, the Recipient, through MoEST shall, not later than three (3) months after the Effective Date, acquire and install appropriate accounting software in accordance with the provisions of Section III of this Schedule 2.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the Procurement Guidelines, in the case of goods, works and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions in paragraph 3 below; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (e) Direct Contracting; (f) Force Account; and (g) Community Participation procedures which have been found acceptable to the World Bank.

3. **National Competitive Bidding ("NCB").** The procedures to be followed for NCB shall be those set forth in the Recipient's Public Procurement Act, as revised from time to time in a manner deemed acceptable to the World Bank, subject, however, to the modifications described in the following paragraphs required for compliance with the Procurement Guidelines:

   (a) No bidder or potential bidder shall be declared ineligible to bid for reasons other than those provided in Section 1 of the Procurement Guidelines;

   (b) Standard bidding documents acceptable to the World Bank shall be used for any procurement process under NCB; each bidding document and contract financed from the proceeds of the Grant shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The World Bank may sanction a firm or individual, at any time, in accordance with prevailing World Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a World Bank-financed contract;

   (c) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Grant shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the World Bank, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed...
by the World Bank; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines;

(d) Unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, shall not be used in the evaluation of bids; and

(e) Contracts shall not be split into small lots, and the award of contracts shall not be restricted to small enterprises for purposes of promotion of the participation of such small enterprises.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

E. Document Retention

Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section IV.B.2 of this Schedule; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor(s).
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant 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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 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 Grant (“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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) School Improvement Grants and Performance-Based Grants under Part 1(a) of the Project</td>
<td>8,971,200</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants' services, Training and Operating Costs under Parts 1(b), 2, 3 and 5 of the Project</td>
<td>22,458,800</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Eligible Expenditure Program under Part 4 of the Project</td>
<td>13,470,000</td>
<td>100% of each DLI amount set out in the table in Schedule 3</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>44,900,000</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 made prior to the date of this Agreement; or
(b) under Category (3), in any Fiscal Year commencing in Fiscal Year 2017/2018, unless and until the Recipient has furnished to the World Bank: (i) evidence, in form and substance satisfactory to the World Bank, that the respective DLI(s) specified in the table in Schedule 3 has or have been met and verified in accordance with the provisions of Section I.G of Schedule 2 to this Agreement; (ii) evidence of actual expenditures under the Eligible Expenditures Program to which the DLI(s) is or are attributed to and evidence that said expenditures have been incurred; and (iii) a withdrawal application for said DLI(s), in form and substance satisfactory to the World Bank.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2020.
## SCHEDULE 3

**DLIs under Part 4 of the Project**

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator (“DLI”)</th>
<th>Action to be Completed Disbursement Linked Result (“DLR”)</th>
<th>Amount of the Grant Allocated Per DLI (expressed in USD)</th>
<th>Amount Allocated per DLR for the Disbursement Calculation (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 1:</strong> Reduction in PQTR in Grades 1 and 2 in Eight Most Disadvantaged Districts.</td>
<td><strong>DLR 1.1:</strong> Endorsement of a comprehensive strategy and action plan for improving the distribution of teachers. <strong>DLR 1.2:</strong> 20% reduction in PQTR in Grades 1 and 2 in Eight Most Disadvantaged Districts.</td>
<td>4,490,000</td>
<td>DLR 1.1: 2,000,000 (of which, US$1,245,000 upon achievement of at least 10% reduction in PQTR and additional US$1,245,000 upon achievement of total 20% reduction in PQTR)</td>
</tr>
<tr>
<td><strong>DLI 2:</strong> Increase in Female to Male Teacher Ratio in Grades 6-8 in Eight Most Disadvantaged Districts.</td>
<td><strong>DLR 2.1:</strong> Endorsement of a comprehensive strategy and action plan for improving female to male teacher ratio. <strong>DLR 2.2:</strong> 10% increase in female to male teacher ratio in Grades 6-8 in Eight Most Disadvantaged Districts.</td>
<td>4,490,000</td>
<td>DLR 2.1: 2,000,000 (of which, US$1,245,000 upon achievement of at least 5% increase in female to male teacher ratio and additional US$1,245,000 upon achievement of total 10% increase in female to male teacher ratio)</td>
</tr>
<tr>
<td><strong>DLI 3:</strong> Reduction in Repetition Rate in Grades 1-4 in Eight Most Disadvantaged Districts.</td>
<td><strong>DLR 3.1:</strong> Endorsement of national implementation strategy and action plan for promoting efficiency measures at the school level to reduce repetitions in lower primary school. <strong>DLR 3.2:</strong> 10% reduction in repetition rate in Grades 1-4 in Eight Most Disadvantaged Districts.</td>
<td>4,490,000</td>
<td>DLR 3.1: 2,000,000 (US$1,245,000 upon achievement of at least 5% reduction in repetition rate and additional US$1,245,000 upon achievement of total 10% reduction in repetition rate)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>13,470,000</td>
<td>13,470,000</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; and (d) adverse impacts on the livelihoods of the affected persons.

2. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.


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

5. “Circular on Reduction of Class Sizes, Repetition, and Improvement of Promotion Rates in Public Primary Schools” means the document of the Recipient issued by the Secretary for Education, Science and Technology, dated July 4, 2011 with Reference Number BED/1/06.


7. “DHRMD” means the Recipient’s Department of Human Resource Management and Development established and operating pursuant to the Public Service Act (Cap. 1:03) or its successor thereto.

8. “Disbursement Linked Indicator” or “DLI” means, any disbursement-linked indicator set forth in Schedule 3 to this Agreement for which disbursements are expected to be made to the extent such indicator is achieved; and “DLIs” means, collectively, two or more such indicators.

9. “Disbursement Linked Result” or “DLR” means, any disbursement-linked result set forth in Schedule 3 to this Agreement for which disbursements are expected to be made to the extent such result is achieved; and “DLRs” means, collectively, two or more such results.
10. "Eight Most Disadvantaged District" means each of the following districts established and operating pursuant to the Regional and District Boundaries and Place Names Act (Cap. 18:04), namely: Mangochi; Lilongwe Rural West; Machinga; Dedza; Chikwawa; Thyolo; Kasungu; and Mzimba South, and selected to implement activities under Parts 2 and 4 of the Project, all in accordance with the provisions of the Project Implementation Manual, or such other districts as may be proposed by the Recipient and approved of the Association, all in accordance with the provisions of the Project Implementation Manual.

11. "Eligible Expenditures Program" or "EEP" means MoEST's recurrent expenditure in form of Salaries which has actually been incurred, namely: Sub-item 1001 (Salaries - Established Staff) under Item:10 (Salaries) of Vote 250 (MoEST), and such term includes its successor Sub-item number as may be reviewed by the Recipient from time to time and approved by the World Bank.

12. "Environmental and Social Impact Assessment" or "ESIA" means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment that is carried out pursuant to the provisions of Section I.E of Schedule 2 to this Agreement.

13. "Environmental and Social Management Framework" or "ESMF" means the framework of the Recipient disclosed in-country on April 29, 2016 and in the World Bank InfoShop on May 3, 2016, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such term includes all schedules and annexes to the ESMF, as the same may be amended from time to time with the written agreement of the World Bank.

14. "Environmental and Social Management Plan" or "ESMP" means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social management plan, such plan that is prepared and disclosed in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

15. "ESIP-II Steering Committee" means the Recipient's committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

16. "Fiscal Year" or "FY" means the Recipient's twelve month period starting July 1 and ending June 30 of the following year.

17. "Ministry of Education, Science and Technology" or "MoEST" means the Recipient's ministry responsible for education, and any successor thereto.

18. "Participating School" means a school implementing a School Improvement Plan under Part 1(a) of the Project and is eligible to receive a School Improvement Grant and/or Performance-Based Grant as the case may be, and is duly registered for the
purpose, all in accordance with the provisions of the Project Implementation Manual, and “Participating Schools” mean, collectively, two or more such schools.

19. “Performance-Based Grant” means a grant made or proposed to be made by the Recipient to a Participating School for achieving performance targets outlined in its School Improvement Plan using a School Improvement Grant, and “Performance-Based Grants” means, collectively, two or more such grants.


21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 17, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Project Facilitation Team” means the Recipient’s team referred to in Section I.A.2(b) of Schedule 2 to this Agreement.

23. “Project Implementation Manual” means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement.

24. “Public Procurement Act” means the Recipient’s Public Procurement Act (Cap. 37:03), as amended from time to time.

25. “Resettlement Action Plan” or “RAP” means, with respect to each activity under the Project pursuant to which the RPF requires a resettlement action plan, such plan that is prepared and disclosed in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

26. “Resettlement Policy Framework” or “RPF” means the framework of the Recipient dated January 28, 2016 and disclosed on February 5, 2016, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the written agreement of the World Bank.

27. “Safeguards Framework” means, the ESMF or RPF, as the context may require; and “Safeguards Frameworks” means, collectively, two or more such frameworks.

28. “Safeguards Instrument” means an ESIA, ESMP or a RAP for a Project activity; and “Safeguards Instruments” means, collectively, two or more such instruments.

29. “School Improvement Grant” means a grant made or proposed to be made by the Recipient to a Participating School for purposes of implementing a School
Improvement Plan under Part 1(a)(i) of the Project, and “School Improvement Grants” means, collectively, two or more such grants.

30. “School Improvement Plan” means a specific development plan prepared and approved by a Participating School’s management committee, setting out proposals for, *inter alia*, enhancing learning outcomes, improving promotion rates and reducing dropouts in select classes and associated budget estimates, as may be amended from time to time, all in accordance with the provisions of the Project Implementation Manual.

31. “Training” means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget, consisting of reasonable expenditures (other than expenditures for consultants’ services) for: (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.