Financing Agreement
(Skills Development Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 13, 2014
2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) carry out Part A of the Project through the Participating Skills Development Institutions; and (b) Part B of the Project through the National Council for Higher Education, all in accordance with the provisions of Article IV of the General Conditions.

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 Events of Suspension consist of the following, namely, that a default has occurred in the performance by a Participating Skills Development Institution of any of its obligations under the Sub-project Grant Agreement, and such default continues for a period of sixty (60) days after notice of such default has been given by the Association to the Participating Skills Development Institution and the Recipient.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance.
6.02. The Recipient's Address is:

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

Cable address: FINANCE
Facsimile: 265-1-789173

6.03. The Association's Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Lilongwe, Malawi, as of the day and year first above written.

REPUBLIC OF MALAWI

By

Authorized Representative

Name: Honourable Dr. Goodall Gondwe
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Laura Kullenberg
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to increase access, market relevance, and results orientation of supported skills development institutions in agreed priority areas.

The Project consists of the following parts:

Part A: Strengthening Institutional Performance

1. Carrying out a program of specific activities to improve access and market relevance of engineering programs offered at the University of Malawi - The Polytechnic, including *inter alia*: (a) construction and rehabilitation of infrastructure including workshops, laboratories, classrooms, lecture theaters, tutorial and design rooms, library facilities and office space; (b) supply of equipment; (c) development of new engineering programs at diploma and undergraduate levels; and (d) upgrading staff qualifications to deliver on the new programs: all through the provision of results based grants.

2. Carrying out a program of specific activities at Mzuzu University to: (a) increase access to secondary teacher training programs, including *inter alia*, establishing new satellite learning centers at Karonga, Lilongwe, Mulanje and Balaka; developing curriculum for open and distance learning programs; supplying equipment; strengthening the capacity of staff in the development of open and distance learning materials and upgrading staff skills to deliver on the programs; (b) increase access, market relevance, sustainability and cost efficiency of hospitality and tourism courses including *inter alia*, establishing a skills development center, supplying equipment, and upgrading staff skills to deliver on the programs, all through the provision of results based grants.

3. Carrying out a program of specific activities at University of Malawi-Chancellor College to increase access to science teacher education and enhance capacity for science education delivery including *inter alia*: (a) constructing lecture theatres , and laboratories and rehabilitation of classrooms; (b) supplying of equipment and installing of information and communication technology facilities; (c) developing curriculum for computer science teacher education; and (d) upgrading the capacity of academic and support staff in science teacher education and delivery; all through the provision of results based grants.

4. Carrying out a program of specific activities at Lilongwe University of Agriculture and Natural Resources to increase access, market relevance and gender responsiveness of programs including, *inter alia*: (a) establishing an open and distance learning center in Lilongwe city, at the University campus and two (2) remote satellite centers in Mzuzu and Blantyre; (b) developing open and
distance learning programs; (c) expanding library facilities; (d) installing information and communication technology infrastructure; and (e) upgrading staff capacity to develop and deliver open and distance learning programs including supporting study tours to relevant institutions; all through the provision of results based grants.

5. Carrying out a program of specific activities at the Technical, Entrepreneurial and Vocational Education and Training Authority to improve capacity for quality assurance in the TEVET system and increase access to and broaden the range of market oriented skills programs including, *inter alia*: (a) training of master craftsmen; (b) supplying of equipment and training of staff in selected institutions offering informal sector training in rural areas; (c) developing curriculum for short skills upgrading programs in selected training institutions offering skills training in rural areas; and (d) providing equipment and upgrading staff capacity in selected institutions offering technician level programs, all through the provision of results based grants.

**Part B: Technical Assistance for System Strengthening and Policy Reforms**

1. Carrying out a program of activities to strengthen the capacity of the National Council for Higher Education for Project implementation, such program of activities to include (a) training members of the council on their quality assurance and Project implementation roles; (b) strengthening the capacity of the secretariat at the National Council for Higher Education in project coordination, reporting and communication, project planning, project monitoring and evaluation and fiduciary management; and (c) provision of equipment.

2. Developing and installing a management information system at the National Council for Higher Education and providing associated training.

3. Developing monitoring and evaluation systems and piloting new monitoring tools at the National Council for Higher Education and Participating Skills Development Institutions.

4. Providing technical assistance for the development and implementation of a student financing scheme.

5. Designing and setting up of verification mechanisms, and conducting verification of outputs and results of the activities supported under the Project.

6. Carrying out independent verification of outputs and results of the activities supported under the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Ministry of Finance

1. The Ministry of Finance shall be responsible for overall Project coordination and implementation.

Steering Committee

2. The Recipient shall maintain throughout the project implementation period a Steering Committee with terms of reference satisfactory to the Association and with adequate resources to carry out its functions under the Project.

3. Without limitation on the foregoing, the Recipient shall ensure that the functions of the Steering Committee are to: (a) provide overall strategic guidance on the implementation of the Project; and (b) monitor project implementation including activities carried out by Participating Skills Development Institutions.

Technical Committee

4. The Recipient shall (a) maintain throughout the project implementation, a Technical Committee with terms of reference satisfactory to the Association and with adequate resources to carry out its functions under the Project; and (b) appoint and maintain throughout the project implementation period, an environmental and social safeguards focal person attached to the Committee, with qualifications and terms of reference acceptable to the Association.

5. Without limitation on the foregoing, the Recipient shall ensure that the functions of the Technical Committee are to: (a) oversee day to day implementation of the Project (b) provide capacity building to Participating Skills Development Institutions; and (c) facilitate information exchange amongst the Participating Skills Development Institutions.

Participating Skills Development Institutions' Project Implementation Teams

6. The Recipient shall ensure and cause each of the Participating Skills Development Institution to maintain throughout the project implementation period, a Project Implementation Team with staffing, terms of reference satisfactory to the Association and with adequate resources to carry out its functions under the Project.
7. Without limitation on the foregoing, the Recipient shall ensure that the Participating Skills Development Institutions’ Project Implementation Teams are responsible for the implementation of the respective Institutions’ activities under the Project.

B. Implementation Arrangements

_Proposal Implementation Manual_

1. The Recipient shall prepare, in accordance with terms of reference acceptable to the Association and furnish to the Association for its approval, a proposed project implementation manual for the Project containing detailed administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the Project.

2. Without limitation upon the foregoing, the Recipient shall ensure that the said manual includes, _inter alia_, a detailed elaboration of:

   (a) institutional, administrative and reporting arrangements for Part A of the Project including modalities for carrying out the tracer studies;

   (b) a model form of agreement for the provision of Sub-project Grants; and

   (c) (i) the Disbursement Linked Indicators (DLIs) for the DLI based financing under Part A of the Project and the maximum amounts allocated to each category; (ii) the arrangements, policies and procedures for carrying out the annual verification; (iii) a description of the methodology for determining in each Fiscal Year whether the DLIs have been met; and (iv) the eligible expenditures acceptable to the Association ("Participating Skills Development Institution's Eligible Expenditures Program" or "PSDI EEPs") to which the DLI Financing under Part A of the Project is to be attributed.

3. The Recipient shall exchange views with the Association on said Project implementation manual; and thereafter adopt such Project implementation manual as shall have been approved by the Association ("Project Implementation Manual").

4. The Recipient shall:

   (a) ensure that the Project is carried out in accordance with the Project Implementation Manual, as the same may be updated from time to time with the prior written agreement of the Association; and
(b) not otherwise revise or waive any provision of the Project Implementation Manual without the prior written agreement of the Association.

5. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manual and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

Annual Work Plan and Budget

6. The Recipient shall, not later than May 30 of each year prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

7. The Recipient shall exchange views with the Association on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association (Agreed Annual Work Plan).

C. Sub-project Grants

General

1. The Recipient shall implement Part A of the Project in accordance with the institutional, safeguards, financial management and procurement arrangements set out in this Schedule 2 to the Agreement.

2. For the purpose of carrying out the activities ("Sub-projects") under Part A of the Project, the Recipient shall make grants to the Participating Skills Development Institutions (individually, "Sub-project Grant" and collectively, "Sub-project Grants") in accordance with eligibility criteria and procedures acceptable to the Association and elaborated in the PIM, and shall make no Sub-project Grant payments to any Participating Skills Development Institutions unless such payment satisfies the conditions for payment specified in this Agreement, the PIM and the respective Sub-project Grant Agreement.

Sub-project Grant Agreements

3. The Recipient shall make each Sub-project Grant under a Sub-project Grant Agreement between MoF and the respective Participating Skills Development Institutions on terms and conditions approved by the Association, which, inter alia, shall include the following:
(a) the Sub-project Grant Agreement shall specify the DLIs to be met by the Participating Skills Development Institutions and the means of verification as set out in this Agreement and further elaborated in the PIM;

(b) the Sub-project Grant Agreement shall specify the maximum Sub-project Grant amounts payable against the outputs specified in the Sub-project Grant Agreement, the PSDI EEPs, the periodicity of payments, the conditions for payments and the methodology for determining the amount of payments to be made during each payment period;

(c) the Sub-project Grant shall be made on a non-reimbursable grant basis; and

(d) the Recipient shall obtain rights under each of the Sub-project Grant Agreement adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-project Grant, or obtain a refund of all or any part of the amount of the Sub-project Grant then withdrawn, upon the Participating Skills Development Institution’s failure to perform any of its obligations under the Sub-project Grant Agreement; and

(ii) require each Participating Skills Development Institution to:

(A) carry out the Sub-project with due diligence and efficiency and in accordance with sound environmental and social and administrative standards and practices acceptable to the Association, including in accordance with the Project Implementation Manual, the ESMF, the RPF, any ESMPs or RAPs, and the Anti-Corruption Guidelines;

(B) provide promptly, as needed, the resources required for the purpose;

(C) use the proceeds of the Sub-project Grant to finance PSDI EEPs specified in the Sub-project Grant Agreement;

(D) procure any goods, works and/or services required for the Sub-project and to be financed out of the proceeds of
the Sub-project Grant in accordance with the provisions of Section III of this Schedule;

(E) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the implementation of the Sub-project and the achievement of its objectives and to prepare quarterly and annual implementation progress reports acceptable to the Association as detailed in the PIM;

(F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations, resources and expenditures, including those related to the Sub-project Grant; and (2) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Association;

(G) enable the Association and the Recipient to inspect its facilities, operations and any records and documents relevant to the Sub-project; and prepare and furnish to the Association and the Recipient all such information as either shall reasonably request relating to the implementation of the Sub-project;

(H) permit the Association to make the Sub-project Grant Agreement and all financial statements audited pursuant to sub-paragraph (F) above available to the public in accordance with the Association’s policies on access to information; and

(I) prepare and furnish to the Recipient and the Association all such further information as the Recipient or the Association shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights and perform its obligations under each Sub-project Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association and the Recipient shall otherwise agree, the Recipient
shall not assign, amend, abrogate or waive any Sub-project Grant Agreement or any of its provisions.

Payments under Sub-project Grants

5. The amount of payments which the Recipient may request for expenditures made by a PSDI under a Sub-Project Grant for DLI Based Financing under Part A of the Project shall be determined on the basis of the maximum amount allocated by the Association to the PSDI for each DLI, subject to the provisions of Section IV of this Schedule 2, provided that such amount shall not exceed the total amount of the PSDI EEPs incurred during the year covered by the DLI Based Financing payment requested, excluding any amount of eligible expenditures financed from other sources of financing.

6. Notwithstanding the provision of paragraph 5 of this sub-section 2, all payments under the DLI based financing shall be subject to the Association’s prior written approval and shall only be eligible for financing out of the proceeds of the Financing if and to the extent approved by Association in accordance with the provisions of Section IV of this Schedule 2.

Internal and External Verification of Sub-project Grants Payments

7. Prior to each payment to a Participating Skills Development Institution under a Sub-project Grant, the Recipient shall;

(a) ensure that the Technical Committee has verified the extent to which the DLIs for which such payment is requested have been met in respect of each PSDI, and the actual expenditures under the PSDI EEP to which the DLIs are attributed, as detailed in the PIM.

(b) ensure that an independent verification agent has verified the extent to which the DLIs for which payment is requested have been met in respect of each PSDI and the actual expenditures under the PSDI EEP to which the DLIs are attributed, as detailed in the PIM.

8. For purpose of carrying out the independent verification required under sub-section 7(b) of this section I.C, the Recipient shall, not later than December 30, 2014 engage in accordance with the provisions of Section III of this Schedule 2, the independent verification agent referred to under Part B (6) of the Project, under terms of reference, qualifications and experience satisfactory to the Association.

D. Anti-Corruption

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

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF and the RPF.

2. Further to Part E.1 of this Section I, the Recipient shall ensure that:

   (a) (i) all terms of reference for all studies or other technical assistance to be carried out under the Project are consistent with and pay due attention to the ESMF and RPF and to the Recipient’s own laws relating to the environment and social aspects; and (ii) to this end, the Recipient shall, prior to undertaking each study included in the Project: (1) prepare and furnish the terms of reference for such study to the Association for its review; (2) afford the Association a reasonable opportunity to exchange views with the Recipient on said terms of reference; and (3) promptly finalize such terms of reference as shall have been approved by the Association; and

   (b) where required under the ESMF and the RPF in respect of a Sub-Project developed under Part A of the Project: (i) an ESMP and/or RAP for said Sub-project is prepared; (ii) each such instrument is furnished to the Association for its review and approval prior to the implementation of said Sub-project; and (iii) each such instrument is thereafter adopted and disclosed in accordance with the provisions of the ESMF and the RPF.

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**Section II.  Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

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 acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one Fiscal Year, 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. 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 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 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 National 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:
Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional procedures set forth in paragraph 3 below</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
</tbody>
</table>

3. Modifications to National Competitive Bidding Procedures.

The following additional procedures shall apply to National Competitive Bidding:

(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) Bidding documents acceptable to the Association shall be used;

(c) The bidding documents and contract shall include provisions reflecting the Bank's policy relating to firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines;

(d) Each bidding document and contract shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines;

(e) 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

(f) Contracts may not be split into small lots, and their award may not be restricted to small enterprises for purposes of promotion of the participation of 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 contracts which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultant Qualification</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Fixed-Budget Selection</td>
</tr>
<tr>
<td>(e) Individual Consultant</td>
</tr>
<tr>
<td>(f) Single Source Selection</td>
</tr>
</tbody>
</table>

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Category Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</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, works, non-consulting services, consultant services, Training and Operating Costs required for Sub-Projects and to be financed out of Sub-project Grants under Part A of the Project</td>
<td>25,920,000</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultant services, Training and Operating Costs under Part B of the Project</td>
<td>-</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td>972,000</td>
<td>-</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>2,908,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>29,800,000</strong></td>
<td><strong>3,200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section;
   
   (a) no withdrawal shall be made for payments made prior to the date of this Agreement.
   
   (b) payments for DLI based financing under Category (1), unless and until the Recipient has: (i) furnished evidence satisfactory to the Association that the DLIs for the respective period for which payment is requested as set forth in Schedule 4 to this Agreement have been met and verified for the respective PSDI in accordance with the PIM and the provisions of Section I.C.7 of Schedule 2 to this Agreement; and (ii) furnished evidence of actual expenditures under the PSDI EEP to which the DLIs are attributed to and evidence that the expenditures have been verified in
accordance with the PIM and the provisions of Section I.C.7 of Schedule 2 to this Agreement.

2. Notwithstanding the provisions of Part A of this Section, payments for DLI Based Financing under Category (1) shall not exceed, for each PSDI: (a) the maximum amounts allocated to the respective DLI(s) as provided in Schedule 4 to this Agreement; and (b) the total amount of actual expenditures under the PSDI EEPs incurred during the year and attributed to the DLI Based Financing payment requested.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Part B, if the Association shall determine, based on the evidence provided by the Recipient under paragraph 1 of this Part B, that any DLI(s) have not been achieved or have been partially achieved by the end of the year during which such DLI(s) were scheduled to be met in accordance with Schedule 4 to this Agreement, the Association may in its sole discretion, by notice to the Recipient: (i) withhold in whole or in part the amount of the Financing allocated to such DLI(s); (ii) disburse in whole or in part the amount of the Financing allocated to such DLIs at any later time when such DLI(s) are met; (iii) reallocate in whole or in part any withheld amount of the Financing allocated to such DLI(s) to Categories 2; and/or (iv) at any time, cancel in whole or in part any withheld amount of the Financing allocated to such DLI(s).

4. The Closing Date is June 30, 2019.

Section V. Other Undertakings

1. The Recipient shall, within three (3) months of the Effective Date, ensure and cause the National Council for Higher Education to appoint and thereafter maintain throughout the project implementation period a procurement specialist and a financial management specialist, all with qualifications and terms of reference satisfactory to the Association to support the implementation of the Project.

2. The Recipient shall, within three (3) months of the Effective Date, ensure and cause the University of Malawi to appoint and thereafter maintain throughout Project implementation, an additional internal audit staff, all with qualifications and terms of reference satisfactory to the Association to support the implementation of the Project.

3. The Recipient shall, within three (3) months of the Effective Date, ensure and cause LUANAR and Mzuzu University to appoint and thereafter maintain throughout Project implementation, internal audit units, with institutional framework, staffing and terms of reference satisfactory to the Association, and with adequate resources to carry out their responsibilities under the Project.
SCHEDULE 3

Repayment Schedule of the Credit

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(expressed as a percentage)*</td>
</tr>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing October 15, 2024, to and including April 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing October 15, 2034, to and including April 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
## SCHEDULE 4

### A. Disbursement Linked Indicators under Part A of the Project - University of Malawi-The Polytechnic

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Each of the Participating Skills Development Institution has developed and adopted its Institution Improvement Plan</td>
<td>DLR#1.1: The Polytechnic has developed and adopted its Institution Improvement Plan in FY 2014-2015</td>
<td>970,000</td>
<td>DLR 1.1: 970,000</td>
</tr>
<tr>
<td>DLI #2: Student enrollment in agreed skills development programs increases</td>
<td>DLR#2.1: The number of students enrolled in agreed skills development programs increases by 500 in FY 2014/2015 DLR#2.2: The number of students enrolled in agreed skills development programs increases by 500 in FY 2015/2016 DLR#2.3: The number of students enrolled in agreed skills development programs increases by 700 in FY 2016/2017 DLR#2.4: The number of students enrolled in agreed skills development programs increases by 800 in FY 2017/2018 DLR#2.5: The number of students enrolled in agreed skills development programs increases by 200 in FY 2018/2019</td>
<td>1,375,000</td>
<td>DLR 2.1: 275,000 DLR 2.2: 275,000 DLR 2.3: 345,000 DLR 2.4: 345,000 DLR 2.5: 135,000</td>
</tr>
<tr>
<td>Disbursement Linked Indicator</td>
<td>Action to be Completed</td>
<td>Amount of the Financing Allocated (expressed in SDR)</td>
<td>Disbursement Calculation Formula</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
</tbody>
</table>
| DLI #3: Each of the Participating Skills Development Institution achieves its infrastructure development targets as set out in the Institution Improvement Plan | DLR#3.1: The Polytechnic has adopted a procurement plan for infrastructure development and has signed at least 20% of contracts for the implementation of infrastructure works in FY 2014-2015  
DLR#3.2: The Polytechnic has signed 100% of contracts for the implementation of infrastructure works in FY 2015-2016  
DLR#3.3: At least 50% of all works under the infrastructure contracts have been completed in FY 2016-2017  
DLR#3.4: 100% of all works under the infrastructure contracts have been completed in FY 2017-2018 | 1,380,000 | DLR 3.1: 275,000  
DLR 3.2: 275,000  
DLR 3.3: 415,000  
DLR 3.4: 415,000 |
| DLI #4: Each of the Participating Skills Development Institution develops and implements the agreed skills development programs in consultation with the private sector | DLR#4.1: The Polytechnic has developed all the agreed skills development programs in consultation with the private sector in FY 2014-2015  
DLR#4.2: The Polytechnic has implemented at least 50% of all the agreed skills development programs in FY 2015-2016  
DLR#4.3: The Polytechnic has implemented all the agreed skills development programs in FY 2016-2017 | 1,325,000 | DLR 4.1: 465,000  
DLR 4.2: 465,000  
DLR 4.3: 395,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| **DLI #5: Each of the Participating Skills Development** Institution achieves its staff development targets as set out in the Institution Improvement Plan | DLR#5.1: The Polytechnic has adopted all staff training plans and at least 25% of staff have commenced training in FY 2014-2015  
DLR#5.2: At least 20% of staff have been trained and resumed work in FY 2015-2016  
DLR#5.3: At least 50% of staff have been trained and resumed work in FY 2016-2017  
DLR#5.4: At least 80% of staff have been trained and resumed work in FY 2017-2018  
DLR#5.5: All staff have been trained and resumed work in FY 2018-2019 | 1,155,000 | DLR 5.1: 230,000  
DLR 5.2: 230,000  
DLR 5.3: 290,000  
DLR 5.4: 290,000  
DLR 5.5 115,000 |
| **DLI #6: Each of the Participating Skills Development** Institution carries out and publishes tracer studies on on-going and new skills development programs | DLR#6.1: The Polytechnic has carried out and published tracer studies on on-going skills development programs in FY2014-2015  
DLR#6.2: The Polytechnic has carried out and published on-going skills development programs in FY2016-2017  
DLR#6.3: The Polytechnic has carried out and published on-going and new skills development programs in FY2018-2019 | 275,000 | DLR 6.1: 55,000  
DLR 6.2: 110,000  
DLR 6.3: 110,000 |
### B. Disbursement Linked Indicators under Part A of the Project- University of Malawi-The Chancellor College

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Each of the Participating Skills Development Institution has developed and adopted its Institution Improvement Plan</td>
<td>DLR#1.1: The University of Malawi-Chancellor College has developed and adopted its Institution Improvement Plan in FY 2014-2015</td>
<td>970,000</td>
<td>DLR 1.1: 970,000</td>
</tr>
</tbody>
</table>
| DLI #2: Student enrollment in agreed skills development programs increases | DLR#2.1: The number of students enrolled in agreed skills development programs increases by 95 in FY 2014/2015  
DLR#2.2: The number of students enrolled in agreed skills development programs increases by 95 in FY 2015/2016  
DLR#2.3: The number of students enrolled in agreed skills development programs increases by 90 in FY 2016/2017  
DLR#2.4: The number of students enrolled in agreed skills development programs increases by 50 in FY 2017/2018  
DLR#2.5: The number of students enrolled in agreed skills development programs increases by 50 in FY 2018/2019 | 1,055,000                                                                          | DLR 2.1: 210,000  
DLR 2.2: 210,000  
DLR 2.3: 265,000  
DLR 2.4: 265,000  
DLR 2.5: 105,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #3: Each of the Participating Skills Development Institution achieves its infrastructure development targets as set out in the Institution Improvement Plan | DLR#3.1: The University of Malawi-Chancellor College has adopted a procurement plan for infrastructure development and has signed at least 20% of contracts for the implementation of infrastructure works in FY 2014-2015  
DLR#3.2: The University of Malawi-Chancellor College has signed 100% of contracts for the implementation of infrastructure works signed in FY 2015-2016  
DLR#3.3: At least 50% of all works under the infrastructure contracts has been completed in FY 2016-2017  
DLR#3.4: 100% of all works under the infrastructure contracts has been completed in FY 2017-2018 | 1,050,000 | DLR 3.1: 210,000  
DLR 3.2: 210,000  
DLR 3.3: 315,000  
DLR 3.4: 315,000 |
| DLI #4: Each of the Participating Skills Development Institution develops and implements the agreed skills development programs in consultation with the private sector | DLR#4.1: The University of Malawi-Chancellor College has developed all the agreed skills development programs in consultation with the private sector in FY 2014-2015  
DLR#4.2: The University of Malawi-Chancellor College has implemented at least 50% of all the agreed skills development programs in FY 2015-2016 | 1,015,000 | DLR 4.1: 355,000  
DLR 4.2: 355,000  
DLR 4.3: 305,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#4.3: The University of Malawi-Chancellor College has implemented all the agreed skills development programs in FY 2016-2017</td>
<td></td>
<td>880,000</td>
<td>DLR 5.1: 175,000</td>
</tr>
</tbody>
</table>
| DLR#5: Each of the Participating Skills Development Institution achieves its staff development targets as set out in the Institution Improvement Plan | DLR#5.1: The University of Malawi-Chancellor College has adopted all staff training plans and at least 25% of staff have commenced training in FY 2014-2015  
DLR#5.2: At least 20% of staff have been trained and resumed work in FY 2015-2016  
DLR#5.3: At least 50% of staff have been trained and resumed work in FY 2016-2017  
DLR#5.4: At least 80% of staff have been trained and resumed work in FY 2017-2018  
DLR#5.5: All staff have been trained and resumed work in FY 2018-2019 |                                                                                     | DLR 5.2: 175,000  
DLR 5.3: 220,000  
DLR 5.4: 220,000  
DLR 5.5: 90,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #6: Each of the Participating Skills Development Institution carries out and publishes tracer studies on on-going and new skills development programs | DLR#6.1: The University of Malawi-Chancellor College has carried out and published tracer studies on on-going skills development programs in FY2014-2015  
DLR#6.2: The University of Malawi-Chancellor College has carried out and published tracer studies on on-going skills development programs in FY2016-2015  
DLR#6.3: The University of Malawi-Chancellor College has carried out and published tracer studies on on-going and new skills development programs in FY2018-2019 | 210,000 | DLR 6.1: 40,000  
DLR 6.2: 85,000  
DLR 6.3: 85,000 |
C. **Disbursement Linked Indicators under Part A of the Project- Lilongwe University of Agriculture and Natural Resources (LUANAR)**

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Each of the Participating Skills Development Institution has developed and adopted its Institution Improvement Plan</td>
<td>DLR#1.1: LUANAR has developed and adopted its Institution Improvement Plan in FY 2014-2015</td>
<td>970,000</td>
<td>DLR 1.1: 970,000</td>
</tr>
</tbody>
</table>
| DLI #2: Student enrollment in agreed skills development programs increases | DLR#2.1: The number of students enrolled in agreed skills development programs increases by 700 in FY 2014/2015  
DLR#2.2: The number of students enrolled in agreed skills development programs increases by 100 in FY 2015/2016  
DLR#2.3: The number of students enrolled in agreed skills development programs increases by 100 in FY 2016/2017  
DLR#2.4: The number of students enrolled in agreed skills development programs increases by 100 in FY 2017/2018  
DLR#2.5: The number of students enrolled in agreed skills development programs increases by 200 in FY 2018/2019 | 1,055,000                              | DLR 2.1: 210,000  
DLR 2.2: 210,000  
DLR 2.3: 265,000  
DLR 2.4: 265,000  
DLR 2.5: 105,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #3: Each of the Participating Skills Development Institution achieves its infrastructure development targets as set out in the Institution Improvement Plan | DLR#3.1: LUANAR has adopted a procurement plan for infrastructure development and has signed at least 20% of contracts for the implementation of infrastructure works in in FY 2014-2015  
DLR#3.2: LUANAR has signed 100% of contracts for the implementation of infrastructure works signed in FY 2015-2016  
DLR#3.3: At least 50% of all works under the infrastructure contracts has been completed in FY 2016-2017  
DLR#3.4: 100% of all works under the infrastructure contracts has been completed in FY 2017-2018 | 1,050,000 | DLR 3.1: 210,000  
DLR 3.2: 210,000  
DLR 3.3: 315,000  
DLR 3.4: 315,000 |
| DLI #4: Each of the Participating Skills Development Institution develops and implements the agreed skills development programs in consultation with the private sector | DLR#4.1: LUANAR has developed all the agreed skills development programs in consultation with the private sector in FY 2014-2015  
DLR#4.2: LUANAR has implemented at least 50% of all the agreed skills development programs in FY 2015-2016  
DLR#4.3: LUANAR has implemented all the agreed skills development programs in FY 2016-2017 | 1,015,000 | DLR 4.1: 355,000  
DLR 4.2: 355,000  
DLR 4.3: 305,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #5: Each of the Participating Skills Development Institution achieves its staff development targets as set out in the Institution Improvement Plan | DLR#5.1: LUANAR has adopted all staff training plans and at least 25% of staff have commenced training in FY 2014-2015  
DLR#5.2: At least 20% of staff have been trained and resumed work in FY 2015-2016  
DLR#5.3: At least 50% of staff have been trained and resumed work in FY 2016-2017  
DLR#5.4: At least 80% of staff have been trained and resumed work in FY 2017-2018  
DLR#5.5: All staff have been trained and resumed work in FY 2018-2019 | 880,000 | DLR 5.1: 175,000  
DLR 5.2: 175,000  
DLR 5.3: 220,000  
DLR 5.4: 220,000  
DLR 5.5: 90,000 |
| DLI #6: Each of the Participating Skills Development Institution carries out and publishes tracer studies on on-going and new skills development programs | DLR#6.1: LUANAR has carried out and published tracer studies on on-going skills development programs in FY2014-2015  
DLR#6.2: LUANAR has carried out and published tracer studies on on-going skills development programs in FY2016-2017  
DLR#6.3: LUANAR has carried out and published tracer studies on on-going and new skills development programs in FY2018-2019 | 210,000 | DLR 6.1: 40,000  
DLR 6.2: 85,000  
DLR 6.3: 85,000 |
D. Disbursement Linked Indicators under Part A of the Project- Mzuzu University

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Each of the Participating Skills Development Institution has developed and adopted its Institution Improvement Plan</td>
<td>DLR#1.1: Mzuzu University has developed and adopted its Institution Improvement Plan in FY 2014-2015</td>
<td>970,000</td>
<td>DLR 1.1: 970,000</td>
</tr>
</tbody>
</table>
| DLI #2: Student enrollment in agreed skills development programs increases | DLR#2.1: The number of students enrolled in agreed skills development programs increases by 400 in FY 2014/2015  
DLR#2.2: The number of students enrolled in agreed skills development programs increases by 50 in FY 2015/2016  
DLR#2.3: The number of students enrolled in agreed skills development programs increases by 150 in FY 2016/2017  
DLR#2.4: The number of students enrolled in agreed skills development programs increases by 100 in FY 2017/2018  
DLR#2.5: The number of students enrolled in agreed skills development programs increases by 100 in FY 2018/2019 | 1,220,000                                             | DLR 2.1: 245,000  
DLR 2.2: 245,000  
DLR 2.3: 305,000  
DLR 2.4: 305,000  
DLR 2.5: 120,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #3: Each of the Participating Skills Development Institution achieves its infrastructure development targets as set out in the Institution Improvement Plan | DLR#3.1: Mzuzu University has adopted a procurement plan for infrastructure development and has signed at least 20% of contracts for the implementation of infrastructure works in FY 2014-2015  
DLR#3.2: Mzuzu University has signed 100% of contracts for the implementation of infrastructure works signed in FY 2015-2016  
DLR#3.3: At least 50% of all works under the infrastructure contracts has been completed in FY 2016-2017  
DLR#3.4: 100% of all works under the infrastructure contracts has been completed in FY 2017-2018 | 1,220,000 | DLR 3.1: 245,000  
DLR 3.2: 245,000  
DLR 3.3: 365,000  
DLR3.4: 365,000 |
| DLI #4: Each of the Participating Skills Development Institution develops and implements the agreed skills development programs in consultation with the private sector | DLR#4.1: Mzuzu University has developed all the agreed skills development programs in consultation with the private sector in FY 2014-2015  
DLR#4.2: Mzuzu University has implemented at least 50% of all the agreed skills development programs in FY 2015-2016  
DLR#4.3: Mzuzu University has implemented all the agreed skills development programs in FY 2016-2017 | 1,117,000 | DLR 4.1: 410,000  
DLR 4.2: 410,000  
DLR 4.3: 350,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| DLI #5: Each of the Participating Skills Development Institution achieves its staff development targets as set out in the Institution Improvement Plan | DLR#5.1: Mzuzu University has adopted all staff training plans and at least 25% of staff have commenced training in FY 2014-2015  
DLR#5.2: At least 20% of staff have been trained and resumed work in FY 2015-2016  
DLR#5.3: At least 50% of staff have been trained and resumed work in FY 2016-2017  
DLR#5.4: At least 80% of staff have been trained and resumed work in FY 2017-2018  
DLR#5.5: All staff have been trained and resumed work in FY 2018-2019 | 1,020,000                                                                                                                    | DLR 5.1: 205,000  
DLR 5.2: 205,000  
DLR 5.3: 255,000  
DLR 5.4: 255,000  
DLR 5.5: 100,000 |
| DLI #6: Each of the Participating Skills Development Institution carries out and publishes tracer studies on on-going and new skills development programs | DLR#6.1: Mzuzu University has carried out and published tracer studies on on-going skills development programs in FY2014-2015  
DLR#6.2: Mzuzu University has carried out and published tracer studies on on-going skills development programs in FY2016-2017  
DLR#6.3: Mzuzu University has carried out and published tracer studies on on-going and new skills development programs in FY2018-2019 | 240,000                                                                                          | DLR 6.1: 50,000  
DLR 6.2: 95,000  
DLR 6.3: 95,000 |
E. Disbursement Linked Indicators under Part A of the Project- Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)

<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Each of the Participating Skills Development Institution has developed and adopted its Institution Improvement Plan</td>
<td>DLR#1.1: TEVETA has developed and adopted its Institution Improvement Plan in FY 2014-2015</td>
<td>650,000</td>
<td>DLR 1.1: 650,000</td>
</tr>
</tbody>
</table>
| DLI #2: Student enrollment in agreed skills development programs increases | DLR#2.1: The number of students enrolled in agreed skills development programs increases by 320 in FY 2014/2015  
DLR#2.2: The number of students enrolled in agreed skills development programs increases by 430 in FY 2015/2016  
DLR#2.3: The number of students enrolled in agreed skills development programs increases by 750 in FY 2016/2017  
DLR#2.4: The number of students enrolled in agreed skills development programs increases by 1100 in FY 2017/2018  
DLR#2.5: The number of students enrolled in agreed skills development programs increases by 1100 in FY 2018/2019 | 745,000                               | DLR 2.1: 150,000  
DLR 2.2: 150,000  
DLR 2.3: 185,000  
DLR 2.4: 185,000  
DLR 2.5: 75,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #3: Each of the Participating Skills Development Institution achieves its infrastructure development targets as set out in the Institution Improvement Plan</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
| DLI #4: Each of the Participating Skills Development Institution develops and implements the agreed skills development programs in consultation with the private sector | DLR#4.1: TEVETA has developed ten (10) skills development programs in consultation with the private sector in FY 2014-2015  
DLR#4.2: TEVETA has developed an additional five (5) skills development programs and has implemented the ten (10) skills development programs in FY 2015-2016  
DLR#4.3: TEVETA has implemented thirteen (13) skills development programs in FY 2016-2017  
DLR#4.4: TEVETA has implemented all the agreed skills development programs in FY 2017-2018 | 820,000 | DLR 4.1: 205,000  
DLR 4.2: 205,000  
DLR 4.3: 205,000  
DLR 4.4: 205,000 |
| DLI #5: Each of the Participating Skills Development Institution achieves its staff | DLR#5.1: TEVETA has adopted all staff training plans and at least 25% of staff have commenced training in FY 2014-2015  
DLR#5.2: At least 20% of staff have | 725,000 | DLR 5.1: 145,000  
DLR 5.2: 145,000  
DLR 5.3: 180,000  
DLR 5.4: 180,000 |
<table>
<thead>
<tr>
<th>Disbursement Linked Indicator</th>
<th>Action to be Completed</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| development targets as set out in the Institution Improvement Plan | been trained and resumed work in FY 2015-2016  
DLR#5.3: At least 50% of staff have been trained and resumed work in FY 2016-2017  
DLR#5.4: At least 80% of staff have been trained and resumed work in FY 2017-2018  
DLR#5.5: All staff have been trained and resumed work in FY 2018-2019 | | DLR 5.5: 75,000 |
| DLI #6: Each of the Participating Skills Development Institution carries out and publishes tracer studies on on-going and new skills development programs | DLR#6.1: TEVETA has carried out and published tracer studies on on-going skills development programs in FY2014-2015  
DLR#6.2: TEVETA has carried out and published tracer studies on on-going skills development programs in FY2015-2016  
DLR#6.3: TEVETA has carried out and published tracer studies on on-going skills development programs in FY2016-2017  
DLR#6.4: TEVETA has carried out and published tracer studies on on-going skills development programs in FY2017-2018  
DLR#6.5: TEVETA has carried out and published tracer studies on on-going and new skills development programs in FY2018-2019 | 300,000 | DLR 6.1: 60,000  
DLR 6.2: 60,000  
DLR 6.3: 60,000  
DLR 6.4: 60,000  
DLR 6.5: 60,000 |
APPENDIX

Section I. Definitions

1. "Agreed Annual Work Plan" means the program of activities agreed each Fiscal Year between the Recipient and the Association for implementation under the Project in accordance with Section I.B.6 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.


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


5. "DLI" means disbursement linked indicator.

6. "DLI Based Financing" means the proceeds of the Financing allocated for each PSDI under Part A of the Project to be drawn by the Recipient upon achievement of the DLI(s) and in accordance with Section IV of Schedule 2 to the Financing Agreement and made available to meet expenditures under a Sub-project Grant.

7. "Environmental and Social Management Framework" or "ESMF" means the environmental and social management framework of the Recipient, dated December 2013 and acceptable to the Association, assessing the potential environmental and social impacts of the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures; as the said Environmental and Social Impact Assessment may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

8. "Environmental and Social management Plan" or "ESMP" means an environmental and social management plan acceptable to the Association, prepared by the Recipient in accordance with the ESMF, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said Environmental and Social Impact Assessment may
be amended and/or supplemented from time to time with the prior written concurrence of the Association.


10. “Institution Improvement Plan” means the Recipient’s improvement plan acceptable to the Association developed and adopted by each of the PSDI as detailed in the PIM, setting out the institutional, infrastructural and programmatic areas for improvement and for which support is to be provided under the Project.

11. “Ministry of Education, Science and Technology” or “MoEST” means the Recipient’s ministry responsible for matters relating to education, science and technology.

12. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible for matters relating to finance.

13. “Ministry of Labor” or “MoL” means the Recipient’s ministry responsible for matters relating to labor.

14. “National Council for Higher Education” or “NCHE” means the Recipients technical and advisory agency responsible for higher education established and operating pursuant to the National Council for Higher Education Act, 2011 (Act No 15 of 2011) or its legal successor thereto.

15. “Operating Costs” mean, for each Annual Work Program, the reasonable costs, which shall have been agreed by the Association under said Annual Work Program for the incremental expenses incurred on account of Project implementation, consisting of: vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding regular salaries of officials of the Recipient’s civil service).

16. “Participating Skills Development Institutions” or “PSDIs” means Mzuzu University, the University of Malawi-the Polytechnic, University of Malawi-Chancellor College, the Lilongwe University of Agriculture and Natural Resources (LUANAR) and the Technical Education and Vocational Education and Training Authority (TEVETA), and ‘Participating Skills Development Institution’ or “PSDI” means each of these institutions.

17. “Participating Skills Development Institution’s Eligible Expenditures Program” or “PSDI EEP” means the PSDIs eligible expenditures acceptable to the
Association and elaborated in the PIM to which the DLI Based Financing under Part A of the Project may be attributed.

18. “Participating Skills Development Institutions’ Project Implementation Teams” means the Recipient teams to oversee the implementation of Project activities in PSDIs, with (composition as detailed in the PIM) and with resources and terms of reference satisfactory to the Association, and the term ‘Participating Skills Development Institution’s Project Implementation Team’ means such team in each of these institutions.

19. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 16, 2013 and on behalf of the Recipient on January 13, 2014 (Advance No. Q8920).


21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 23, 2014 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 Implementation Manual” or “PIM” means the Project Implementation Manual in form and substance acceptable to the Association prepared by the Recipient in accordance with the provisions of Section I.B of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

23. “RAP” means the resettlement action plan, in form and substance satisfactory to the Association, prepared or to be prepared by the Recipient on the basis of the RPF, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such RAP may be amended from time to time with the prior written agreement of the Association.

24. “RPF” means the Resettlement Policy Framework acceptable to the Association, dated December 2013, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such RPF may be amended from time to time with the prior written agreement of the Association.
25. "Steering Committee" means a committee established for purposes of the Project and referred to in Section I.A of Schedule 2 to this Agreement comprising the director of debt and aid MoF, principal secretary for higher education -MOEST, principal secretary for labor- MoL, four representatives from the private sector and civil society.

26. "Sub-project" means the specific development activities to be carried out by a Participating Skills Development Institution under Part A of the Project utilizing the proceeds of a Sub-project Grant.

27. "Sub-project Grant" means a grant made or proposed to be made by the Recipient to Participating Skills Development Institution out of, inter alia, the proceeds of the Financing to assist in financing a Sub-project.

28. "Sub-project Grant Agreement" means an agreement acceptable to the Association, to be concluded between MoF and Participating Skills Development Institution, in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, pursuant to which the Recipient shall make a Sub-project Grant out of the proceeds of the Financing to PSDIs.

29. "Technical Committee" means a committee established for purposes of the Project and referred to in Section I.A of Schedule 2 to this Agreement comprising a representative of the NCHE, representative of MoL, representative of MoEST, four representatives of the private sector, and an environmental and social safeguards focal point person.


31. "Training" means, for each Agreed Annual Work Plan, the reasonable costs, which shall have been agreed by the Association under said Agreed Annual Work Program, and for the training and workshops included in said Agreed Annual Work Program, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consulting services).