I. Introduction and Context

Country Context

Malawi is one of the poorest countries in the world with a per-capita income estimated at US$268. Landlocked in southern Africa, more than half of the country’s population of 16 million is below 18 years of age. According to the UN Human Development Index, Malawi ranks 174 out of 187 countries. Rural dwellers comprise about 85 percent of the population where they depend largely on agriculture, mostly tobacco and corn, to sustain their livelihoods.

After high economic growth averaging seven percent during 2006-10, growth slowed in 2011 to 4.3 percent. Growth reached 5.2 percent in 2013 and was estimated at 5.7 percent in 2014. The country has a narrow export base consisting mostly of tobacco, with high dependence on imports and external aid inflows. Investment climate constraints hinder private investment. The 2014 Doing Business report ranks Malawi at 171 out of 189 countries. The main obstacles to doing business include poor support infrastructure and services such as electricity, water, transport, an uncertain economic environment, poor legal and regulatory framework, difficult access to long-term finance
and a limited skills base.

External budget support was suspended by development partners in the wake of a 2013 financial management scandal, popularly referred to as 'Cashgate'. Total grant inflows fell from 10.3 percent of GDP in 2008/09 to 4.4 percent by 2011/12. Budget support, which finances many critical expenditure items, fell from a high of 4.5 percent of GDP in 2009/10 to zero by 2011/12. Consequently, 2014-15 budget estimates were prepared in an environment of considerable pressure. The new Government of Malawi (GoM) has tried to reassure the public on the integrity of the public financial management system, but further reform efforts will be required to address the underlying risks to PFM.

Poverty in Malawi remains widespread. The 2010/11 Third Integrated Household Survey (IHS3) indicated that almost 50.7 percent of the population remains poor with one quarter in extreme poverty, a marginal decline from 2004/05 when poverty was 52.4 percent. Agriculture remains the backbone of Malawi’s economy and social fabric, employing over 80 percent of the population and accounting for about 28 percent of GDP. However, this low share of GDP relative to the overall population and labor force employed in the sector indicates that most people remain locked into low productivity subsistence agriculture.


**Sectoral and Institutional Context**

Malawi set an ambitious goal to improve access to education in 1994, when it adopted a country-wide fee-free primary education. Other education reforms initiated at that time aimed to reduce economic and gender disparities in access and completion. There was a 67 percent increase in students from 1994 to 1995 from 1.8 to three million. This vast expansion of the education system led to significant challenges with which Malawi is still grappling.

Education sector expenditure accounts for the largest share of total GoM expenditure. Malawi's expenditure on education relative to GDP compares favourably with other countries in the region. Malawi's expenditure on education as a share of GDP was at 8.7 percent in 2011, above the regional average of 6.6 percent that year and second to Lesotho's expenditure of 12.4 percent of GDP. In 2011/12, expenditure on education accounted for 18 percent of total GoM expenditure followed by agriculture (13 percent) and health (11 percent).

The National Education Sector Plan (NESP) 2008-2017 translates GoM's prioritization of education into objectives, strategies and financing for education. It sets out national education goals and objectives for the decade: (i) expanded equitable access to education; (ii) improved quality and relevance of education; (iii) improved governance and management. It has been approved at the highest level of government and is translated into five-year Education Sector Implementation Plans. The Education Sector Implementation Plan II (ESIP II) sets out a number of reforms to be achieved over the next few years. To realize the ambitious quality improvements called for in the NESP, ESIP II sets out a major policy shift at the primary and secondary levels, tackling high levels of wastage and shifting the focus from inputs to processes and addressing the key issue of accountability.
Gender parity has been achieved at the lower primary education level. Malawi is likely to achieve Goal 3 of the Millennium Development Goals (MDGs) promoting gender equality and empowering women given its achievement in near equal enrollment in primary education. However, while the gender parity indexes have increased since 2000 with improved enrollment of girls at all educational levels, gender disparity varies from one level to the other. The parity index starts at 1.04 in the first four grades of primary school, decreasing to 0.96 in the last four grades.

Key challenges facing primary education in Malawi

Despite the high level of spending on primary education, outputs and outcomes are low and the education system continues to face serious challenges. Less than 20 percent of children in grade 1 reach grade 8 seven years later. Student repetition is very high at the primary level at 20-25 percent in grades 1 to 4 for all pupils and at 20 percent in grades 5 to 8 for girls. Results of standardized international learning assessments by the Southern and Eastern African Consortium for Monitoring Education Quality show that primary pupils in Malawi perform well below the regional average in both reading and mathematics.

While primary enrollment increased by 45 percent between 2004 and 2013, the number of primary classrooms rose by only 12 percent. Classroom shortage is one of the major factors leading to student absenteeism, repetition and dropout. The pupils-per-teacher ratio (PTR) is 69:1 on average, above the national target of 60:1 and varies greatly between grades where it is above 100 in grade 1, but lower than 50 in grades 7 and 8. Lower-primary grades are taught in open air in one out of three schools. This results in the cancellation of classes in the rainy and hot seasons.

The majority of primary teachers teach only one section and average teaching time is less than four hours daily with only 25 percent of the period spent on active teaching and learning activities. There is an acute shortage of teachers in lower grades and a need to focus specifically on enhancing teacher availability in grades 1 and 2 where class sizes above 60 are concentrated. This can be achieved through grade-specific targeting for teacher redeployment. Teacher satisfaction and motivation are greatly influenced by school location and remoteness. A monthly allowance meant to compensate for remoteness of location is not being targeted to the most deserving, but, rather, is spread too thinly among all rural teachers. Those in remote locations often do not receive the allowance, adding to their demotivation.

In primary schools, textbooks are in short supply and those that have been supplied are not effectively utilized by students either in class or at home. There are on average between four and 12 students per textbook, with the most acute shortage being in textbooks for grades 5 and 6. In one recent survey, in 40.3 percent of schools observed, no pupil of grade 5 was observed to be using a textbook in mathematics class. Schools tend to stock up and use only some of their stock on a daily basis and students do not get to take textbooks home. Textbook unavailability is largely a result of a highly centralized system where MoEST directs all elements of textbook provision.

While the Education Management Information System (EMIS) is able to collect sufficient amounts of data, they are not effectively analyzed and used. Consequently, available evidence about education system functioning found in the EMIS does not adequately feed into interventions, actions and mid-course corrections of on-going programs and activities. There is a need for
continued focus on the training of school management committees and parent-teacher associations, particularly in the areas of finance and procurement.

Relationship to CAS

The World Bank Group-Republic of Malawi Country Assistance Strategy 2012-2016 has one of its three core themes ‘Enhancing Human Capital and Reducing Vulnerabilities’. The development of human capital starts with primary education where children acquire the basis for future learning. The CAS identifies several results areas which include the aim of improving the provision of public services, such as education, improving public sector management systems and strengthening social accountability for service provision.

The proposed GPE-financed operation will address each of these results areas through enhanced quality of education, strengthened school, district and central level education sector management and strengthened community participation in school management, respectively. The government is also committed to accelerating progress toward achieving the MDGs and enhancing Malawi’s human resources, including through improving the delivery of social services in education and other sectors. The CAS specifically notes that Malawi ranks at the bottom regionally for learning achievement and emphasizes the need for enhanced education equity, quality and governance.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The overall Project Development Objective (PDO) 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.

Key Results (From PCN)

Under the fixed part of the project (70 percent of the total grant allocation), the project aims to achieve results in the early grades (1-3) through:

1. Improved education quality through increased time spent on learning as reported by school-level EMIS
2. Improved internal efficiency measured through increased grade-wise promotion rates
3. Reduced pupil-teacher ratios

Disbursement linked indicators for the variable part (30 percent of the total grant allocation) will be determined at preparation in consultation with MOEST and the Local Education Group (LEG). As per GPE requirements, indicators for the variable part will be aligned to the three GPE dimensions of improved learning outcomes, efficiency and equity.

III. Preliminary Description

Concept Description

The proposed project’s main focus is on improving the equity and quality of primary education service delivery in Malawi’s system of primary education, with a particular focus on early grades as the fundamental basis for later learning. It focuses on critical factors which affect learning conditions in schools. It seeks to address the reasons why most children are not learning and take an inordinate number of years to complete their primary education, if at all, by strengthening schools' accountability for reversing these negative outcomes.
The project will consist of three components to support enhanced quality and equity of education service delivery through improved accountability and system functioning at the school level. A fourth component will support project implementation in Malawi's fragile implementation environment characterized by weak capacity and fiduciary risks.

Component 1: Performance-Based School Improvement Grants
This component will be a pilot to improve school performance through strengthened school management and accountability for results in the delivery of primary education. It will build on the previous two school grant programs initiated by the World Bank and other development partners and institutionalized by MoEST.

Under this component a 'performance-based' element will be developed and introduced into the funding formula for the school improvement grants program. The new grant funding formula will replace the existing enrollment-based formula in order to eliminate adverse incentives for keeping enrollments high through repetition. The new funding formula will be piloted in a select number of school districts based on criteria to be determined, closely monitored and assessed during the project period.

The performance-based school improvement grants program will (i) include entry requirements with a focus on the most needy but well performing schools; (ii) have specified eligible items/activities which can be supported by the program over successive years; (iii) include a defined duration for schools participation with a subsequent graduation; (iv) include impact evaluations, including around processes, to support improved project implementation and guide course corrections. The interventions to be provided under this component will include (i) TA on modifying the current funding formula by introducing performance measures for determining school improvement grant allocations to individual schools; (ii) support and capacity building for school improvement planning with enhanced participation of the community stakeholders; (iii) enhanced financing to schools linked to achievement of management and accountability milestones; (iv) monitoring of pilot results.

Component 2: School Physical Facilities.
This Component will support improvement of the learning environment, including the rehabilitation and construction of classrooms, provision of water and sanitation facilities, and provision of school furnishings, especially for girls. It will commence with an updated school mapping exercise (i) to identify areas where inadequate classroom availability hinders school attendance and where repetition and dropout rates in the lower primary grades are above already elevated national averages; and (ii) to clearly identify equity challenges associated with school physical facilities. Technical assistance will be provided to (i) assess current classroom construction practices and lessons drawn from the community model managed by the Local Development Fund under the current GPE- and IDA-funded operation and, (ii) based on a review of innovative approaches used elsewhere and in similar contexts, propose a new model for construction of school physical facilities and provision of school furnishings. This model will prioritize the ability to scale up, employ a simple and replicable design and use decentralized procurement and construction methods that can be monitored by communities.

Component 3: Education Management and Information System.
This component will focus on strengthening the EMIS to ensure more efficient education service
delivery. In particular, it aims to yield more efficient implementation of decentralized school services and school-based management of education planning and implementation, capacity building of staff at various levels and strengthened monitoring and evaluation systems, particularly of learning outcomes.

This component will finance: (a) the collection of education statistics through district and zonal EMIS teams, including usage of the school report cards as part of school-level EMIS for improved school management; (b) the introduction of new indicators related to ESIP II, such as surveying time spent learning, correcting errors in dropout numbers and ensuring that school reporting of student flows and efficiency is checked for consistency; (c) development of a more robust teacher management information system; and (d) institutional capacity building at the school, community, district and central levels to monitor the achievement of indicators under the variable part of the grant. Development of this component will be guided by established good practice for EMIS functioning, including lessons learned from global initiatives such as the 'Systems Approach for Better Education Results' (SABER) established by the World Bank.

Component 4: Project Management and Coordination.
In the wake of the 'Cashgate' scandal of 2013, a number of development partners which are party to the GPE have requested that any new GPE-financed project be overseen by a project management unit (PMU). In particular, they would like that all funds flows be outside of government structures, to the extent possible, and fiduciary management be handled through a separate entity responsible for project management and implementation. This component will finance the establishment and functioning of a PMU and capacity building of the MoEST’s financial management, internal audit and procurement units. This component will also include capacity building at the national, district and local (i.e. school, community) levels to support project implementation and development of a communications strategy and plan.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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