

CONFORMED COPY

April 28, 2011

Honorable Ken Edward Kandodo, M.P.  
Minister of Finance  
Ministry of Finance  
Lilongwe 3  
Republic of Malawi

Honorable Minister:

***Malawi: Business Environment Strengthening Technical Assistance Project***  
***(Grant No. H293 MAL)***  
***Amendment No.3 to Financing Agreement***

We refer to the Financing Agreement (the Agreement), dated July 17, 2007, between the Republic of Malawi (the Recipient) and the International Development Association (the Association) for the above mentioned Project, and to a letter, dated March 11, 2009, from Mr. Randson P. Mwadiwa, Secretary to the Treasury, Ministry of Finance of the Recipient requesting specific amendments to the Agreement.

We are pleased to inform you that the Association agrees to your request and proposes to amend the Agreement in respect of the provisions below:

1. Paragraph 1 of Schedule 1 (Project Description) to the Agreement is amended to read as follows:

"The objective of the Project is to improve the ease of business processes in Malawi."

2. Part A of Schedule 1 to the Agreement is amended to read as follows:

**1. Streamlining the business regulatory framework**

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

**2. Improving access to commercial justice**

Supporting the operations of the High Court's Commercial Division by: (a) establishing information systems for effective court case management and alternative dispute resolution (ADR) services; (b) strengthening its institutional capacity through the provision of training to judges, registrars, and ADR administrators, including short-term

attachments in other common law jurisdictions; study tours; and on-the-job training by foreign judges, registrars, and ADR administrators, attached to the Recipient's High Court; and (c) carrying out private sector awareness programs on procedures for institution of legal actions in commercial cases.

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

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

**4. Project Management and Coordination**

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

3. Part C (1) and C (3) of Schedule 1 to the Agreement are deleted in their entirety.
4. Section III of Schedule 2 to the Agreement is amended to read as follows:

**“Section III. Procurement**

**A. General**

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

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

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

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

<b>Procurement Method</b>
(a) National Competitive Bidding may be used subject to the following additional procedures: (a) Regulation 80.3(b) (ii) of the Public Procurement Regulations permitting the consideration of unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, in the evaluation of bids shall not apply; (b) Regulation 80.4 of the Public Procurement Regulations permitting domestic preference shall not apply; (c) Regulations 164(i) and (j) of the Public Procurement Regulations permitting the division of contracts into small lots and the restriction of contracts to small enterprises, respectively, for purposes of promotion of the participation of small enterprises, shall not apply; and (d) bidding documents and contracts shall include the following provisions: (i) pursuant to paragraph 1.14(e) of the Procurement Guidelines, bidders, suppliers, and contractors are required to permit the Association to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the World Bank; and (ii) pursuant to paragraph 1.14(a)(v)(bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Association’s said inspection and audit rights are considered to be an obstructive practice within the meaning of paragraph 1.14 of the Procurement Guidelines.
(b) Shopping
(c) Director Contracting

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

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Leas Cost Selection
(b) Fixed Budget Selection
(c) Quality Based Selection
(d) Single Source Selection
(e) Individual Consultants
(f) Commercial Practices
(g) Selection Based on Consultants’ Qualification

**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."

5. The table in Section IV of Schedule 2 to the Agreement is deleted in its entirety and is replaced with the Annex to this Amendment Letter.

6. A new paragraph (c) is added to Section IV B. 1 of Schedule 2 to the Agreement as follows:

"(c) under Category (7) until the grant provided by the Co-financier for the Co-financing of Part A the Project has been fully disbursed."

7. Existing paragraph 7 of the Appendix to the Agreement is renumbered to read as paragraph 8 and the remaining paragraphs are renumbered accordingly. A new paragraph 7 is added in the Appendix to the Agreement to read as follows:

"7. "Department of Immigration" means the Recipient's department of immigration established within the Ministry of Internal Affairs and Public Security pursuant to the Immigration Act Chapter 15:03 of the laws of the Recipient, and includes any successor thereto."

8. Paragraph 7 of the Appendix to the Agreement is amended to read as follows:

"7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the Bank in May 2004, revised in October 2006 and May 2010."

9. Existing paragraphs 13 and 14 of the Appendix to the Agreement are deleted in their entirety and the remaining paragraphs in this section are renumbered accordingly.

10. Paragraph 21 of the Appendix to the Agreement is amended to read as follows:

"21. "Procurement Guidelines" means "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004, revised in October, 2006 and May 2010."

All other provisions of the Agreement, except as amended herein, remain unchanged.

Please confirm your agreement to the foregoing by countersigning, dating, and returning to us the enclosed copy of this letter. Upon receipt by the Association of the copy of this letter countersigned by you, this amendment will become effective as of the date of the countersignature.

Sincerely,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Olivier P. Godron  
Olivier P. Godron  
Acting Country Director  
Malawi, Zambia and Zimbabwe  
Africa Region

AGREED:

**REPUBLIC OF MALAWI**

By: /s/ Ken Edward Kandodo

Name: Ken Edward Kandodo

Title: Minister of Finance

Date: May 13, 2011

**Revised Disbursement Table**

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods (Excluding Part A and C.2 of the Project)	1,860,000	100%
(2) Works	30,000	100%
(3) Consultants' Services (including Financial Audits), Training and Workshops (Excluding Part A of the Project)	5,900,000	100%
(4) (a) <i>Matching Grants under Part C.2 of the Project</i>	800,000	100%
(4) (b) <i>Operating Costs and Goods under Part C.2 of the Project</i>	460,000	100%
(5) Operating Costs under Part D of the Project	800,000	100%
(6) Unallocated	0	n/a
(7) Goods, Consultants' Services, Training and Workshops under Part A of the Project	150,000	100%
<b>TOTAL AMOUNT</b>	<b>10,000,000</b>	

*C/w* and bcc: Messrs./Mmes: J. Janiero (CTRFC); M. Mpundu (LEGAF)

bee: Messrs./Mmes: M. Uy (AFTFP); M. Fuchs, S. Maimbo, B. Mtonya (AFTFP);  
Y. Amde, M. McCue, G. Soko (AFMZ); C. Kamwendo, G. Chilambo, A. Jere  
(AFMMW); S. Mhone, S. Chirwa, L. Macadam (AFTPC); T. Chimaliro (AFTFM; IRIS .