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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING  
OF  
BUSINESS ENVIRONMENT STRENGTHENING TECHNICAL ASSISTANCE PROJECT  
(BESTAP) – GRANT NO H293-MAI

IN THE AMOUNT OF SDR 10 MILLION  
MAY 24, 2007

TO THE  
REPUBLIC OF MALAWI

September 23, 2010

Finance and Private Sector Development  
Eastern and Southern Africa  
Africa Region

## ABBREVIATIONS AND ACRONYMS

BESTAP	Business Environment Strengthening Technical Assistance Project
BRPs	Business Residency Permits
BUGS	Business Growth Scheme
FSAP	Financial Sector Assessment Project
EC	European Commission
ICT	Information and Communication Technology
M&E	Monitoring and Evaluation
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MEPC	Malawi Export Promotion Council
MIPA	Malawi Investment Promotion Agency
MITC	Malawi Investment and Trade Centre
MITPSD	Ministry of Industry, Trade and Private Sector Development
MOIT	Ministry of Industry and Trade
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
PC	Privatization Commission
PIU	Project Implementation Unit
PPP	Public Private Partnership
PSC	Project Steering Committee
TEPs	Temporary Employment Permits

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**REPUBLIC OF MALAWI**

**BUSINESS ENVIRONMENT STRENGTHENING TECHNICAL ASSISTANCE  
PROJECT (BESTAP)**

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<b>Restructuring</b>	<b>Status: Submitted to SECPO</b>
<b>Restructuring Type: Level one</b>	
Last modified on date : 10/13/2010	

<b>1. Basic Information</b>	
Project ID & Name	P103773: MW-Bus. Env. Strengthening SIL (FY07)
Country	Malawi
Task Team Leader	Samuel Munzele Maimbo
Sector Manager/Director	Marilou Jane D. Uy
Country Director	Olivier P. Godron
Original Board Approval Date	05/24/2007
Original Closing Date:	12/31/2012
Current Closing Date	12/31/2012
Proposed Closing Date [if applicable]	
EA Category	C-Not Required
Revised EA Category	C-Not Required-Not Required
EA Completion Date	
Revised EA Completion Date	

<b>2. Revised Financing Plan (US\$m)</b>		
<b>Source</b>	<b>Original</b>	<b>Revised</b>
BORR	0.00	0.00
EURB	3.70	3.70
IDAT	15.00	15.00
<b>Total</b>	<b>18.70</b>	<b>18.70</b>

<b>3. Borrower</b>		
<b>Organization</b>	<b>Department</b>	<b>Location</b>
Ministry of Finance	Debt and Aid Department	Malawi

<b>4. Implementing Agency</b>		
<b>Organization</b>	<b>Department</b>	<b>Location</b>
Ministry of Industry, Trade and Private Sector Development		Malawi

<b>5. Disbursement Estimates (US\$m)</b>		
<b>Actual amount disbursed as of 11/03/2010</b>		<b>11.15</b>
<b>Fiscal Year</b>	<b>Annual</b>	<b>Cumulative</b>
2009	0.00	11.15
2010	0.00	11.15
	<b>Total</b>	<b>11.15</b>

<b>6. Policy Exceptions and Safeguard Policies</b>	
<b>Does the restructured project require any exceptions to Bank policies?</b>	N
<b>Does the restructured projects trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.</b>	N

<b>7a. Project Development Objectives/Outcomes</b>
<b>Original/Current Project Development Objectives/Outcomes</b>
The objective of the Project is to support capacity development and investment climate reforms in order to accelerate economic growth. One of the medium term outcomes in Malawi's Country Assistance Strategy (CAS) is an improved climate for private business. This project is one instrument by which the Bank seeks to achieve this outcome. This will be done by reducing the regulatory burden and costs of doing business; improving service delivery to the private sector; access to finance for Small and Medium Enterprises (SMEs); and by strengthening support for technical and business management skills, thereby improving productivity and competitiveness at the firm level.

<b>7b. Revised Project Development Objectives/Outcomes [if applicable]</b>
To improve the ease of doing business processes in Malawi in order to increase foreign and domestic private sector investment in the economy.



## **A. SUMMARY**

1. This Restructuring Paper seeks the approval of the Executive Directors for a first-order restructuring of the Malawi Business Environment Strengthening Technical Assistance Project (BESTAP), Grant No H293-MAI, P103773 - Project Appraisal Document and the project's legal documents. The proposed restructuring includes a change to the project development objective (PDO), the dropping of two components due to a change in government policy and the reallocation of funds to support two new activities.

2. As currently drafted, the PDO and the outcome indicators need to be modified consistent with the type and level of project interventions supported by the project. The current formulation is high level and could not be directly attributed to the operation. The proposed changes to the components are the result of changes in government policy which resulted in the government request to discontinue two project sub-components, namely: (i). the establishment of a sustainable SME investment fund (US\$0.6 million); and (ii) the merger of Malawi Rural Finance Company (MRFC) and the Malawi Savings Bank (MSB) into a viable financial institution (US\$0.8 million), and reallocate the funds released (US\$1.4 million) to two additional initiatives, namely the computerization of the Department of Immigration, and the review of Companies Act.

3. Given the restructuring of activities proposed above, it was discussed and agreed with the government that the restructuring exercise is also used to proactively address additional shortcomings and respond to opportunities for strengthening the projects development impact by: (i) deleting reference to the merger of the Malawi Investment Promotion Agency and the Malawi Export Promotion Council; (ii) amending some of the results and monitoring indicators to make them more clear, relevant, adequate and measurable; and (iii) allocate the unallocated funds in the project that were set aside as contingency funds when the project was approved by the World Bank Board. The request for the restructuring was received in May 2009 but the process of restructuring has been prolonged due to the time it has taken to agree with the Government of Malawi on the details of the proposed new components, the computerization of the Department of Immigration, and the review of Companies Act, as well as consultations that were needed with key stakeholders

## **B. PROJECT STATUS**

4. The original development objective of the BESTAP was to support capacity development and investment climate reforms as prerequisites for the acceleration of economic growth. One of the medium term outcomes in Malawi's Country Assistance Strategy (CAS) is an improved climate for private business. This project is one instrument by which the Bank seeks to achieve this outcome. This will be done by reducing the regulatory burden and costs of doing business; improving service delivery to

the private sector; access to finance for Small and Medium Enterprises (SMEs); and by strengthening support for technical and business management skills, thereby improving productivity and competitiveness at the firm level.

5. The Grant was approved by the Board on May 24, 2007 and became effective on October 7, 2007. The project is due to close on December 31, 2012. The project is supported by a grant of SDR 10 million (US\$15 million equivalent) from International Development Association (IDA) resources and a grant of US\$3.7 million equivalent in co-financing from the European Commission for a total of US\$18.7 million. The project was originally designed to provide technical assistance to improve the business environment, support agencies that support the private sector and promote access to finance and enhance productivity of MSMEs.

6. Specifically, the project was designed to support the Government's strategy of facilitating private sector led economic growth through four mutually reinforcing components

- **Component One: Strengthening Private Property Rights Institutions and Business Facilitation** (US\$4.3 million): This component supports activities which aim to improve the regulatory environment in which the private sector operates, to strengthen the institutions that protect private property rights and allow speedy and low cost business facilitation. It has the following three sub-components: (a) Streamlining the Regulatory Environment for Business (US\$1.1 million); (b) Improving Access to Commercial Justice (US\$1.3 million); and (c) Improving Business and Land Registration Services (Total US\$1.85 million).
- **Component Two: Strengthening Private Sector Development Support Institutions and Services** (US\$4.6 million): This component builds capacity in institutions that provide essential services to the private sector in order to improve the quality and volume of services delivered, and to strengthen institutions that provide policy direction on private sector development issues. It has the following four sub-components: (a) Establishing a One-Stop-Shop Investment and Trade Centre. (Total: US\$0.9 million); (b) Establishing an Institutional Framework for Public Private Partnerships (US\$1.8 million); (c) Strengthening the Department of Private Sector Development (US\$1.0 million); and (d) Supporting a Sustainable Framework for Public-Private Dialogue (US\$0.9 million)
- **Component Three: Promoting Access to Finance and Productivity Enhancement** (US\$4.6 million). Malawi's private sector is characterized by a "missing middle", with comparatively few enterprises located in between the many micro and informal sector businesses, and the larger multinationals and conglomerates. The objective of this component was to support the growth and development of micro and small enterprises, into this middle market. It has the following three sub-components: (a) Establishment of a Sustainable SME Investment Fund (Total: US\$0.6 million); (b) Establishment and Operation of a Business Growth Scheme (US\$3.2 million); and (c) Merger of Malawi Rural Finance Company (MRFC) and the Malawi Savings Bank (MSB) into a viable Financial Institution (US\$0.8 million).



- **Component Four: Capacity Building and Implementation Support** (US\$2.9 million. This component will fund the following activities: (i) provision of a procurement specialist, financial management specialist, M&E specialist, project manager and support staff; and (ii) operational costs and goods necessary for project implementation support. The Project Implementation Unit (PIU) for the Privatization Commission (PC), which had been managing the Privatization and Utility Reform Project, assumed the above functions while Ministry of Industry, Trade and Private Sector Development (MITPSD) built its capacity. There was a review of MITPSD's capacity after two years of implementation to determine whether such project management functions could be mainstreamed into MITPSD.

7. The project's objectives were consistent with Malawi's economic and private sector development objectives as detailed in the current Country Assistance Strategy for Malawi. Malawi is a small and densely populated landlocked low income country with a population of about 13 m people. Average per capita income stands at US\$290 (WDI, 2008). Malawi has been enjoying relatively high GDP growth over the past four years (with GDP growth of 6.7 percent, 8.6 percent and 9.7 percent in 2006, 2007 and 2008 respectively, with an estimated 6.8 percent for 2009 (source: IMF, WEO, 2009)). Despite this commendable growth, the economy remains undiversified and dependent on agriculture. The private sector in Malawi faces numerous barriers in terms of red tape, regulations and often dated legislation. The 2006 Malawi Investment Climate Assessment and the annual Doing Business Survey assisted in identifying and analysing these constraints and focus reform. The BESTAP project was designed to address many of these constraints.

8. The cumulative IDA disbursements up until September 23, 2010 were US\$11,231,905 which represents 75 percent of the total funding available to the project. No funds have been disbursed from the EC resources which are allocated to downstream activities yet to be implemented. The proposed restructuring does not affect the use of the funds provided by the EC. All fiduciary aspects of the project are satisfactory. The project procurement and financial management are currently rated as satisfactory, and have been since project effectiveness. Financial management is Satisfactory and the project is up-to-date with Interim Financial Reports (IFRs) as well as Audit Reports.

### **Rationale for Project Restructuring**

9. Overall implementation since the project became effective has been satisfactory. However, an Implementation Support Mission (ISM) in January 2009 rated the overall project implementation as "*moderately unsatisfactory*" out of concern that two activities were yet to commence implementation. At that time, it was judged that the lack of progress of some of the individual project sub-components would result in further deterioration in rating unless corrective action was proactively taken. With the exception of these two major components, the rest of the project implementation is generally considered satisfactory (see **Annex 2** for a summary of the project components and implementation progress to September 2009).

10. The two components which had made no progress at all are:- the planned Establishment of a Sustainable SME Investment Fund; and the Merger of Malawi Rural Finance Company (MRFC) and the Malawi Savings Bank (MSB) into a viable Financial Institution. During the project design, the government had requested that BESTAP include technical assistance to assist in setting up a new SME investment fund to provide commercial venture finance to small-scale business start-ups and that this fund would be independently managed by the private sector and government's contribution would be capped at a minority level with the majority of the funding coming from the local and foreign private sector.

11. In January 2009, the Government informed the World Bank that its policy on this fund had changed and that the proposed SME Investment Fund would now take the form of a development bank. This new approach calls for substantial seed capital and a different institutional set up. The government is now of the view that a development bank would be better able to respond to Malawi's development needs while maintaining the appropriate governance and financial management standards.

12. On the proposed merger of MRFC and MSB (both 100 percent state owned), government had originally proposed that the two institutions be merged in order to improve the levels of access to finance in the country. However, this policy has now changed and government has stated that the merger will not take place. Both financial institutions are pursuing individual reform strategies.

13. Given these changes in government policy, it was discussed and agreed that final resolution of the future of both institutions were likely to extend beyond the life of BESTAP, and require substantially more resources than provided for under this project. It is now also the government's considered view that MSB and MRFC will require significant internal reform and rationalisation before they are suitable for a merger.

14. Having agreed upon these restructuring activities, the Government and the World Bank discussed and agreed to use the restructuring process to further refine both the project development objective and some of the results indicators to make them more clear, relevant, adequate and measurable. It was agreed that as currently drafted, the PDO and the outcome indicators need to be modified to be consistent with the type and level of project interventions supported by the project. The current formulation is high level and could not be directly attributed to the operation. Further, it was agreed that the restructuring to proactively address additional shortcomings and respond to opportunities for strengthening the projects development impact, particularly by amending some of the results and monitoring indicators to make them more clear, relevant, adequate and measurable. Some targets relate to outcomes outside of the control of government, such as number of bills that have to be passed by Parliament. With the benefit of hindsight, other targets are now considered to have been overly optimistic at design. For instance, automating the Companies Registry will not singularly reduce the time taken to start a business from 37 to 10 days.

## C. PROPOSED CHANGES

### Project Development Objective

15. It is now proposed that the Project Development Objective be changed to “*To improve the ease of doing business processes in Malawi*”. Unlike the current PDO - “*To support capacity development and investment climate reforms in order to accelerate economic growth*”, the proposed PDO will enable a more focused and achievable project development objective and within the control of the given project activities.

16. Collectively, the restructured project will: (i) strengthen the legal and regulatory environment for promoting and supporting foreign and domestic investment in the country; and (ii) build capacity within government agencies and institutions to efficiently interact with the private sector firms and individuals. Together, the restructured components will better support the successful achievement of the project’s development policy objectives.

### Results/Indicators

17. The quality of information provided for the M&E system is satisfactory. The project implementation unit has a dedicated M&E Specialist responsible for overall data monitoring and evaluation of outcomes and results. The specialist is supported by a World Bank M&E specialist based in Maputo, Mozambique. The M&E framework is based on the agreed Results Framework and monitoring arrangements. The PIU is responsible for conducting M&E activities. Baseline data collection for all the agreed indicators was collected by the PIU in partnership and collaboration with the designated focal point in each implementing agencies during the project start up phase for each agreed performance indicator, where applicable. The designated focal points of the implementing agencies are responsible for the data collection and reporting of their respective component and subcomponent. The M&E framework was instrumental in helping the project team’s decision to proactively restructure the project during the January 2009 Implementation Support Mission.

18. The Monitoring and Evaluation Framework has been updated to reflect the proposed restructuring that is detailed in this restructuring paper. The government is using the occasion of this restructuring to amend some of the results and monitoring indicators to make them more clear, relevant, adequate and measurable. The Project Outcome Indicators has been changed from (1) Cost to formally start a business is reduced from 134.7% to 70% of GNI per capita by end of project and (2) Turnover in firms accessing BUGS grows 20% faster than control group to “Cost to formally start a business is reduced from 215.7% to 70 % of GNI per capita by 2012” (with baseline and years 1-3 actuals provided in M&E framework provided from Doing Business Reports). Intermediate Outcome Indicators for Component 1: Improving economic governance, property rights institutions and business facilitation under the business and land registry now include indicators percentage of electronic transactions, average processing time for public services (in hours) and costs to user for public services (in US\$). Under

Component 2: Strengthening the Department of Private Sector Development, the same indicators have been applied for the processing of business permits. A new intermediate outcome indicator under the strengthening the department of private sector development under Component 2 has been added measuring the number of achieved reforms on ease of Doing Business.

## **Components**

19. This paper proposed the following changes to the project (see summary of the proposed changes in **Annex 3**):

- Discontinue two sub-components, namely; the planned Establishment of a Sustainable SME Investment Fund; and the Merger of Malawi Rural Finance Company (MRFC) and the Malawi Savings Bank (MSB) into a viable Financial Institution.
- Reallocate the funds from the discontinued activities to two new activities, namely the: (a) Upgrading the Department for Immigration's capacity to deal with Business Residency Permits (BRPs) and Temporary Employment Permits (TEPs) (US\$1,000,000); and (b) Review and update the Companies Act (US\$400,000) (**see Annex 4**)
- Delete reference to the merger of Malawi Investment Promotion Agency (MIPA) and the Malawi Export Promotion Council (MEPC) in the establishment of the Malawi Investment Trade Centre (MITC).
- Strengthen the Monitoring and Results Framework by better focusing some of the indicators currently in the project Appraisal document.
- Allocate the unallocated funds in the project that were set aside as contingency funds when the project was approved by the World Bank Board.

20. All the changes proposed in the paper relate to IDA activities. The co-financing arrangement with the EC will not be affected as the proposed new components and the two components being deleted from the project are IDA financed and not through the EC.

21. The proposed two new subcomponents and changes are as follows:

### *Business Residency Permits and Temporary Employment Permits (US\$1,000,000)*

22. The Government proposes to use US\$1,000,000 to computerise the process for issuing Temporary Employment Permits and Business Residency Permits at the Department of Immigration. The restructured project will: (i) provide Information and Communication Technology (ICT) infrastructure and supporting hardware, immigration operations software with room for integration to the border control and passport issuing systems in future; and (ii) support capacity building in skills development in use of the new system.

23. Currently, all operations in the processing of Temporary Employment Permits and Business Residence Permits are manual. All permit applications are submitted and

processed at the Immigration Headquarters in Blantyre, although applications can be filed in the regional immigration offices in Lilongwe and Mzuzu. Due to an increased number of applications and the continued use of manual processes and procedures, the Ministry is inundated with a heavy workload resulting in delays and inefficiencies in the delivery of services in issuing and renewing permits. The objective is to computerise BRP and TEP processing in order to ensure timely and efficient issuance of the permits by the end of the project.

*Companies Act (US\$400,000)*

24. The Government proposed to undertake a comprehensive review of the Companies Act in order to foster an enabling environment for business by streamlining the regulatory burden and minimizing cost of transactions thereby supporting the creation, growth and competitiveness of Malawian companies and promoting an internationally competitive framework for business, so that Malawi becomes an attractive place to invest.

25. The current Act is several hundred pages long, much of which is antiquated and needs wholesale revision. Therefore, the Companies Act is by far the most crucial of the backlog of economic laws prioritised for amendment. A revised Companies Act will have significant effect on several of the Doing Business Indicators including *starting a business*, *protecting investors* and *closing a business*. It will also have substantial influence on the: (i) quality of corporate governance; (ii) the rules regarding accounting and auditing; and (iii) will also influence firms' ability to access finance.

*Proposed Change to Investment Act and Investor One-Stop-Shop Subcomponent (US\$900,000)*

26. The Government intends to establish the One-Stop-Shop for investors under a new Investment Act. The proposed changes will not require any changes to the Financing Agreement as this only makes reference to the establishment of a one-stop centre. This remains an objective of the component. However, the Project Appraisal Document will need to be updated as it makes reference to the establishment of the one-stop centre through the merger of two existing institutions. This merger may not take place. However, a one-stop centre will be established through alternative arrangements. This change of strategy for achieving the merger has no budgetary change implications. The new Malawi Investment and Trade Centre (MITC) will be established under subsidiary legislation of the new Act. It is envisaged that the process of developing and enacting this law will be completed by November 2010. The Ministry of Industry and Trade intends to use the resources earmarked for the Merger of MIPA and MEPC (US\$0.9 million towards the development of an investment law and a new framework for the One-Stop-Shop. This proposed change to the project appraisal document does not need any change to the legal agreement as the agreement only refers to a one-stop-shop and does not detail how it will be established.

*Reallocation of contingency funds (US\$2,005,500)*

27. The full unallocated amount at Project Appraisal (IDA only) was US\$2,005,500. As part of the restructuring, the unallocated amount has been distributed among project activities where amounts budgeted at appraisal were insufficient to meet current commitments and projected expenditure. It is worth noting that the EC is contributing a lump sum amount of US\$3.7 m exclusively towards Component 1 of the project (property rights/streamlining the business regulatory environment and business facilitation). This amount will not be paid in any specific proportion but against key contracts. Major activities which are expected to exceed the original budgetary allocations include:

- *Goods and Consultancy Services for the modernization/automation of Business and Land Registries.* For instance, the signed consultancy contract for the Business Registry was in the amount of US\$814,411 against a budgeted amount of US\$500,000. Goods are estimated to cost US\$667,000.
- *PIU Staff Contracts.* The original estimates were understated and did not take into account the fees that PIU staffs were earning at the time of engagement. Additionally, a key position (ICT Specialist) was introduced in the project twelve months after project appraisal. Importantly, when the project was designed, it was estimated that the PIU would only be functional for the first two years of the project and then the activities assumed by the Ministry. However, during the last mission, the Government indicated that it was not ready to take over the activities of the PIU and that dropping the PIU at this stage would adversely affect progress. It was, therefore, agreed that PIU be retained for the remainder of the Project.
- *Operating Expenses.* The original budget for operating expenses was prepared on the assumption that BESTAP PIU and the Business Growth Scheme (BUGS) would be accommodated in one office. The Government decided that the PIU should relocate to Lilongwe while BUGS remained in Blantyre hence the need to increase allocations with respect to rent and other operational costs.

28. As part of this restructuring process, the unallocated funds have fully been allocated to various activities as per the detailed schedule in **Annex 5**.

29. The revised disbursement and project implementation plans that take into account all the changes proposed above are provided in **Annex 6**, and **Annex 7**. The implementation arrangements for implementing these plans are detailed below.

30. Since the project was declared effective, it has received two formal implementation support missions. The Mid-Term Review was scheduled for February 2010 but this is now planned for October 2010 in view of the restructuring process. In-between the formal missions, the project received on-going technical support from a Senior Financial Sector Specialist based in Mozambique, and a Senior Private Sector Development Specialist based in Malawi. The Financial Management Specialist,

Procurement Specialist and the Monitoring and Evaluation Specialist for the project are all field based.

31. In FY10, US\$150,000 has been allocated for supervision of BESTAP, taking into account the restructuring process. The implementation support missions include the reviewing of activities to ensure that expenditures incurred by the project remain eligible for IDA funding and consistent with the project's legal agreements.

### **Safeguards**

32. These project changes will have no effect on the environment, and do not trigger any safeguard policies.

### **Implementation Arrangements**

33. The project will be implemented as per the original schedule and will close on December 31, 2012 as planned. The cumulative IDA disbursements up until September 23, 2010 were US\$11,231,905 which represents 75 percent of the total funding available to the project. An updated procurement plan incorporating restructured activities has been agreed between the Government and the Association. The proposed changes do not affect current institutional arrangements. The project will continue to be overseen by a Project Steering Committee (PSC) which is chaired by the Principal Secretary for Industry and Trade and includes all the project beneficiaries which includes; Ministry of Industry and Trade (MoIT), Ministry of Justice, Commercial Division of the High Court, Registrar General's Department, Ministry of Lands, Malawi Investment Promotion Agency, Ministry of Finance, Malawi Confederation of Chambers of Commerce and Industry (MCCCI), Reserve Bank of Malawi and Ministry of Economic Planning and Development (now the Ministry of Development Planning and Cooperation) .

34. The Department of Immigration will be invited to nominate a representative on the PSC alongside all the other beneficiary institutions. The PSC provides strategic guidance and oversight to the project including approval of annual work plan, programs and budgets, reviewing progress reports, etc.

35. The implementing agency for all the components of the project will remain the MoIT and the dedicated Project Implementation Unit (PIU). An updated procurement plan incorporating restructured activities has been agreed between government and the Bank. An assessment of the MoIT and the PIU was done at the commencement of the project. All fiduciary activities are undertaken by the PIU. As with all beneficiary agencies, no separate assessment of the Department of Immigration's fiduciary capacity is required.

36. The composition of Project Steering Committee (PSC) which is composed of all beneficiary agencies under BESTAP and is chaired by the Principal Secretary, MoIT, will now have an additional member, the Department of Immigration. Actual implementation responsibility of the various components will be with designated focal points with the

beneficiary institution and in this regard, the focal point of the new subcomponent, Department of Immigration, is the Chief Immigration Officer.

37. The proposed restructuring will not affect any of the projects existing partnership arrangements. When the project was being designed, the EC agreed to co-finance the project and has asked the Association to manage their financial contribution to the project on their behalf under a trust fund arrangement. The trust fund arrangement for the project will be unaffected by this project restructuring and will continue for the remaining life of the project.

### **Financing**

38. In regard to financing, no additional financial resources will be required since funding for the proposed initiatives will come from the discontinued sub-components, as discussed above (see revised disbursement schedule **Annex 6**). Funding for the development and consultations for the proposed Investment law and eventual establishment of the One-Stop-Shop will come from the resources earmarked for the merger between MIPA and MEPC. Other activities like the investor tracking system and roadmap will continue as planned. The focus of BESTAP will now be solely on 'improving the regulatory environment since the aspect of access to finance will be dealt with under a separate arrangement where government intends to adopt an approach of reforming the financial sector in Malawi, so as to tackle problems in the financial sector more holistically. The World Bank and the Ministry of Finance are currently planning to develop a Financial Sector Strategy, based upon the findings of last year's Financial Sector Assessment Project (FSAP). This will encompass many of the finance related objectives in BESTAP, widen them to better suit the institutional environment of Malawi, and allow them to be better co-ordinated with other reforms.

### **Financial Management**

39. It had been agreed during the project appraisal that if BESTAP consistently and timely submitted acceptable Interim unaudited Financial Reports (IFR), then the project would migrate from Statement of Expenditure (SOE) based disbursements to IFR based disbursements. It has been noted that BESTAP has maintained a satisfactory Financial Management system. The IFRs are of good quality and are always submitted on time. The project is also current on audit reports and has no outstanding FM issues. It is, therefore, recommended that BESTAP migrate to Report Based Disbursements.

## **D. APPRAISAL SUMMARY**

40. The proposed changes will have no major effects on the original economic, financial, technical, institutional and social aspects of the project as outlined in the BESTAP PAD. These project changes will have no effect on the environment and do not trigger any safeguard policies. In addition, the restructuring does not involve any exceptions to Bank policies.



41. The government's commitment to private sector development remains high. In March 2009, the Government – supported with funds under this project issued its national private sector development policy and strategy. Both documents reaffirm the government's commitment to “develop and promote an economic environment, which is conducive to the growth of businesses of all sizes, that provides prosperity and job opportunities, and helps Malawi achieve her shared vision of transforming from a predominantly consuming and importing country to a predominantly producing and exporting one”.

42. The strategy identifies eight core objectives. This project addresses itself primarily to the first objective which is “*to create a conducive legal and institutional regulatory framework for private sector growth and development, particularly for small and medium enterprises*” – which is consistent with the restructured project's objective of improving the ease of doing business in Malawi.

43. The proposed restructuring of these components of the BESTAP will allow the project to be more focussed on institutional reform and developing the regulatory environment. Strengthening the legislative reform component, and directing resources to the Companies Act, will have a significant impact on the business environment. Improving immigration services, by speeding up processes and increasing transparency, will reduce one of the major hurdles of investing in Malawi.

## **Risk**

44. Overall risk rating for the restructured project is assessed as medium. All existing components will be unaffected by this restructuring and will continue on their respective implementation and procurement paths as planned with their respective, albeit partially mitigated risk levels. **Annex 8** provides an update of the current levels of risk identified when the project was designed.

45. However, starting a project with the Department of Immigration near the middle of BESTAP's lifespan means that there is the risk of not being able to fully implement the proposals before the end of the program. The major possible delays would likely be from the development of appropriate Terms of References for the computerization of BRPs and TEPs but work on these TORs has already commenced. Much can be learned from the similar exercises undertaken with the Lands Registry and Registrar General, especially in regard to computerising records and rationalising procedures. Similar exercises with Lands Registry and Registrar General underscored the need to clean and validate existing manual records before computerization as well as provide a customer service improvement component. Another lesson that has been taken on board is the need for sensitization and consensus building of staff members within the beneficiary institution, in this case the Department of Immigration to mitigate against resistance to the proposed changes, especially by those who were benefiting from rent seeking behaviour. In this regard, sufficient resources have been allocated for this purpose.

46. The introduction of additional resources to deal with the backlog of economic laws, particularly the Companies Act, will strengthen the component and project as a whole. Potential risks lie in the complexity of the legislation, especially if international best practices are to be adopted. In order for this to fit with Malawi's unique institutional environment, extensive consultation will be needed, which should mitigate this risk. A draft Companies Act Revision Strategy document has been circulated to key stakeholders such as the Society of Accountants in Malawi and the Malawi Law Society. The drafting of this Bill will also require the support of international consultants to deal with the more technical aspects of the legislation. Given some of the innovations needed, it is likely that this level of experience is not available in Malawi. In this regard, use will be made of expertise within the Bank's investment Climate Advisory Services Department in addition to its network of consultants.

## Annex 1: Restructured BESTAP Results Framework and Monitoring

PDO	Project Outcome Indicators	Use of Project Outcome Information
To improve the ease of doing business processes in Malawi.	.Cost to formally start a business is reduced from 215.7% to 70 % of GNI per capita by 2012	Evaluate project success by assessing the effect of interventions on the ease of doing business
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Information
<b>Component One: Property rights institutions and business facilitation</b> 1. Business environment regulatory procedures streamlined  2. Commercial court division of HC established and operational  3. Registrar general procedures streamlined and simplified.  4. Land registry procedures streamlined and simplified	1.1 The number of laws impacting on the cost of Doing Business that are revised, drafted and submitted to Cabinet, reduced from 34 to 22 by mid-term, and cleared by 2012  1.2. Time to settle commercial disputes reduced from 337 to less than 180 calendar days by end of project.  1.3. Average Processing Time for Public Services (hours): 40 Costs to User for Public Services (US\$): 80 (plus amount of nominal capital times 15 divided by 2000)  1.4. Average Processing Time for Public Services (hours): 480 Costs to User for Public Services (US\$): 53 (plus 3 percent of value of property)	Measure the efficiency of the regulatory reform enforcement and determine if changes are necessary; feed lessons into the remaining of the program; trigger additional funding from other donors, if required for adequate capacity to implement the business environment reforms.
<b>Component 2: Private sector development agencies</b> 1. Strengthening the Department of Private Sector Development  2. Business Residence Permits (BRP) and Temporary Employment Permit (TEP) procedures and processes streamlined and simplified	2.1 No. of achieved reforms on Ease of Doing Business improved from the current 2 reforms per year to at least 3 reforms every year until 2012  2.2 Average Processing Time for Public Services (hours): 160 Costs to User for Public Services (US\$): 3,500 for BRP and 915 for TEP	Measure the efficiency of the capacity of the agencies to deliver on time quality services to the private sector
<b>Component 3: Access to finance and productivity of SMEs</b> 1. SME matching Grant Scheme Operational	3.2. Turnover in firms accessing BUGS grows 20 percent faster than average rate of non-supported firms by 2012	The results will measure the improved financial performance of SMEs accessing grant finance

## MALAWI: Restructured BESTAP Monitoring & Evaluation Framework

	Target Values						Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<b>Project Outcome Indicators</b>									
<ul style="list-style-type: none"> <li>Cost to formally start a business is reduced from 215.7% to 70 % of GNI per capita by 2012</li> </ul>	215.7	188.7 (actual)	125.9 (Actual)	108.0 (Actual)	92(Target)	70.0(Target)	Annual	Doing Business Surveyss	WB
<b>Intermediate Outcome Indicators</b>									
<b>Component 1: Improving economic governance, property rights institutions and business facilitation</b>									
<b>1. Business environment regulatory procedures streamlined</b>									
Legislative backlog of bills that impacting on cost of doing business reduced from 40 to 25 by mid-term review and cleared by end of project	40 (Actual)		34 (Actual)	25 (Target)	22 (Target)	0 (Target)	Annual	MoJ Report	MOJ, PIU
<b>2. Commercial Division of the High Court established and operational</b>									
Time to settle commercial disputes reduced from 337 to less than 180 calendar	337 calendar days		250	220(Target)	200(Target)	180(Target)	Annual	Doing Business Surveys	WB/IFC

	Target Values					Data Collection and Reporting			
	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
days.									
<b>3. Business registration procedures streamlined and simplified.</b>									
An automated business registry database at the Registrar General's Office established and operational by 2012.									
Electronic transactions (%)	0%		0%	20%(Target)	30%(Target)	50%(Target)	Annual	Study Report	PIU
Average Processing Time for Public Services (hours):	312		312	240(Target)	120(Target)	40(Target)			
Costs to User for Public Services <sup>1</sup> (US\$):	80		80	80(Target)	80(Target)	80(Target)			
<b>4. Land registry procedures streamlined and simplified</b>									
Time to register real property reduced from 118 to 60 calendar days by end of							Annual	Doing Business Surveys	WB/IFC

<sup>1</sup> This represents the minimum cost for a Limited Liability concern. For basic registration, the cost is US\$1.50.

	Target Values						Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
project	0%		0%(Actual)	20%(Target)	30%(Target)	50%(Target)			
Electronic transactions (%)	944		800(Target)	640(Target)	560(Target)	480 (Target)			
Average Processing Time for Public Services (hours):	\$53+Stamp duty of 3% of value of land	\$53+Stamp duty of 3% of value of land	\$53+Stamp duty of 3% of value of land	\$53+Stamp duty of 3% of value of land	\$53+Stamp duty of 3% of value of land	\$53+Stamp duty of 3% of value of land			
Costs to User for Public Services (US\$):									
<b>Component 2 - Strengthening private sector development policy and services</b>									
<b><i>1. Strengthening the Department of Private Sector Development</i></b>									
No. of achieved reforms on Ease of Doing Business improved from the current 2 reforms per year to at least 3 reforms every year until 2012	2		2	3(Target)	3(Target)	3(Target)	Annual	Doing Business Surveys	WB/IFC
Time taken to process Business permits reduced from 40 to 20 days									PIU

	Target Values						Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Electronic transactions (%)	0%		0%	0%(Target)	30%(Target)	50%(Target)	Annual	Study Report	
Average Processing Time for Public Services (hours):	320		320	320(Target)	280(Target)	160(Target)			
Costs to User for Public Services (US\$):	3,500		3,500	3,500(Target)	3,500(Target)	3,500(Target)			
<b>Component Three - Promoting Access to finance and enhancing productivity of SMEs</b>									
<b><i>1. SME Matching Grant Scheme operational</i></b>									
Turnover in firms accessing BUGS grows 20% faster than average rate of non-supported firms by 2012	0%		20%	20%(Target)	20%(Target)	20%(Target)	Annual	SME Survey	PIU

## Annex 2: Project Components and Progress to Date (September 2010)

<p><b>Project components</b></p>	<ul style="list-style-type: none"> <li>• <b>Property rights Institutions &amp; business facilitation (US\$4.3 million)</b> <ul style="list-style-type: none"> <li>- <b>Streamlining business environment (US\$1.1 million).</b> Efforts to streamline the regulatory environment in order to advance business facilitation have started to materialize as reflected by the completion of the prioritization of the Economic Laws and the installation of ICT facilities necessary to efficient drafting and publishing of Bills. Additionally, the Ministry of Justice has to date completed drafting fourteen bills.</li> <li>- <b>Access to commercial justice (US\$1.3 million).</b> The Commercial Court continues to make steady progress in improving access to commercial justice by maintaining the period taken to settle commercial disputes at a level below 180 days. The Judge for the Lilongwe High Court (Commercial Division) has now been appointed and the court is now operational.</li> <li>- <b>Business Registry (US\$0.85 million).</b> Implementation of reform activities by the Registrar General’s Department is going extremely well. The Digitisation of existing hard copy records is expected to be completed in December, 2010. The procurement of the Integrated registration System Hardware and Software is expected to commence during the last quarter of 2010.</li> <li>- <b>Land Registry (US\$1.85 million).</b> A good number of the recommendations for the Land Registration Services Department at the Ministry of Lands made during the last supervision mission have been implemented including the appointment of a project focal point. A consultant has been engaged to undertake the review and design of the Title and Deeds Registration System.</li> </ul> </li>   <li>• <b>Private Sector Development (PSD) support institutions and services (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- <b>One-Stop-Trade Centre (US\$0.9 million).</b> Progress towards the achievement of the objectives envisioned under the Malawi Investment Trade Centre (MITC) is progressing reasonably well. Although the Bill to establish the Malawi Investment Trade Centre published on 11 August 2008 has not been passed, there is expectation that this will be done during the Nov 2010 seating of Parliament. The following activities that were approved to proceed in the interim, namely the preparation of: (i) an investor tracking survey, (ii) investor promotional material, (iii) an investor road map, have now commenced. Furthermore preparatory work for the development of a business plan for the MITC, is underway.</li> <li>- <b>Public Private Partnership (PPP) Framework (US\$1.8 million).</b> Efforts to support PPP projects continue, but substantive implementation still awaits the Cabinet approval of the policy framework and Parliament’s enactment of the PPP Bill. Meanwhile a Senior Public Private Partnership Advisor was recruited to provide the much needed expertise in PPP transactions.</li> <li>- <b>Ministry of Industry and Trade PSD Department (US\$1.0 million).</b> The Private Sector Department at the MoIT has made significant progress in efforts to promote policy reform relevant to the private sector including a PSD Policy and Strategy which has been finalized and whose Cabinet paper has been prepared. Furthermore the Ministry’s Doing Business Unit in collaboration with World Bank’s Doing Business Unit has actively engaged stakeholders in advancing work that is intended in improving some selected doing business indicators.</li> <li>- <b>Public Private Dialogue (US\$0.9 million).</b> The component on supporting a Sustainable Framework for Public-Private Dialogue led by the MCCI continues to make satisfactory progress through regular consultative meetings and follow-ups.</li> </ul> </li>   <li>• <b>Access to finance &amp; productivity (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- <b>Sustainable SME Investment Fund (US\$0.6 million).</b> No progress (To be</li> </ul> </li> </ul>
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	<p>discontinued).</p> <ul style="list-style-type: none"><li>- <b>Business Growth Scheme (US\$3.2 million).</b> The Business Growth Scheme (BUGS) continues to make progress in its provision of services to Small and Medium Enterprises (SMEs) in the whole country. By September 2010, 951 firms had inquired for BUGS assistance, and 421 diagnostic visits had led to 735 assistance agreements being signed.</li><li>- <b>Merger of MRFC &amp; MSB (US\$0.8 million).</b> No progress (To be discontinued).</li></ul> <ul style="list-style-type: none"><li>• <b>Capacity Building and Implementation (US\$2.9 million).</b> All fiduciary functions related to the project have been rated as satisfactory and the Project Implementation Unit (PIU) is performing well.</li></ul>
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## Annex 3: Summary of Proposed BESTAP Restructuring

	CURRENT	PROPOSED CHANGE
<b>Project Development Objective</b>	To support capacity development and investment climate reforms in order to accelerate economic growth.	To improve the ease of doing business processes in Malawi
<b>Project Outcome Indicator</b>	<ul style="list-style-type: none"> <li>• Cost to formally start a business is reduced from 134.7 percent to 70 percent of GNI per capita by the end of the project</li> <li>• Turnover in firms accessing BUGS grows 20 percent faster than control group.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost to formally start a business is reduced from 215.7% to 70 % of GNI per capita by 2012</li> </ul>
<b>Project components</b>	<ul style="list-style-type: none"> <li>• <b>Property rights Institutions &amp; business facilitation (US\$4.3 million)</b> <ul style="list-style-type: none"> <li>- Streamlining business environ (US\$1.1 million)</li> <li>- Access to commercial justice (US\$1.3 million)</li> <li>- Business Registry (US\$0.85 million)</li> <li>- Land Registry (US\$1.85 million)</li> </ul> </li> <li>• <b>PSD support institutions and services (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- One-Stop-trade centre (US\$0.9 million)</li> <li>- PPP Framework (US\$1.8 million)</li> <li>- MoIT PSD Department (US\$1.0 million)</li> <li>- PP Dialogue (US\$0.9 million)</li> </ul> </li> <li>• <b>Access to finance &amp; productivity (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- <u>Sustainable SME Investment Fund (US\$0.6 million)</u></li> <li>- Business Growth Scheme (US\$3.2 million)</li> <li>- <u>Merger of MRFC &amp; MSB (US\$0.8 million)</u></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Property rights Institutions &amp; business facilitation (US\$5.7 million)</b> <ul style="list-style-type: none"> <li>- Streamlining business environment, including review of companies Act (US\$1.5m, <u>this includes additional US\$ .4m for review of Companies Act</u>)</li> <li>- Access to commercial justice (US\$1.3 million)</li> <li>- Business Registry (US\$0.85 million)</li> <li>- Land Registry (US\$1.85 million)</li> <li>- <u>Business residency Permits/TEPs (US\$1.0 million)</u></li> </ul> </li> <li>• <b>PSD support institutions and services (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- One-Stop-trade centre (US\$0.9 million)</li> <li>- PPP Framework (US\$1.8 million)</li> <li>- MoIT PSD Department (US\$1.0 million)</li> <li>- PP Dialogue (US\$0.9 million)</li> </ul> </li> <li>• <b>Improving MSME productivity and capacity (US\$4.6 million)</b> <ul style="list-style-type: none"> <li>- Business Growth Scheme (US\$3.2 million)</li> </ul> </li> </ul>

	CURRENT	PROPOSED CHANGE
	<ul style="list-style-type: none"> <li>• <b>Capacity Building and Implementation (US\$2.9 M)</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capacity Building and Implementation (US\$2.9 million)</b></li> </ul>
Results Framework	<p><b>Component 1 Property rights institutions &amp; business facilitation</b></p> <ul style="list-style-type: none"> <li>- Legislative backlog of laws impacting cost of doing business reduced from 40 to 22 bills by midterm review and cleared by end of project.</li> <li>- Time to settle commercial disputes reduced from 337 to less than 180 calendar days by end of project.</li> <li>- <u>Time to formally start a business reduced from 37 to 10 calendar days by end of project.</u></li> <li>- Time to register property title reduced from 118 to less than 60 calendar days by end of project</li> </ul> <p><b>Component 2 PSD support institutions and services</b></p> <ul style="list-style-type: none"> <li>- <u>Time to obtain necessary licenses and permits reduced from 185 calendar days to 30 by end of project.</u></li> </ul> <p><b>Component 3. Access to Finance and Productivity</b></p> <ul style="list-style-type: none"> <li>- <u>No. of SME Start ups accessing the fund increased from 0 to 200 by the end of the project</u></li> <li>- Turnover in firms accessing BUGS grows 20 percent faster than control group</li> </ul>	<p><b>Component 1 Property rights insts &amp; business facilitation</b></p> <ul style="list-style-type: none"> <li>- <u>The number of laws impacting on the cost of Doing Business that are revised, drafted and submitted to Cabinet, reduced from 34 to 22 by mid-term, and cleared by 2012.</u></li> <li>- Time to settle commercial disputes reduced from 337 to less than 180 calendar days by end of project.</li> <li>- <u>An automated business registry database at the Registrar General's Office established and operational by 2012.</u></li> <li>- Time to register property title reduced from 118 to less than 60 calendar days by end of project</li> </ul> <p><b>Component 2 PSD support institutions and services</b></p> <ul style="list-style-type: none"> <li>- <u>No. of achieved reforms on Ease of Doing Business improved from the current 2 reforms per year to at least 3 reforms every year until 2012</u></li> <li>- <u>Time taken to process business permits reduced from 40 to 20 days</u></li> </ul> <p><b>Component 3. Productivity of SMEs</b></p> <ul style="list-style-type: none"> <li>-Turnover in firms accessing BUGS grows 20 percent faster than average rate of non-supported firms by 2012.</li> </ul>

## Annex 4: Indicative Budget Estimates for New or Amended Sub-Components

Sub-Component	Activity	Estimated Cost	
<b>Reforming the Department of Immigration's business permit issuance system</b>	Develop a comprehensive needs assessment on the requirements for the new BRP and TEP database. Also, review the procedures and conditions required to obtain these permits. Consultant required.	\$170,000	
	Sensitisation and consensus building workshops and meetings	\$30,000	
	Design of IT system	\$150,000	
	Develop a new procedures manual and explicit criteria for accessing BRPs and TEPs. Includes public sensitisation initiatives.	\$50,000	
	Procurement of hardware and peripherals	\$600,000	
	<b>TOTAL</b>		<b>\$1,000,000</b>
<b>Companies Act</b>	Consultations and steering committee meetings	\$20,000	
	Consultancy to develop technical discussion paper on core company law	\$150,000	
	Consultancy to develop technical discussion paper on insolvency law review	\$150,000	
	Technical Working Group meetings	\$60,000	
	Preparation of secondary legislation	\$20,000	
<b>TOTAL</b>		<b>\$400,000</b>	
<b>Establish a one-stop-shop<sup>2</sup></b>	Develop a MITC Business Plan	-\$45,000	
	Develop a new Investment Law	\$25,000	
	Sensitisation and consensus building meetings on the One-Stop-Shop	\$20,000	
<b>TOTAL</b>		<b>\$0</b>	

<sup>2</sup> No net change in funding for this component

### Annex 5: Reallocation of contingency funds

1	Description		Expenditure as of 27 September 2010	PAD Allocation	Proposed Revised Allocation	EC	IDA	
			US\$	US\$	US\$	US\$	US\$	SDR
1	Goods							
		a. Component 1	323, 816.17	902,400.00	2,667,400.00	1,904,340.00	763,060.00	508,706.67
		b. Component 2	448, 227.72	646,700.00	840,700.00	0.00	840,700.00	560,466.67
		c. Component 3	192, 183..46	0.00	0.00	0.00	0.00	0.00
		d. Component 4	431, 363.75	401,300.00	351,300.00	0.00	351,300.00	234,200.00
		<b>1,395,591.10</b>	<b>1,950,400.00</b>	<b>3,859,400.00</b>	<b>1,904,340.00</b>	<b>1,955,060.00</b>	<b>1,303,373.33</b>	
2	Works							
		a. Component 1	0.00			0.00	0.00	0.00
		b. Component 2	0.00			0.00	0.00	0.00
		c. Component 3	0.00			0.00	0.00	0.00
		d. Component 4	0.00	49,500.00	49,500.00	0.00	49,500.00	33,000.00
		<b>0.00</b>	<b>49,500.00</b>	<b>49,500.00</b>	<b>0.00</b>	<b>49,500.00</b>	<b>33,000.00</b>	
3	Consultancy Services							
		a. Component 1	2,066,903.70	3,347,600.00	3,899,600.00	1,795,660.00	2,103,940.00	1,402,626.67
		b. Component 2	2,384,294.40	3,918,600.00	3,941,600.00	0.00	3,941,600.00	2,627,733.33
		c. Component 3	783,845.75	2,316,000.00	1,016,000.00	0.00	1,016,000.00	677,333.33
		d. Component 4	2,117,930.75	2,013,000.00	2,555,600.00	0.00	2,555,600.00	1,703,733.33
		<b>7,352,974.60</b>	<b>11,595,200.00</b>	<b>11,412,800.00</b>	<b>1,795,660.00</b>	<b>9,617,140.00</b>	<b>6,411,426.67</b>	
4	(a) Matching Grants under Part C.2 of the Project							
		a. Component 1	0.00	0.00	0.00	0.00	0.00	0.00
		b. Component 2	0.00			0.00	0.00	0.00
		c. Component 3	606, 588.64	2,000,000.00	2,000,000.00	0.00	2,000,000.00	1,333,333.33
		d. Component 4	0.00	0.00	0.00	0.00	0.00	0.00
		<b>606, 588.64</b>	<b>2,000,000.00</b>	<b>2,000,000.00</b>	<b>0.00</b>	<b>2,000,000.00</b>	<b>1,333,333.33</b>	

	(b) Operating Costs and goods under Part C.2 of the Project	a. Component 1					0.00	0.00	0.00
		b. Component 2					0.00	0.00	0.00
		c. Component 3	461,654.21	283,900.00	693,900.00	0.00	693,900.00	462,600.00	
		d. Component 4					0.00	0.00	0.00
				<b>461,654.21</b>	<b>283,900.00</b>	<b>693,900.00</b>	<b>0.00</b>	<b>693,900.00</b>	<b>462,600.00</b>
5	Operating Costs								
	a. Component 1	0.00				0.00	0.00	0.00	
	b. Component 2	11, 207.91	35,000.00	35,000.00	0.00	35,000.00	23,333.33		
	c. Component 3				0.00	0.00	0.00		
	d. Component 4	600, 111.82	436,800.00	649,400.00	0.00	649,400.00	432,933.33		
		<b>611, 319.73</b>	<b>471,800.00</b>	<b>684,400.00</b>	<b>0.00</b>	<b>684,400.00</b>	<b>456,266.67</b>		
6	Unallocated								
		0.00	2,349,200.00	0.00	0.00	0.00	0.00		
	<b>Totals</b>	<b>10,428,128.28</b>	<b>18,700,000.00</b>	<b>18,700,000.00</b>	<b>3,700,000.00</b>	<b>15,000,000.00</b>	<b>10,000,000.00</b>		

## Annex 6: Revised Disbursement Schedule

		EC (current)	EC (restructuring)	IDA (current)		IDA (proposed figures for restructuring)	
		US\$	US\$	US\$	SDR	US\$	SDR
1	Goods	0	0	870,000	580,000	1,890,000	1,260,000
2	Works	0	0	50,000	30,000	40,000	30,000
3	Consultancy Services	0	0	4,820,000	3,220,000	5,400,000	3,600,000
4	(a) Matching Grants under Part C.2 of the Project	0	0	1,600,000	1,070,000	1,950,000	1,300,000
	(b) Operating Costs and goods under Part C.2 of the Project	0	0	960,000	640,000	690,000	460,000
5	Operating Costs	150,000	150,000	530,000	350,000	680,000	450,000
6	Goods, Consultants Services, Training and Workshops under Part A of the Project*	3,550,000	3,550,000	4,250,000	2,830,000	4,350,000	2,900,000
7	Unallocated	0	0	1,920,000	1,280,000	0	0
	<b>Totals</b>	<b>3,700,000</b>	<b>3,700,000</b>	<b>15,000,000</b>	<b>10,000,000</b>	<b>15,000,000</b>	<b>10,000,000</b>

\*There will be no further disbursement from this category after the signing of the amended financing agreement until IDA notifies the Recipient that the EC funds have been fully utilized.

# Annex 7: Revised BESTAP Implementation Plan

MINISTRY OF INDUSTRY AND TRADE  
 BUSINESS ENVIRONMENT STRENGTHENING TECHNICAL ASSISTANCE PROJECT (BESTAP)  
 REVISED IMPLEMENTATION SCHEDULE

Code	Activity	Detailed Tasks	Expected Duration in Days	Start Date	Finish Date	Time Frame																
						2008				2009				2010				2011				2012
						Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	<b>Improving economic governance, property rights institutions and business facilitation</b>																					
1.1	<b>Streamlining the regulatory environment for business</b>																					
a	Prioritize Economic Laws for Revision		Done																			
b	Hiring two legal draftspersons in the Moj dedicated to working on legislation drafting that has a demonstrable impact on the costs of doing business		Done, only one recruited; position may be reviewed depending on progress	Jun-09	Jul-11																	
c	Drafting of Revised and New Economic Laws		24 Months	Jul-09	Jul-11																	
d	Conduct ICT (including Training) Needs assessment for Moj Staff		Done	Done	Done																	
e	Procurement of ICT Equipment to Strengthen Legislative Drafting Capacity		129	1/Jan/10	30/Jun/10																	
f	Organise sensitization workshops on the legislative reform program for economic laws		On going, as and when required	15/Jan/10	31/Dec/11																	
g	Short term training		Ongoing	1/Jun/07	30/Jun/12																	
h	Study tours and attachments		Ongoing	1/Jun/07	30/Jun/12																	
i	Develop quarterly, semi- annual and annual reports		Ongoing	1/Jun/07	31/Dec/12																	
1.2	<b>Improving access to commercial justice</b>																					
a	Procurement and installation of information systems for efficient court management and alternative dispute resolution services			1/May/09	1/Aug/10																	
b	Procurement of a lorry for Enforcement of Judgements																					
c	Procurement of furniture for Lilongwe Commercial Court																					
d	Procurement of vehicle for Lilongwe Commercial Court																					
e	Launch & court user workshops including private sector training on rules and procedures of the court		On going	1/Oct/09	30/Jun/12																	
f	Development a communications strategy and production of information education and communication materials																					
f	Attachment for Judges and Registrars, Study tours outside the region and within the Region, and short term courses for Judicial staff and support staff		On going	1/Jan/08	31/Dec/11																	
g	Produce progress reports, quarterly, semi annual and annual		On going	1/Jan/08	31/Dec/12																	







## Annex 8: Critical Risks

Risk	Risk Mitigation Measures	Current update on Risk
<p><b>Sustainability Risk</b> A change in government would be a risk if it resulted in a departure from current thinking on the role of the private sector in driving economic growth.</p>	<p>This risk is mitigated by ensuring that ownership and understanding of the program is both broad and deep throughout the civil service, and therefore able to withstand changes in political leadership</p>	<p>Elections were held in May 2009 which was handsomely won by the incumbent President and his party. The term of this government will exceed the expected length of the project thus substantially reducing the risk of a change in government.</p>
<p><b>Macroeconomic/ Loss of fiscal discipline:</b> Macro stability is a pre-requisite for sustainable private sector development. Hence ensuring that Malawi's achievements in this regard are maintained is essential to the success of the program</p>	<p>Credibility of the current Government is closely linked to the maintenance of macro stability and an important element of the program will be mainstreaming PSD issues across Government and society, especially the importance of low and stable interest rates and inflation for private sector investment.</p>	<p>The recently elected government has retained its policies that were in place when the project was designed and approved. The level of risk associated with this project remains the same.</p>
<p><b>Staff turnover in government</b> Staff attrition in Government, not least as a result of Malawi's HIV/AIDS epidemic, is a constant challenge for building and maintaining capacity.</p>	<p>In order to address this challenge, staff at all levels, across departments within MITPSD and other key institutions were involved early during project design, appraisal and implementation.</p>	<p>There has been no significant turnover in the staff in the project implementation unit, and the staff associated with the project at the Ministry of Trade and Industry since the project was declared effective.</p>
<p><b>Governance/financial management risk</b> Funds may not be used efficiently, or for the exclusive purposes intended. Internal audit functions and procurement procedures may be weak, thus jeopardizing project expected outcomes</p>	<p>The use of financial management and procurement staff from the terminating Privatization and Utility Reform Project and regular supervision mission will ensure efficient financial management from the outset.</p>	<p>The projects financial management arrangement remains sound. All the project audits since the project was declared effective have been satisfactory. The same financial management arrangements remain in place.</p>

