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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
BUSINESS ENVIRONMENT STRENGTHENING TECHNICAL ASSISTANCE
(BESTAP) PROJECT
GRANT

May 24, 2007

TO THE
GOVERNMENT OF MALAWI

JUNE 22, 2012

Extension of Trust Fund Closing Date and Administrative Agreement Completion Date

MALAWI — BUSINESS ENVIRONMENT STRENGTHENING TECHNICAL ASSISTANCE PROJECT (BESTAP) P103773

TF070797/091620

Restructuring Paper

1. The closing date for *Trust Fund TF091620* will be extended from December 31, 2011 until June 30, 2012 and the Completion Date of the Administration Agreement for this Trust Fund will be extended from June 30, 2012 to December 31, 2012. This Trust *co-financed the Malawi, Business environment Strengthening Technical Assistance Project (P103773)*.
2. The Project, a US\$ 18.7 million Sector Investment Loan of which US\$ 3.7 million (i.e., EURO 2.8 million based on current Bank exchange rate) is financed by the EU Trust Fund, TF 091620, was approved on May 24, 2007 and has a closing date of December 31, 2012. The Trust Fund was approved on April 28, 2011. Please note the Data Sheet shows US\$ 3.7 million while the ISR shows an amount of US\$ 3.94 million as the amount of the Trust Fund. This is due to the exchange rate fluctuation of the original EURO 2.8 million. The Project Development Objective is to improve the ease of doing business processes in Malawi in order to increase foreign and domestic private sector investment in the economy. The project has the following components: a) Strengthening private property rights institutions and business facilitation; b) Strengthening PSD support institutions and services; c) Promoting access to finance and productivity enhancement; and d) Capacity building & implementation support.
3. Results achieved to date - Reduction in: (a) Costs to formally start a business from 134.7% to 108.4% ; b) Legislative backlog of laws impacting costs of doing business, from 40 to 11 Bills; c) Time to settle disputes, from 337 to 96 days; d) Time to register property title, from 118 to 49 days. Growth of turnover of firms accessing Business Growth Scheme is currently being assessed through a survey.
4. Project performance is currently rated Satisfactory for IP and Satisfactory for DO. The project is fully disbursed with cumulative disbursements now stand at US\$ 15.44 million (*of the Loan of US\$ 15.0 million*) and at US\$ 2.3 million (*of the Trust Fund of US\$ 3.7*).

5. The Administration Agreement with the EU commenced in 2008, one year after the approval of the project and a completion date (the date by which all grant funds would be fully disbursed) of June 30,2012 was established.
6. Under the auspices of this AA, a Trust Fund was established, with a Closing Date of December 31, 2011. This Closing date was established according to the World Bank's internal rules and procedures for Recipient Executed Trust Funds, which required a 4-month grace period to be provided for submission of withdrawal applications (in effect, by end-April, 2012), allowing another 2 months for CTR to complete all financial closure procedures, prior to the Completion date (i.e. June 30, 2012) of the Administration Agreement.
7. Although all EU funds under the grant were committed and contracts signed prior to December 31, 2011, differences in interpretation between the EU and the Association as regards Completion date of the AA (and relevant procedures thereof), gave rise to some confusion. As per EU procedures the Bank can continue to disburse for six months after the Completion date of the AA; i.e. until December 31, 2012, whereas according to World Bank procedures, disbursements must be completed within the 4-month grace period after the Closing date of the TF. Clarity on the necessity of meeting the grace period requirement did not emerge soon enough to prevent a default on the end-April disbursement deadline leading to outstanding payments due on three major ICT contracts (to a value of \$2.7 million) as well as a consultancy on the review of the Companies Act, all of which were properly signed prior to the end-December 2011 closing date. All of these contracts are integral to the satisfactory completion of the project and its Development Objectives.
8. To remedy this, it is necessary to amend the Administration Agreement to extend its completion date to December 31, 2012, and to retroactively extend the TF Closing Date to June 30, 2012. The extension of the AA Completion Date will be aligned with the closing date of the project itself. This would allow sufficient time for the outstanding disbursements to be completed, and for the project's Development Objectives to be fully achieved by closure. This will be the 2nd extension of the trust fund.

ACTION PLAN FOR THE IMPLEMENTATION OF ONGOING CONTRACTS

Item	Description	Status
1.	Supply, Delivery and Installation of a Title and Deeds Registration System	Contract was signed on 14 December, 2011. The supplier has already delivered most of the hardware. The software is under development and will be delivered and installed by 25 June, 2012.
2.	Supply, Delivery and Installation of a Case Management System	Contract was signed on 29 December, 2011. The development of the software is done and the hardware will be delivered and installed by 27 June, 2012.
3.	Supply, Delivery, Installation and Commissioning of an Integrated Business Registration System	Contract was signed on 20 December, 2011. The development of the software is done and the hardware will be delivered and installed by 27 June, 2012.
4.	Review of the Malawi Companies Act	Contract was signed in 29 December, 2011. The interim report has already been delivered and final report will be delivered by 26 June, 2012.