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This action is funded by the European Union

## ANNEX

of the Commission Decision on the financing of the Annual Action Programme 2019 in favour of the Republic of Malawi

### Action Document for the 'Zantchito - Skills for Jobs' Programme

<b>1. Title/basic act/ CRIS number</b>	Skills for Jobs Programme CRIS number: MW/FED/041-797 financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/ location</b>	Southern Africa, Malawi  The action shall be carried out at the following location: across the whole of Malawi	
<b>3. Programming document</b>	National Indicative Programme (NIP) 2014-2020 for Malawi	
<b>4. Sustainable Development Goals (SDGs)</b>	Main SDGs: SDG 4 - Quality Education, in particular target 4.4 'substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship' and SDG 8 - Decent Work and Economic Growth - 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. Other significant SDG: SDG 5 – Gender Equality - 'Achieve gender equality and empower women and girls'.	
<b>5. Sector of concentration/ thematic area</b>	Focal Sector 3 – Secondary Education and Vocational Education and Training	DEV. Assistance: YES <sup>1</sup>
<b>6. Amounts concerned</b>	Total estimated cost: EUR 55 000 000 Total amount of EDF contribution <b>EUR 55 000 000</b>	
<b>7. Aid modality and implementation modalities</b>	Project Modality <b>Direct management</b> through: - Grants - Procurements <b>Indirect management:</b> - with the National Authorising Officer (NAO) Support Unit Malawi - with an International Organisation	

<sup>1</sup> Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective;

<b>8 a) DAC codes</b>	11330 Vocational Education and Training 32130 SME Development 25010 Business Services			
<b>b) Main Delivery Channel</b>	EU Delegation / NAO			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	NA			

## SUMMARY

Through a comprehensive approach, the action aims at satisfying the economy's need for skilled professionals and providing decent jobs and self-employment opportunities for young technical and vocational education and training (TVET) graduates and entrepreneurs, in particular women. Through this action, the rights to work, education, equal treatment of women and men and non-discrimination will be promoted. Decent jobs should provide an adequate standard of living in terms of health, well-being and dignity for the workers and their families, therefore contributing to peace, development and human rights.

Departing from the identified needs and opportunities of the Malawian labour market, the action will have two main pillars alongside a continuum of skills, entrepreneurship and access to finance.

Firstly, the action will increase the capacity of the duty bearers - namely the state - to promote the right to work and provide technical and professional education, specifically in the TVET sector, through the expansion and improvement of equitable, safe and gender-balanced vocational education and training (VET). Secondly, the action will create a framework that can support and

accompany TVET graduates and other youth, in particular women, to successfully start their own businesses, through tailored pre-incubation, incubation and post-incubation services, including access to seed financing.

This action is thereby fully aligned to the new Africa-Europe Alliance for Sustainable Investment and Jobs<sup>2</sup>, in particular the following areas:

(i) Investing in people by investing in education and skills, in particular on TVET and entrepreneurship. Most of the interventions in this area will complement activities already started under the Skills and Technical Education Programme (STEP) programme: expanding existing TVET institutions with additional infrastructure and equipment, continuing to invest in technical instructor training, implementation of a market information system, enhancement of attachment opportunities for students and instructors with the industry, and continuing support to the Ministry of Labour.

(ii) Business environment and investment climate: with business skills virtually absent amongst the youth and a limited supply of Business Development Services (BDS), this action envisages building the pipeline of future entrepreneurs, including TVET graduates that have benefited from EU investments in the sector. The action will develop the supporting ecosystem of Business Incubators and BDS providers, which cater in particular to the needs of the youth and female TVET graduates and entrepreneurs, including a key dimension of access to seed financing. The programme will support and accompany beneficiaries from the improvement of their skills and early stages of the entrepreneurial journey, through the development of the idea, incubation and post-incubation period.

In addition to the new Africa-Europe Alliance, the action is also relevant for the United Nations (UN) 2030 Agenda for Sustainable Development, as it contributes primarily to the progressive achievement of Sustainable Development Goals (SDGs) 8, 4 and 5. It is also aligned to the new European Consensus on Development<sup>3</sup>, notably under the theme Prosperity – Inclusive and Sustainable Growth and Jobs.

## **1 CONTEXT ANALYSIS**

### **1.1 Context description**

Malawi is a low-income country with a population of approximately 17.5 million and persistent poverty and underemployment. Humanitarian crises happen regularly due to a combination of unfavourable policies, climate change and rapid population growth. Fertility rates are among the highest in the world with about 5 children per women. 51% of Malawians are 18 years or younger according to the last census (2018).

Progress in social and human development, as well as important economic and structural reforms to sustain its economic growth rates, has been made over the last decade. Nevertheless, poverty remains widespread and the economy is undiversified and vulnerable to external and natural shocks. The country's natural resources are underused or used in a non-sustainable way and Malawi attracts limited foreign investment. The country still faces serious challenges with regard to, among others, education, training, private sector growth, and employment as a result of systemic and structural shortcomings in the country.

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<sup>2</sup> COM(2018) 643 final of 12.9.2018.

<sup>3</sup> OJ C 210 of 30.6.2017.

After a period of high fiscal deficits and high inflation, Malawi has shown over the past two years that it could regain macroeconomic stability, reflecting in a stable currency, falling inflation and controlled fiscal deficits. This was achieved with the support of two IMF programmes, on and off track. Public debt remains at moderate risk of distress, although it displays a rising trend. Interest rate payments eat up nearly a third of the budget.

The Malawian market is small, the population has limited purchasing power and regional integration is not yet sufficiently developed. Agriculture is hampered by low productivity and uncondusive policies. Small and Medium Enterprises (SMEs) make up approximatively 1.7 million people or 38% of the working age population. At the same time, Malawi's private sector is still developing and is characterised by a high level of informality (the informal economy accounts for over 4 million jobs against 500 000 formal jobs). The informal economy is characterised by insecurity, lack of an adequate wage or social protection and unfulfilled rights at work.

The Technical, Entrepreneurial and Vocational Education and Training (TEVET) sector is currently not producing enough graduates to meet labour market demand nor do the graduates have the skills required by industry. There is a lot of demand from industry for skilled labour, especially in the construction sector, but the quality and relevance of the current TVET training, although it has improved recently through STEP interventions, still needs support to live up to industry requirements. The overall management of the TEVET sector remains very weak and there are still issues with regard to quality and relevance of the training provided. At the same time, the system does not equip the TEVET graduates with the competences required to start their own entrepreneurship ventures, and both the formal and informal TEVET training systems are biased in favour of men.

There are important options for self employment within the construction sector but access to financing remains the biggest challenges for start-ups. It is therefore crucial to provide TVET graduates with not only technical skills but also the technical and financial support, and management skills necessary to start their own businesses. Self-employment is a good option for many unemployed youth and TVET graduates are the best placed to pursue this avenue. With business skills virtually absent amongst the youth and a limited supply of business development services, it is necessary to strengthen entrepreneurship support, in particular focusing on the needs of the youth and female entrepreneurs.

There is a 'missing middle' between the larger multinationals and huge number of Micro, Small and Medium-sized Enterprises (MSMEs) and informal enterprises. As such, larger companies cannot find middle level companies to ably provide them with goods and services that meet their requirements in terms of quantity, quality and consistency. On the other side, MSMEs lack the necessary technical and financial support to grow their businesses to levels that would render them dependable players in the value chain. There is a demand from larger companies for services and supplies (e.g. primary agricultural products for the case of agro-processing larger companies) and that should ideally be provided by MSMEs. However, these are not always adequately supplied and when provided, often fail to meet the requirements in terms of quantity, quality/standards, and consistency. This is attributed to a lack of requisite skills and technical and financial support in the MSMEs needed to help their businesses be valuable players in their respective value chains. The programme should therefore be able to support these MSMEs grow, engage with larger companies and move up the ladder from being merely small players and thereby provide the requisite supplies and services.

## 1.2 Policy Framework (Global, EU)

This action contributes to the 2030 Agenda for Sustainable Development as it focuses on the progressive achievement of Sustainable Development Goal (SDG) 8 (Decent Work and Economic Growth) and SDG 4, in particular target 4.4 (substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship). The action applies the rights based approach (RBA) and contributes to the GAP II, especially objective 14 ('Access to decent work for women of all ages') and SDG 12, by promoting sustainability and circularity of the construction sector.

The Action is aligned to the new European Consensus on Development, notably under the theme Prosperity – Inclusive and Sustainable Growth and Jobs. The action is also fully in line with the Jobs and Growth Compact for Malawi and the new Africa-Europe Alliance for Sustainable Investment and Jobs, in particular with regard to the priorities on (i) investing in people by investing in education and skills, and (ii) business environment and investment climate. These are elements to the employment strategy complementing the investment and trade regime.

The action is aligned with the 11<sup>th</sup> EDF National Indicative Programme for Malawi (2014-2020) and is part of the Focal Sector 3 – Secondary Education and Vocational Education and Training.

The action promotes the right to work, the right to education (technical and professional), the equal treatment of women and men and non-discrimination, in line with the Government's international human rights commitments, and specifically, the International Convention on Economic, Social and Cultural Rights, the Convention on the Elimination of all Forms of Discrimination against Women and relevant ILO conventions and core labour standards, while noting Malawi is not a party to ILO Convention No. 122, the Employment Policy Convention.

Employment generation in specific employment sectors can promote a range of rights, stimulating development and social progress, such as agribusiness and the right to food, nutrition and health; construction and the right to housing and access to services through infrastructure development; tourism and the right to cultural expression, etc.

Finally, the action is fully aligned with the EU's internal policies and EU best practices in TEVET, as expressed in the European Commission Communication COM(2012)669 'Rethinking Education: Investing in skills for better socio-economic outcomes'.

## 1.3 Public Policy Analysis of the partner country/region

The **Malawi Growth and Development Strategy III 2017-2022** (MGDS III) includes Education and Skills Development as one of its five priority areas. Under this priority, the Malawi Government sets out to improve access and equity in skills development training, improve productivity and quality of labour force, and increase gainful and decent employment for all. The entrepreneurship development component of the action contributes in a cross cutting way to the other priorities of the MGDS III. The purpose of the **Revised Technical, Entrepreneurial and Vocational Education and Training Policy of 2013** is to promote the development of formal and informal skills in the public and private sectors in rural and urban areas. The policy further intends to develop an efficient and effective TEVET system that provides the economy with skilled and competitive workforce. The action also follows the **Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA) 2018-2023 Strategic Plan**, which renews its commitment to revitalise, modernise and harmonise the TEVET system in order to transform it into a key initiative for human resource capacity development in Malawi. TEVET is also included in the **National Education Sector Plan 2008-2020 (NESP)**, which highlights a number of relevant constraints to the development of the TEVET sector. The action is in line with the **National Employment and Labour Policy (NELP)** priorities 3) Skills Development and Labour Productivity; 4) Private Sector Growth and Employment; and 5) Improving Informal

Sector, Micro, Small and Medium Scale Enterprises. It is furthermore aligned with the **Micro, Small and Medium Enterprise (MSME) policy**, which seeks to create a modern and effective framework for a vibrant, competitive and sustainable MSMEs sector in Malawi. It is also in line with the country's National Export Strategy (NES 2013-2018) priorities to develop an environment conducive to economic competitiveness and economic empowerment of youth, women, farmers and MSMEs; to promote Supportive Economic Institutions to Build the Productive Base; and to strengthen Competencies, Skills and Knowledge. The NES is currently under review for a formulation of a successor export strategy. It is expected that the successor strategy will broadly maintain the current priorities.

#### **1.4 Stakeholder analysis**

The action will involve a wide range of stakeholders. All these stakeholders, duty bearers and rights holders alike have been involved in the formulation of this programme. The state sector duty bearers were particularly instrumental in indentifying policy related areas requiring intervention and support, while private sector and non-state actors were important in identifying the real challenges faced by entrepreneurs on the ground. Finally, the rights holders themselves helped to provide more information regarding their needs for successful business ventures.

On the Government side, the main stakeholders are the following:

The **Ministry of Labour, Youth, Sports and Manpower Development** provides oversight to policy implementation of the TEVET sector, coordinating Development Partner support to the TEVET sector, planning and coordinating infrastructure development, and managing public TEVET provision in the institutions under the ministry, notably through the National Technical Colleges and the Community Technical Colleges.

The **Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)** has the responsibility for regulating, facilitating and promoting TEVET in Malawi. TEVETA is funded by employers through the TEVET Levy of 1% of basic annual payroll and currently there are two representatives of private employers on the Board, representing 12.5% of the Board. Under the current STEP programme, a reform of the management of TEVETA is being proposed which would include having a majority of board members from the private sector. TEVETA has been a driving force in TEVET training. It has introduced a system aimed at enhancing quality (accreditation and certification of TEVET institutions, and assessment and awarding of certificates), initiated a Competency-Based Education and Training (CBET) approach, provided in-service skills training for the private sector, revised and developed new curricula, and implemented skills training to unemployed and persons living in vulnerable situation through rural outreach programmes.

#### **State sector (duty bearers):**

The **Ministry of Education, Science and Technology** has the lead in design, implementation and follow-up of the National Education Sector Plan (NESP), in which the TEVET sector is included. However, the Ministry of Labour and TEVETA are not participating consistently in the NESP policy dialogue. The **Malawi Polytechnic** operates under this Ministry.

The **Ministry of Industry, Trade and Tourism** is responsible for providing oversight to policy implementation, coordinating DP support to the Trade, Industry and Private Sector Development. The ministry is the policy holder for entrepreneurship related laws and policies.

The **Ministry of Gender, Children, Disability and Social Welfare** is mandated to provide policy direction and lead the formulation, implementation, coordination, monitoring and evaluation of the national Gender Policy, which is the Government's gender equality programmes, projects, and activities on all levels.

The following non-governmental stakeholders will be also be associated to the action:

**Private sector/Non State Actors:**

**Industry Associations:** The Employers Consultative Association of Malawi (ECAM), the Malawi Industrial Training Association (MITA), the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) and the National Construction Industry Council (NCIC) are the key bodies representing industry interests in TEVET. Industry associations will need to feed back to the TEVET system real-time information on needed skills in the industry and emerging sectors of employment.

**MSME associations:** the Small and Medium Enterprise Development Institute (SMEDI), SME Chamber, National Association of Small and Medium Enterprises (NASME), and Small and Medium Enterprise Association (SMEA) are responsible for representing MSME interests in the country. Despite interest to engage with government on issues concerning entrepreneurship development in the country, such a dialogue platform is non-existent and the responsible associations lack the capacity to set up and manage such a platform. This programme will therefore provide such a podium, bringing together public officials, and non-state actors (NSAs), including private sector (MCCCI) to the dialogue table. These associations will be essential in bringing to the attention of the public bodies, the various challenges facing entrepreneurs and thereby guiding business environment policy discussions with government ministries.

**Business Development Service (BDS) providers and Business Incubators (BIs):** Malawi has only a few such bodies, with little capacity to support entrepreneurs. BDS in particular are largely unaffordable to business start-ups and most MSMEs in general. BIs, on the other hand, do not cater for pre-start-ups enterprises but rather focus on acceleration as opposed to incubation. As the first point of service provision to entrepreneurs, their involvement in the programme will ensure that their services in the medium to long term become more aligned to the needs of entrepreneurs at all stages of the entrepreneurship developmental path.

**Business Development Service Umbrella Body – Titukulane Trust:** newly established and registered in October 2018, is a member organisation comprising of business development service providers, incubators, training institutions, non-governmental organisations (NGOs), associations and consulting firms. The Trust seeks to promote the growth of a vibrant SME sector through resource mobilisation, advocacy and harmonisation of the business development service sector in Malawi. The body has the Ministry of Trade as an advisor to strengthen collaboration with government. Working with the umbrella body in the action will ensure sustainability of interventions beyond the lifespan of the action. As this is a relatively new body, it does not have the capacities required to be involved in the programme. However, the respective members of the body individually have the requisite capacities and experience. The programme will in its initial phases of implementation therefore work to build and strengthen the capacities of the body, to help it and its members be more organised in order to effectively deliver on their roles in the programme. Working with the body will ensure sustainability of improvements that will be effected in the Business Development Services ecosystem beyond the lifespan of the programme.

**The local banking sector and microfinance institutions:** Selected financial institutions will be involved in the action, so as to pioneer their entry into this market through a demonstration effect and ultimately enable the financial sector to develop specific instruments to cater for this market. Transparency in Malawi's financial sector is enforced by the country's central bank, through its bank supervision department.

**Private TEVET providers (including civil society organisations (CSOs) and both local and international NGOs):** these institutions will provide technical training to females and groups living in vulnerable situation through the grant window of the TVET component.

**Rights holders:**

The primary beneficiaries of the action will be the Malawi youth, with a focus on women, by giving them the skills to enter technical, entrepreneurial and vocational trades; as well as incubating them so as to make them able to launch their own entrepreneurial endeavours.

The action will have wider benefits to Malawian society through an increase in formalised MSME business ventures, enhanced government revenue collection, and a strengthened middle class.

**1.5 Priority areas for support/problem analysis**

The Malawi private sector is typical of that of a Least Developed Country. Most jobs are in the informal sector (estimated at about 90% of the total), with only a very limited yearly offering of jobs in the formal economy, of about 30-40 000. Malawi has a very young population, with 51% of Malawians being 18 years or younger according to the last census (2018). As a result, between 300 000 and 500 000 youth enter the active labour force every year with limited chances to secure decent formal employment.

These circumstances perpetuate the inter-generational poverty cycle. The youth of undeserved families will typically end up in the informal sector themselves, which in turn excludes them from the benefits of formal employment, including the possibility to access commercial lending. Furthermore, this vicious cycle has a strong gender dimension with women facing additional cultural hurdles and prejudices to access decent jobs or start their own business in traditionally male dominated trades. Such cultural hurdles and prejudices include the mindset that a woman cannot do anything significant without the support of a man, the mindset that a successful woman is successful due to promiscuous behaviours, women taking on more responsibilities towards caring for the household and children compared to men, and thereby leaving women less time to focus on their business ventures, higher illiteracy levels in women, among other factors. Providing success stories to generate a women-friendly entrepreneurial culture is thus essential as well as to raise awareness in the society with a strong focus on boys and men of the importance of rewarding women.

Malawi and the EU view the TEVET sector as a way to end this cycle. There is a strong need to improve TEVET systems and enhance access, equity, quality and the governance of the sector while seeking to match skills with the demands of the labour market. Currently employers often prefer to hire non-qualified staff and do on the job training rather than recruiting TVET graduates which are more expensive but do not have relevant skills.

At the same time, the Malawi TEVET system is relatively small and at an early stage of development. The intake capacity of existing facilities is largely insufficient to meet the demand of TEVET applicants. Another point of concern is the substantial numbers of TEVET college instructors who are currently practising without the relevant qualifications. Between 2013 and 2016, just over 40% of TEVET instructors held only a Diploma (33%) or a Certificate (10%) in Technical Education. In addition, strengthening the relationship with industry, to go beyond opportunities for internships, is identified as a necessary conceptual shift for which VET center staff and management is ill prepared.

Furthermore, a major point of concern lies in providing safe access to the TEVET system for female students. In the STEP programme, Gender Based Violence (GBV) was identified as a serious problem in technical training institutions. Activities to address this problem will continue as part of this action.

Another missing dimension of interaction with industry lies in the lack of a support system to provide mentorship services to TEVET graduates and small businesses. This is compounded by

the fragmented and subpar BDS environment resulting into a lack of access to long term and affordable BDS services to TEVET graduates and MSMEs. There is also proliferation of BDS providers, ranging from individual providers to maybe a partnership of two and this limits the level of activity they can conduct. Most of which are not themselves trained in the provision of business support services and lack the capacity to implement the services they claim to offer, which leads to second-rate support provided to entrepreneurs. Additionally, the few existing entrepreneurship education and training programmes focus too much on the training as opposed to consistent medium to long-term coaching and mentorship.

In addition, business enablers - business development services and business incubators - are generally poorly developed. Lack of entrepreneurial skills, weak culture of entrepreneurship, weak support institutions providing mentorship and entrepreneurial training, outdated policies and limited access to finance are also critical constraints for business and job creation. Access to affordable finance is particularly urgent for Malawian would-be entrepreneurs, as it is the necessary understanding by banks of this clientele. MSME owners and business start-ups including TEVET graduates are seen as too risky by a banking sector that does not have the ability to understand their business model. Notably, women and youthful entrepreneurs face more difficulties as the cultural set-up does not provide them with more chances of owning property and using it as collateral as it the case with their male counterparts.

Furthermore, despite the presence of several SME associations, there is no public-private sector dialogue forum that focusses on business environment challenges facing entrepreneurs in the country. This is partly due to lack of capacity by the associations to ably engage decision makers in government in an informed and consistent manner. As such, business regulatory bottlenecks remain unaddressed, and entrepreneurial growth stifled.

An additional area of concern is the weak entrepreneurial culture among the country's populace whereby individuals do not consider entrepreneurship as a main source of livelihood. More especially, the youth undergoing various forms of academic or tertiary education, only see their education as a means of securing an office job, and not as a means of starting their own entrepreneurship venture. There are also scenarios whereby women entrepreneurs are discouraged by their spouses as they view entrepreneurship as a potential source of conflict in marriage.

Finally, there is no proper system in place of coordination and monitoring of the TEVET sector. While TEVETA is in charge of the implementation in the sector – reporting to the Ministry of Labour – it is the Ministry of Education which is in charge of policy coordination and reporting. The lack of inter-ministerial coordination, as well as limited coordination with other TEVET providers, NGOs and the private sector, is a challenge to the governance of the sector and is highlighted by the number of parallel initiatives being implemented by a variety of different ministries.

This also applies to entrepreneurship support: there is no coordination mechanism between the Ministry of Labour and the Ministry of Industry, Trade and Tourism, particularly on ensuring that skills development is in line with industry demands, and ensuring that skills are used to create businesses and ultimately translate into job creation. Similar linkages are also very obscure with regard to the Ministry responsible for gender , children and disability affairs.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigation measures
<p><b>Resistance to change by stakeholders. Lack of coordination.</b></p> <p>The TEVET sector needs major reforms, which will place demands on personnel in terms of professional experience, commitment, and time, in a context where there are already existing signs of resistance to change.</p> <p>In the MSMEs sector, there are difficulties in coordination between policy and regulatory bodies as well as at training provider level. There is furthermore a need to create conditions for strong involvement of the private sector.</p>	M	<p>With regard to TEVET, during the initial phase of the project it is proposed to identify and agree with government of Malawi on policy and investment priorities.</p> <p>With regard to the regulatory environment, the action is perfectly aligned with the National Employment and Labour Policy (NELP) and the MSME strategy, which will provide a framework for engagement. In addition a government-led, high-level multistakeholder (including non-state actors) platform will be set up to serve as a forum to discuss proposed improvements to the legal and regulatory environment.</p>
<p><b>The management implementation capacity of the line ministries is limited.</b></p> <p>Manpower and relatively low experience levels create challenges when it comes to managing large scale time-bound assistance projects, which can result in implementation delays and does not help the Government to take the lead.</p>	H	<p>Technical and administrative support to government partners will mitigate this risk. An assessment of the project management capacity of the relevant government departments could be undertaken and capacity-building measures will be introduced.</p> <p>Strengthening the role of the private sector in the TEVETA board may help ease pressure on Government carrying the full weight of the results.</p>
<p><b>Financial institutions are unwilling to lend to the new MSMEs.</b> At the moment, young entrepreneurs and TVET graduates are perceived as not bankable. On the one side, they are too risky for the lenders, lacking assets and collateral. On the other side, entrepreneurs face a wall of high interests that quickly put them out of business.</p>	H	<p>By bringing micro-finance institutions into the fold, they will be able to develop know-how about and relationships with a new segment of clients.</p> <p>It is expected that this will open the doors for commercial lending to the most promising entrepreneurs.</p>
<p><b>Limited number of female entrepreneurs succeed.</b> Cultural practices could work against the action objectives, e.g. men not accepting that their female spouses succeed as entrepreneurs, in particular if they themselves are unemployed.</p>	M	<p>Result 8 on improving the entrepreneurship culture is specifically geared towards challenging cultural prejudice and projecting positive images.</p>

## **Assumptions**

- National and local governments are prepared to invest policy resources in the MSME sector and improve the business environment.
- Stakeholders (private sector, economic think tanks, chambers of commerce, umbrella organisations) are willing to engage in discussion with the government, the implementing agency and the EU on recommended policy measures.
- Banks develop lending windows and relationships with entrepreneurs, getting to know their 'clients' and expanding SME market penetration.
- The Government will support reform of the management of the TEVET levy, to allow more efficient use of funds and make the system more sustainable.

### **3 LESSONS LEARNT AND COMPLEMENTARITY**

#### **3.1 Lessons learnt**

This action will capitalise on the existing support to the TEVET Sector through the STEP programme and has fully taken stock of the findings of the Mid-Term Review, namely in the areas of: promote self-employment and business creation; focus infrastructure investments; develop and promote full usage of quality data sources such as Labour Management Information System (LMIS) or TEVET Management Information System; emphasise policy dialogue, focus on results, enhance coordination and policy dialogue, especially with the private sector. State budgetary resources must be foreseen to ensure sustainability, and the Ministry of Labour, Youth, Sports and Manpower Development and TEVETA will be supported to this end.

Lessons learnt from interventions in the area of MSME development highlight the importance of envisaging coaching and mentoring as a long-term endeavour (more than 1 year) and the ability of the programme to adapt assistance to evolving needs of businesses throughout their life-cycle (training, finance, etc). It has also been found that services must be well-targeted and delivery mechanisms must be timely, as delays can have a critical impact on businesses. Key lessons from the UNDP's Malawi Innovation Challenge Fund and the Growth Accelerator Market Test programme point to the fact that provision of affordable repayable financing through various means such as matching grants and repayable loans significantly de-risks the investment and increases its chances for success. There is also a growing realisation that large companies must work with the lower end of the market segment if they are to grow and deepen their product base, thus the need for the formal sector to support the growth of MSMEs in the country.

#### **3.2 Complementarity, synergy and donor coordination**

This action will capitalise on the existing support to the TEVET Sector through the STEP programme. One important lesson from previous experience is the need to support TVET graduates in the process to seek self-employment and business creation. This is linked to one of the key findings of the mid-term review (MTR) of STEP concerning the need to strengthen the focus and synergies among the components of the programme.

In relation to the infrastructure component of the project, it was concluded that the available resources had been spread too widely as 28 different TEVET institutions had been equipped with workshops. This has led to the recommendation to make the new project more focussed.

Another important finding from the MTR is that the indicators in the project log frame should be based on data sources such as Labour Management Information System (LMIS) or TEVET Management Information System. These systems are not yet operational in Malawi and the

recommendation was to help the Government of Malawi to develop and implement these systems within the context of the new action.

Furthermore, the MTR recommended that cooperation with the Government should place more emphasis on policy dialogue and results to be achieved. There should be efforts by both government and development partners to avoid duplication and rather build on results achieved and increase synergy. Inter-ministerial and stakeholder meetings are planned in the action. This will help coordinate efforts amongst the stakeholders and improve the management of the system while focusing on more active participation from the private sector.

The integration of the new activities, programmes and processes into regular Government of Malawi budgets and sector plans must be sustainable and, to that end, the Ministry of Labour, Youth, Sports and Manpower Development and TEVETA will be supported to promote this integration. In this regard, monitoring and reviewing of each component is critical to ensure that the results from these activities are durable and replicable in other institutions and programmes.

On the other side, the component on entrepreneurship is quite an innovative area of intervention as TEVET graduates and MSMEs are mainly informal actors, which are difficult to reach. This being said, there have been a number of interventions by government and other development partners, which have provided valuable lessons.

One such programme was that of the Graca Machel Foundation in Malawi. One lesson from this programme was that, whilst it equipped women with some of the necessary tools to succeed as entrepreneurs, the support received would have had to be continuous (more than the 1 year of coaching and mentoring they received) and adapt to the changing needs of new enterprises as they journeyed through the enterprise life cycle (from start-up to established business) and encountered new difficulties. The view was that many entrepreneurs did not achieve the targets envisioned because of their inability to address their evolving needs as the business grew e.g. access to finance, access to markets, and reliable BDS services. To be successful, MSME training should therefore be accompanied by mentorship and handholding over a medium to long timeframe to increase chances of business growth and success.

Another important finding from previous interventions is that many entrepreneurship development projects focus on direct delivery rather than facilitating long-term systemic change. Hence, they are not effective at improving the overall entrepreneurial ecosystem for their target groups. The Small and Medium Enterprise Development Institute (SMEDI), which implemented an entrepreneurship and matching grants programme funded by the African Development Bank (AfDB), found that beneficiaries had difficulties to grow because the training received only addressed their needs at one point in time, and new needs in terms of skills, linking to new markets and access to finance, arose downstream which heavily affected the success of their businesses.

The above mentioned Jobs for Youth programme of the African Development Bank is the only comprehensive programme that addresses multiple modes of intervention as this action. However, certain key elements of the project are not working as expected largely due to capacity shortcomings of the main implementer, the Ministry of Labour, Youth, Sports and Manpower Development, particularly with regard to entrepreneurship education and sustainable enterprise development, business incubators designs and operations. The project's financial inclusiveness component has also encountered difficulties in terms of management of the envisaged matching grant arrangements and the slow roll-out of appropriate financial instruments for the target group. The difficulties include weak assessment systems to determine qualifying candidates for business financing. This was compounded by the programme's failure to provide additional, consistent, longer-term business mentorship support and handholding to businesses that received financing and acquired equipment. Business failure was thus registered despite accessing finance and some initial business support. Ideally, the programme was designed to ensure that businesses would

buy equipment and expand. The Jobs for Youth project also faces coordination and complementarity challenges across components.

From the above experiences, it is therefore important to address the key constraints that entrepreneurs face in their entrepreneurial journey, from ideation stage to fully established stage. It is also important to identify implementing partners that have the technical capacity to understand and deliver on the objectives. Finally, the design of the seed financing and matching grant schemes will be critical to ensure it fits the needs of beneficiaries but also the interests of financial organisations in charge of implementation.

On the other hand, solar energy had a positive role in boosting SMEs, this is the case of low-tech solar tents for drying fish, solar-powered pumps for small irrigation schemes and solar energy for promoting women-led small businesses. Under this action, it is also envisaged that feasibility studies will inform the implementation of certain activities: these could cover areas such as the positioning of business incubators within TEVET centres or the most appropriate arrangements for a financing facility for MSMEs and TEVET graduates. A substantive learning agenda will also be integrated in the action implementation to ensure continuous learning and steer programme implementation.

The action is also aligned with the European External Investment Plan (EIP), for instance in terms of supporting an enabling business environment (pillar 3) more conducive to investment. It is expected that the action will contribute to the development of a strong domestic private sector, which will then be in a better position to partner with international investment efforts and meet the Sustainable Development Goals (SDGs).

## 4 DESCRIPTION OF THE ACTION

### 4.1 Overall objective, specific objectives, expected outputs and indicative activities

The **Overall Objective** (OO) of this action is to increase employability and self-employment opportunities available to young TEVET graduates and entrepreneurs, with special attention to women's needs.

The **Specific Objectives** (SO) of the action are 1) to improve the workforce qualifications and access of TEVET graduates to employment; 2) to promote entrepreneurial culture, sustainable enterprise creation and decent, formal jobs.

*The following expected outputs will be achieved under SO 1:*

1.1 Equitable, safe and gender based access to TEVET and retention is increased;

1.2 Quality and relevance of TEVET is enhanced;

1.3 Improved management and monitoring systems of the TEVET regulatory bodies and training institutions and increased dialogue with private sector.

*The following expected outputs will be achieved under SO 2:*

2.1 Pre-incubation, incubation and post incubation support to potential entrepreneurs and TEVET graduates is enhanced;

2.2 Affordable financing for TEVET graduates and potential and existing Micro and Small Enterprises during pre-incubation, incubation and post incubation support is provided;

2.3 Reforms for business enabling environment for MSMEs' entrepreneurship are supported;

2.4 Positive attitude on female entrepreneurs created and enhanced.

Under **expected output 1.1** the following main activities are envisaged: i) needs assessment of the infrastructure works necessary to complete the Community Technical Colleges (CTCs) which were established under STEP programme; ii) based on the needs assessment, the first priority is to provide infrastructure and equipment to complete the CTCs to comply with official requirements for a CTC and ensure that they are fully operational. If there are additional funds remaining, support to infrastructure development of other TEVET institutions can be considered; iii) providing guidance and counselling programmes in secondary schools to raise awareness on the advantages of technical careers; iv) providing scholarships for female and students living in vulnerable situations; v) creating awareness campaigns to promote TEVET; vi) provision of grants to private TEVET institutions, local and international NGOs and others TEVET providers to create and implement technical training programs for both formal and informal training with a main focus on women and groups living in vulnerable situations.

Under **expected output 1.2** the following main activities are envisaged: i) conduct an assessment of how instructor training in Malawi can be improved and increased based on future needs; ii) support the Government of Malawi in establishing a Technical Instructor College; iii) provision of scholarships to instructors to pursue training; iv) conduct gender-based training to both existing and new instructors; v) support the improvement of the apprenticeship scheme and facilitate instructor immersion to increase exposure to the labour market; vi) enhance instruction on transversal skills as demanded by the labour market.

Under **expected output 1.3** the following main activities are envisaged: i) support to the activation of Labour Management Information System (LMIS) and TEVET Management and Information System (TMIS); ii) support to the Ministry of Labour, Youth, Sports and Manpower Development in setting up a TEVET monitoring mechanism; iii) strengthen collaboration with and involvement of the private sector in the management and governance of the sector for example through continued support to the reform of management of the TEVET levy and by ensuring greater participation of private sector in the decision making process.

Under **expected output 2.1** the following main activities are envisaged: i) support BDS umbrella body set-up for undertaking ensuing activities listed under (ii) and (iii); ii) professionalise entrepreneurship education through the development of contextualised step-by-step process manuals on entrepreneurship support from ideation to maturity, a manual of best practices drawn from international experiences in BDS service provision, and entrepreneurship training modules and toolkits; iii) implement a standardisation of Entrepreneurship Education and Training across providers through developing a contextualised Training of Trainers curriculum/model in partnership with capacitated BDS providers and deliver Training of Trainers to additional local BDS; iv) assess capacity gaps of existing Business Incubators (BIs) and develop their ability to deliver services; v) create, where required pre-incubation / start-up service centres for urban areas, and through fabrication solutions for rural/urban areas<sup>4</sup>. and vi) develop and deliver pre-incubation, incubation and post-incubation client-driven models by conducting thorough needs assessments; designing and implementing effective mentoring programmes with strong linkages to the private sector; connecting participants with role models who will mostly be local successful entrepreneurs who also started small but have managed to grow their businesses over time; and creating a network and framework for peer-to-peer support.

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<sup>4</sup> The incubation services under (v) will be delivered in selected TEVET colleges and in existing and participating Business Incubators' office premises. However, in the event that there is need to deliver the service in areas where there are no participating Business Incubators offices or no TEVET colleges (e.g. in district townships for example), the programme will set up the incubation service centres in containerised models which will be less costly, compared to actual construction of buildings.

All activities under expected output 2.1 are to closely involve input from the industry and business associations, and are to also include aspects of requiring and facilitating formalisation of the supported entrepreneurship ventures.

Under **expected output 2.2** the following main activities are envisaged: i) develop an assessment framework for entrepreneurs' readiness to access funding; ii) fund disbursement to qualifying candidates, primarily through seed funding and concessional loans<sup>5</sup>; iii) support financial service providers to develop 'potential and existing Micro and Small Enterprises' specific products and appraisal systems including credit risk rating systems; and iv) establish a client oversight and traceability tool for monitoring the use of funds.

There will also be a substantive learning agenda under output 2.1 and 2.2 which will document key learnings for integration into future programme designs.

Under **expected output 2.3** the following main activities are envisaged: i) set-up a multi-stakeholder entrepreneurship policy dialogue forum led by the Ministry of Industry, Trade and Tourism, with the participation of the Ministry of Labour, Ministry of Gender, and the Ministry of Finance, as well as the Malawi Revenue Authority, SMEDI and any other relevant government institutions, as well as relevant Private Sector representatives and donors; ii) support relevant government departments in analysing and addressing key legal and regulatory constraints affecting small businesses; iii) support review, formulation, legislative processes and implementation of related labour rights laws.

Under **expected output 2.4** the following main activities are envisaged: i) develop and run in the media a mini-series of documentaries showcasing gender-balanced entrepreneurial role models; and ii) develop and conduct entrepreneurship pitch events to potential financiers and investors and disseminate through various media outlets.

## **4.2 Intervention logic**

The interventions under this action have been designed, on the one hand to increase the quality of and access to the TEVET system while making it more relevant and demand driven, and on the other hand, to deliver a carefully designed set of tools to the entrepreneur (TEVET graduate and entrepreneurs from disadvantaged economic conditions), such that s/he is able to be successful. This will in turn lead to empowered TEVET graduates and entrepreneurs, providing a skilled workforce and critical mass of small businesses that contributes to economic growth and supports Malawi's overall development goals.

In terms of choice of TVET trades, most promising is the construction sector because it is a key enabler for sectors identified in the National Export Strategy and the Malawi Growth and Development Strategy III, where substantial investment and growth is taking place; it has large absorption and expansion potential, including for MSMEs; valuable experience and networks have been built under STEP; and finally it is complementary to actions of other development partners. Furthermore, the project is designed to allow exploring other high potential sectors for TEVET, such as the tourism industry. To evaluate this potential, studies may be undertaken in the context of the Technical Assistance contracts that are foreseen under this action.

Establishing clear governance structures and well-defined agreements will ensure that all parties are accountable for attaining the planned results. An important element in this will be the further development and implementation of a Labour Market Information System (LMIS). This is

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<sup>5</sup> All loans provided by the programme will be concessional. However, additional concessionalities will be granted in specific circumstances, e.g. for business proposals led by women or those that deliver social benefits to their communities.

essential to give direction to policy development and to be able to determine future skills needs of the labour market. Another important aspect of improving governance of the TEVET system is sustainability: if the government supports reforms in the management of the TEVET levy system, then important efficiency gains will be obtained and the system will be more sustainable, and the private sector, who pays this levy, will be more positively engaged. This will also contribute to strengthening the feedback loop, interconnection and interdependence between TEVET and private sector.

Emphasis will also be put on ensuring private sector participation in the governance of TEVET through the TEVETA board and through the oversight mechanisms of this action. The focus from STEP on ensuring interaction with the private sector as part of the TEVET training will be maintained and even further strengthened through the link between the two components. The component on TEVET will create links to the component on entrepreneurship in particular through the training of students on relevant entrepreneurial skills and labour market information systems. Strong complementarity between the entrepreneurship component and TEVET will be also sought through the results on governance and learning, access to finance and support to incubators and BDSs which will target potential and existing Micro and Small Enterprises and TEVET graduates.

The intervention will respond to a value stack of needs model that enable an entrepreneurship venture to reach its goals, starting by the highest value which are the internal skills provided by the first component, followed by the other needs catered for by component 2 such as access to a community of entrepreneurs; business guidance; entrepreneurial learning and personal skills development; access to long-term support practitioners; access to specialists and service providers; capacity to identify and access markets; and access to finance. Entrepreneurs' business ideas/concepts and business proposals at various levels of development will be assessed by the Business Incubators prior to admission to the pre-incubation, incubation, and post-incubation support. Business Incubators and Business Development Service (BDS) providers will be enabled to play this role by capacity-building. In order to encourage formalisation of the predominantly informal MSME sector in Malawi, the programme will restrict its support to formally registered entities, while also facilitating registration of such by among others sensitising on registration processes, and through expected output 2.3 identifying and addressing bottlenecks that hinder registration and operations of small businesses.

Assuming banks respond as expected by developing lending windows and relationships with entrepreneurs, then the action will establish two or three access to finance windows covering the stages of pre-incubation, incubation and post-incubation with a progressive scheme of seed financing (small matching grants), interest-free returnable grants, and concessional lending. While recognising the difficulties of formalisation of Micro and Small Enterprises (MSEs) in least developed countries, the programme will ensure that the formalisation requirements are not too restrictive as to prevent Micro and Small Enterprises from benefiting from the access to finance facility of the programme.

Policy dialogue involving key government stakeholders, SME associations including the Malawi Confederation of Chambers of Commerce and Industry, and the SME Chamber, and other non state actors concerned with entrepreneurship related policies and laws, is an essential intervention of this action. The logic driving this intervention rests in that entrepreneurship growth is continually stifled by poorly crafted policies, limited enforcement of good policies, and lack of incentives to support growth of the MSME sector. If stakeholders (private sector, economic think tanks, chambers of commerce, umbrella organisations) are willing to engage in discussion with the government, the implementing agency and the EU on recommended policy measures, then the enabling environment for entrepreneurship growth may be improved. Also, if government works towards redressing the policy constraints and offers adequate incentives to businesses, these may

in turn be more inclined to formalise their status and grow into mid-sized companies, offering decent employment and complying with legal, regulatory and fiscal responsibilities.

There is strong recognition of lack of entrepreneurial culture in the country, coupled by restrictive negative attitudes towards women and disadvantaged groups involved in entrepreneurship ventures. The rationale for developing various media activities surrounding entrepreneurship is to showcase and communicate positive messages on entrepreneurship and the far-reaching positive contributions to an individual's life, the society and the nation as a whole. The idea is to change the mind-set of the youth from searching for employment in the corporate world, to creating successful business ventures and become employers themselves. Focus will also be on changing husbands' negative attitudes towards spouses involved in entrepreneurship, and women's self-undermining attitudes towards their entrepreneurial capabilities.

Having a 7-year action will ensure that sufficient capacity is build in all stakeholders, and linkages and synergies are consolidated.

### **4.3 Mainstreaming**

A number of cross-cutting issues are at the core of the current action, considering its inclusiveness and sustainability objectives. The action will seek to specifically target populations living in vulnerable situation, in particular women and youth.

**Gender equality and women empowerment** will not only be mainstreamed into the results areas, activities and indicators, but will also be a significant objective of the action. The action will seek in particular to support women's access to TEVET, credit and opportunities for business development. To make sure that the gender aspect remains at the forefront of the action, partnership with a non-governmental organisation dealing primarily (or solely) in gender issues may be mobilised in support. Experts in gender issues within TEVET and the entrepreneurial ecosystem will be requested as part of the implementing entity's required pool of experts during implementation.

Female students are disadvantaged both in formal as well as in informal TEVET training as many drop out of primary or secondary school with poor literacy and numeracy skills. This action will continue to enhance and extend access and retention in TEVET programmes by using guidance and counselling programmes implemented in secondary schools highlighting TEVET careers. Furthermore, the action will ensure that issues of gender based violence in technical training institutions are addressed in order to provide safe access to the female students.

**Climate change and environment** will be integrated in both specific objectives. There will be an emphasis in TEVET on environmentally-friendly techniques and trades, local materials, innovation and renewable energies. Preferential channels for supporting environmentally sustainable MSMEs will be created (clean energy, energy efficiency, waste management) and awareness will be raised about climate-resilient infrastructure and investments.

**Equity:** particular care will be taken to ensure that equity considerations are pursued especially for youth and young adults with disabilities and for people living in underserved and remote areas to ensure these can access TEVET, BDS and incubation pathways. All instructors will need to be trained in the principles of inclusive education and the provision of psycho-social support.

**Good governance:** Improved governance and management of the TEVET sector and training institutions through activities under expected output 1.3.

#### **4.4 Contribution to Sustainable Development Goals (SDGs)**

The action is relevant for the United Nations 2030 Agenda for Sustainable Development as it contributes primarily to the progressive achievement of SDG 4, in particular target 4.4 (substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship), SDG 8 on decent work and economic growth, and SDG 5 on gender equality and empowerment of women and girls.

### **5 IMPLEMENTATION**

#### **5.1 Financing agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of Malawi.

#### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 84 months from the date of where financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements.

#### **5.3 Implementation of the budget support component**

N/A

#### **5.4 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>6</sup>.

##### **5.4.1 Grants (direct management)**

###### **(a) Purpose of the grants**

The grants will contribute to achieve output 1.1 'Equitable, safe and gender based access to TEVET and retention is promoted' under SO 1 'to increase the capacity of the TEVET sector through expansion and improvement of equitable, safe and gender-balanced vocational education and training'.

###### **(b) Type of applicants targeted**

As under STEP, the types of applicants targeted will be mainly private TEVET institutions, local and international NGOs and others TEVET providers such as the grant-aided technical colleges. All applicants should either be established in Malawi or have at least one co-applicant which is established in Malawi.

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<sup>6</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

#### 5.4.2 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Studies, needs assessment, etc.	Services	3	4 <sup>th</sup> Quarter 2020

This implementation mode will be used for the procurements of a service contract for the elaboration of the infrastructure needs assessment, and for the preparation of the Bill of Quantities and technical specifications for the procurement of technical equipment (output 1.1).

#### 5.4.3 Indirect management with an International Organisation (UNDP)

A part of this action may be implemented in indirect management with the United Nations Development Programme (UNDP). This implementation entails support to entrepreneurship development under SO 2, to improve the entrepreneurship ecosystem through creation of a framework that can strengthen the capacities of key actors in the sector and improve the delivery of services to entrepreneurs. Specifically, this implementation will contribute to output 2.1 (Pre-incubation, incubation and post incubation support to potential entrepreneurs and TEVET graduates is enhanced); 2.2 (Affordable financing for TEVET graduates and MSMEs during pre-incubation, incubation and post incubation support is provided).

The entrusted entity would carry out the following budget-implementation tasks: contracting of services of a financial organisation for purposes of output 2.2, and the services of but not limited to long and short term experts, contracting studies, venues and trainers for output 2.1.

The envisaged entity has been selected using the following criteria: UNDP has experience in implementing a similar intervention which targets MSME support (the Growth Accelerator). UNDP has also been working in the Malawi's private sector development arena for a number of years, implementing activities related to policy development, private sector financing, quality and standards, and business environment and has established relationships with Business Incubators, Ministry of Industry, Trade and Tourism and other key stakeholders. This experience has a direct relevance to SO 2. For output 2.2 on the set up of three windows for the provision of affordable financing it is envisaged that UNDP will subcontract a finance institution.

In accordance with the new section on management modes of the Financial Regulation which entered into force on 1 January 2014 and introduced a new 'indirect' management, the international organisation identified above, underwent a 'reinforced' pillar assessment on the basis of the new methodology adopted by the European Commission's Directorate General for International Cooperation and Development in 2013.

#### 5.4.4 Indirect management with the partner country

The parts of this action with the objective of (i) building new structures and/or rehabilitating TEVET facilities as well as supply of equipment to increase access to the TEVET system (under output 1.1), (ii) provision of Technical Assistance to carry out activities (output 1.1, 1.2 and 1.3), (iii) on improving the overall business enabling environment for entrepreneurship, through policy dialogue, support to entrepreneurship related laws and policies, and sector specific studies (output 2.3), and (iv) on 'promoting entrepreneurship and a positive attitude towards entrepreneurship through media campaigns and a substantive learning agenda' (output 2.4), may be implemented in indirect management with the Government of Malawi (through the NAO Support Unit) according to the following modalities:

The Government of Malawi will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

The Government of Malawi shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement to be concluded with the Government of Malawi.

### 5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions:

- a) The Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures as outlined in the ACP-EU Partnership Agreement<sup>7</sup>. The supplies originating there shall also be eligible.
- b) The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.6 Indicative budget

	<b>Specific Objective, Results (Outputs)</b>	<b>EU contribution (in EUR)</b>
<b><i>Direct Management</i></b>		
5.4.1 Grants - Call for Proposals: Improved access to and quality of TEVET supported through formal and informal training	SO: 1 R: 1.1	5 000 000
5.4.3 Procurements - Service contracts e.g. for infrastructure needs assessment, preparation of bill of quantities for work and technical specifications for supplies - FWC feasibility study on improvement of instructor training facilities	SO: 1 R: 1.1 and 1.2	700 000
<b><i>5.4.4 Indirect Management with an International Organisation</i></b>	SO: 2 R: 2.1 and 2.2	13 500 000

<sup>7</sup> i.e. ACP countries.

<b>5.4.5 Indirect Management with the Partner Country</b>		
- Works and supply contract	SO: 1	22 000 000
- Service contract for supervision of works		
- Technical Assistance to support equitable access, increased quality of TEVET and improved governance and collaboration in the sector	R: 1.2, 1.3, and 2.3	8 500 000
- Service contract with a communication company	SO:2 R: 2.4	2 000 000
5. 9 Evaluations, 5.10 Audit		500 000
5.11 Communication and visibility		200 000
Contingencies		2 600 000
<b>Totals</b>		<b>55 000 000</b>

## 5.7 Organisational set-up and responsibilities

The action will have one Strategic Steering Committee (SSC) to be chaired by the Minister of Labour. In addition, recognising that each of the two components has a different Ministry in the lead and a distinct set of stakeholders, two separate Project Steering Committees (PSC) will be established for components 1 and 2. The SSC will provide strategic guidance and oversight at political level, ensuring proper synergies and coordination between the two components. The two PSCs will be responsible for the oversight of implementation, policy direction and monitoring of the action. The SSC will meet annually while the PSCs will meet at least bi-annually and more often if needed.

The chair of the PSC I will be the Ministry of Labour, Youth, Sports and Manpower Development and members will include Ministry of Education, Science and Technology, Ministry of Youth, Sports and Culture, Ministry of Finance, Ministry of Industry, Trade and Tourism, TEVETA, representatives of the private sector and of the grant holders, the NAO Support Unit and the EU Delegation.

The chair of the PSC II will be the Ministry of Industry, Trade and Tourism, and will include Ministry of Labour, Youth, Sports and Manpower Development, Ministry of Finance, representatives of the private sector, the NAO Support Unit and the EU Delegation.

In addition to the PSCs, regular meetings at technical level will be organised among the main stakeholders of the two components.

Technical Assistants (TA) will be hired for the various activities to be implemented under SO 1, output 1.1, 1.2, 1.3 and 2.3. The Technical Assistants will also provide secretarial services for the PSCs. In addition to the implementation of tasks for the results under their responsibility, the TA may support the NAO to ensure coherence between the activities.

The EU Delegation will take the lead on policy dialogue with the government of Malawi.

## 5.8 Performance and results monitoring and reporting

The EU Delegation will maintain a key role in monitoring and overview of the action and in following up on reporting by the implementing partners. In addition, monitoring, review and evaluation of sector performance in regard to the TEVET sector in Malawi is also carried out by

TEVETA. However, this is complicated by lack of reliable and timely data collection in the sector which is one of the challenges that the support to the development of a TEVET Management Information System (TMIS) and a Labour Management Information System (LMIS) (SO 1 – output 1.3) will address. As such, this action will benefit from better results monitoring once these systems are operationalised. The programme will also conduct a baseline and an endline survey at the beginning and end of the programme to establish success of the intervention in line with the logframe. This will be funded under the overall programme's 'evaluations' budget line. Several enterprise level surveys will also be conducted from the specific project's monitoring and evaluation systems to assess progress towards achievement of results using the monitoring and evaluation budgetlines of the respective contracts under the decision. Additionally, the programme monitoring and reporting will benefit from the multi-donor funded Malawi 2019 FinScope MSME survey<sup>8</sup>. EU Delegation will ensure that the monitoring of the programme is based on the logframe and that there is coordination of the evidence collected among the different components and actors. This will be achieved through the Project Steering Committees and the joint Strategic Steering Committee meetings. The EU Delegation will also ensure that the data collected through monitoring over the duration of the programme is clearly linked with the final evaluation of the programme.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. SDGs indicators should be taken into account.

Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants.

The mid-term evaluation will be carried out for learning purposes in particular with respect to sustainability of the action.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action combines two complementary components.

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<sup>8</sup> The global objective of the Malawi FinScope MSME Survey is to assess the nature and scope of micro, small and medium enterprises (MSMEs) in Malawi and to identify the binding constraints to MSMEs' development and growth with a focus on access to finance, infrastructure, business development services and technology and propose financial assistance and policy to support small scale enterprises. The previous fiscope survey was done in 2012, and it is expected that another survey will be done in concurrence with the end of implementation of this programme in approximately 7 years' time.

The Commission shall inform the implementing partner at least 6 month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is envisaged that audit services may be contracted under a framework contract.

### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is envisaged that communication and visibility services may be contracted through a service contract.

**APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)**

	<b>Results chain</b>	<b>Indicators</b>	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Overall objective: Impact</b>	To increase employability and self-employment opportunities available to young TEVET graduates and entrepreneurs, with special attention to women's needs	1/Employment rates (including self-employment/SMEs) for TEVET graduates (disaggregated by sex) 2/ Average salaries in technical jobs 3/ Survival rate of start-up MSEs, in targeted entrepreneur population and locations (disaggregated by sex) 4/ Net income from entrepreneurial activity (disaggregated by sex)	1 Government statistical compendiums, National Labour statistics 2 Tracer study reports 3 Project monitoring systems and evaluations 4 Government statistical compendiums	
<b>Specific objective: Outcomes (1)</b>	SO 1. To improve the workforce qualifications and access of TEVET graduates to employment	1.1/ TEVET graduation rates per sex 1.2/ Number of TEVET graduates being employed in a field corresponding to their training 1.3/ Satisfaction of employers with TEVET graduates	1.1 EMIS data TCs 1.2 Traces study reports, EMIS data TCs 1.3 Survey among managers and employers on satisfaction	Malawi continues current trends of economic development
<b>Specific objective: Outcomes (2)</b>	SO 2. To promote entrepreneurial culture, sustainable enterprise creation and decent, formal jobs.	2.1 Percentage of supported MSEs that report an increase in turnover as a result of the support, disaggregated by sex of firm owner 2.2 Number of additional registered businesses opened and owned by TEVET graduates and other entrepreneurs in target populations and population and locations (disaggregated by sex) 2.3 Number of additional direct jobs created by MSEs and TEVET graduate owned businesses in target population and locations (disaggregated by sex)	2.1 Project level implementation reports 2.2 and 2.3 Stakeholder National Surveys, and project level implementation reports	

	Results chain	Indicators	Sources and means of verification	Assumptions
		<p>2.4 Percentage of TEVET graduates and MSEs accessing business finance from other sources than project funds in target locations (disaggregated by sex)</p> <p>2.5 Status of new policies and/or regulations redesigned with support of the Action that are adopted by the government in question</p> <p>2.6 % of people expressing their belief that entrepreneurship is a viable source of livelihood</p>	<p>2.4 Public reports e.g. Credit Reference Bureau reports</p> <p>2.5 MSME Business enabling forum list of national/sector policies</p> <p>2.6 Project initiated Perception surveys</p>	<p>The Banks commit own capital to on-lend to MSMEs in addition to project funds</p>
Outputs (SO1)	1.1 Equitable, safe and sex based access to TEVET and retention is promoted	<p>1.1.1/ Status of selected infrastructure improvements</p> <p>1.1.2/ Enrolment rates to the technical colleges (disaggregated by sex)</p> <p>1.1.3/ Status of guidance, counselling and scholarship programmes directed to women and vulnerable groups</p>	<p>1.1.1 Onsite inspections</p> <p>1.1.2 Enrolment lists</p> <p>1.1.3 Onsite inspections</p>	<p>GoM, TCs and secondary education institutes involved will remain committed to achieving this</p>
Outputs (SO2)	1.2 Quality and relevance of TEVET is enhanced	<p>1.2.1/ Number of instructors trained in technical, pedagogical, and sex sensitivity disaggregated by sex and by type (new or existing instructors)</p> <p>1.2.2/ Status of National Instructors College</p> <p>1.2.3/ Number of scholarships provided to instructors to pursue training (disaggregated by sex)</p>	<p>1.2.1 Project reports</p> <p>1.2.2 Documents (legal basis, feasibility study, business plan, etc)</p> <p>1.2.3 Project reports</p>	<p>GoM and TCs prove committed to this</p> <p>GoM fully engages at inter-ministerial level to ensure funding from the national budget to finance the NIC</p>

	Results chain	Indicators	Sources and means of verification	Assumptions
Outputs (SO3) Outputs (SO2)	1.3 Improved management and monitoring systems of the TEVET regulatory bodies and training institutions and increased dialogue with private sector.	1.3.1/ Status of the Labour Management information System (LMIS) and Teacher Management and Information System (TMIS) 1.3.2/ Status of TEVET Monitoring mechanism 1.3.3/ Frequency of dialogue with the Private Sector	1.3.1 Onsite inspections 1.3.2 Terms of reference, minutes 1.3.3 Minutes of meetings and project reports	MOLYSMD allocates necessary resources to be able to take the lead in the TEVET sector
Expected Outputs (SO 2)	2.1 Targeted incubation support to potential entrepreneurs and TEVET graduates is enhanced	2.1.1/ Number of BDS providers providing trainings to project target groups within a standardised framework of entrepreneurship training 2.1.2/ Number of local BIs providing pre-incubation, incubation and post-incubation support to project target groups 2.1.3/ Number of TEVET graduates and MSEs trained on business and entrepreneurship skills, disaggregated by sex of firm owner	2.1.1, 2.1.2, and 2.1.3 Project baseline surveys and project level implementation reports	Key client personnel attend trainings and make an effort to master the material taught
	2.2 Affordable financing for TEVET graduates and potential and existing Micro and Small Enterprises during pre-incubation, incubation and post incubation support is provided	2.2.1/ % of TEVET graduates and MSEs supported by the intervention that receive funding at each stage of maturity: pre-incubation, incubation, post-incubation disaggregated by sex of firm owner in target population and locations 2.2.2/ Number of affordable financing instruments ( <i>uniquely and innovatively developed by programme's participating lending institutions</i> ) available to TEVET graduates and MSEs. target populations in select locations in Malawi 2.2.3/ Number of MSEs that have found additional sources of funding with support of this Action	2.2.1: List of funds disbursed by the project; and List of funds disbursed by financing institutions  2.2.2 Project baseline surveys and Programme implementation reports  2.2.3 Programme implementation reports	The Banks are willing to develop instruments that serve the needs of this lower end of clientele, i.e. TEVET graduate and MSME

	Results chain	Indicators	Sources and means of verification	Assumptions
	2.3 Reforms for business enabling environment for MSMEs' entrepreneurship are supported	<p>2.3.1/ Number of early stage entrepreneurs who see a decrease in the constraints to start a business thanks to the programme</p> <p>2.3.2/ Number of recommendations (<i>emanating from the intervention's assessments of entrepreneurial business enabling related constraints</i>) for policy reform submitted to relevant local authorities</p> <p>2.3.3/ Number of new policies and/or regulations redesigned, and/or reformed, specifically in the areas of MSME laws and MSME laws</p> <p>2.3.4/ Percentage of supported SMEs complying with labour laws as assessed by the Labour Inspectorate</p>	<p>2.3.1 Surveys from the project level M&amp;E system</p> <p>2.3.2, 2.3.3, and 2.3.4: Programme implementation reports, Reports from donor investigations, and official policy announcements</p>	Government of Malawi maintains its drive to improve the business enabling environment
	2.4 Positive attitude on female entrepreneurs created and enhanced	<p>2.4.1/ Number of people aware of the obstacles that female entrepreneurs face</p> <p>2.4.2/ Status of women's perception of a more equitable access to sources of unhindered entrepreneurial support provided through this Action (skills, financing, etc.)</p>	<p>2.4.1 Project level controlled survey (pre and post action)</p> <p>2.4.2 Project level controlled survey (pre and post intervention)</p>	The general public will respond positively to the programme's interventions towards attitude change