



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
SOCIAL SUPPORT FOR RESILIENT LIVELIHOODS PROJECT  
APPROVED ON DECEMBER 10, 2019  
TO  
THE REPUBLIC OF MALAWI

SOCIAL PROTECTION & JOBS

AFRICA

|                           |                             |
|---------------------------|-----------------------------|
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**ABBREVIATIONS AND ACRONYMS**

|          |   |
|----------|---|
| AF1      | First Additional Financing  |
| AF2      | Second Additional Financing   |
| CD       | Country Director  |
| COMSIP   | Community Savings and Investment Promotion                              |
| DODMA    | Department of Disaster Management Affairs                               |
| ESMF     | Environmental and Social Framework                                      |
| GoM      | Government of Malawi  |
| GRM      | Grievance Redress Mechanism   |
| IDA      | International Development Association                                   |
| LDF      | Local Development Fund  |
| LDF-TST  | Local Development Fund-Technical Support Team                           |
| MASAF    | Malawi Social Action Fund   |
| M&E      | Monitoring and Evaluation   |
| MoEPDPSR | Ministry of Economic Planning and Development and Public Sector Reforms |
| MoGCDSW  | Ministry of Gender, Community Development and Social Welfare            |
| MIS      | Management Information System   |
| NLGFC    | National Local Government Finance Commission                            |
| PDO      | Project Development Objective   |
| PWP      | Public Works Program  |
| SCTP     | Social Cash Transfer Program  |
| SCTP MIS | Social Cash Transfer Program Management Information System              |
| SSRLP    | Malawi Social Support for Resilient Livelihoods Project                 |
| UBR      | Unified Beneficiary Registry  |



**BASIC DATA**

**Product Information**

|   |  |
|---|--|
| Project ID<br>P169198   | Financing Instrument<br>Investment Project Financing |
| Environmental and Social Risk Classification (ESRC)<br>Moderate |  |
| Approval Date<br>10-Dec-2019                                    | Current Closing Date<br>31-Dec-2024                  |

**Organizations**

|                                    |  |
|------------------------------------|--|
| Borrower<br>The Republic of Malawi | Responsible Agency<br>Malawi National Local Government Finance Committee |
|------------------------------------|--|

**Project Development Objective (PDO)**

Original PDO

The objectives of the Project are to improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.

**Summary Status of Financing (US\$, Millions)**

| Ln/Cr/Tf  | Approval    | Signing     | Effectiveness | Closing     | Net Commitment | Disbursed | Undisbursed |
|-----------|-------------|-------------|---------------|-------------|----------------|-----------|-------------|
| IDA-D5300 | 10-Dec-2019 | 01-Apr-2020 | 01-Jun-2020   | 31-Dec-2024 | 125.00         | 30.67     | 98.74       |
| TF-B1377  | 10-Dec-2019 | 01-Apr-2020 | 01-Jun-2020   | 30-Jun-2022 | 17.00          | 0         | 17.00       |

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## **I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

- 1. This Restructuring Paper (RP) seeks management approval to restructure SSRLP.** The restructuring of SSRLP would allow the project to better respond to the COVID-19 emergency through targeted cash transfer response within the framework of the existing Social Cash Transfer Program (SCTP) under the original Subcomponent 1.1 (Enhanced Core Programs). The restructuring will include adjustment to the results framework, disbursement estimates, risk ratings, and the implementation schedule. With this restructuring, US\$21.5 million of the available financing for Subcomponent 1.1 will be used for a new window of social cash transfers, supporting poor Malawians to cope with the COVID-19 consequences. The project was appraised with a financing gap of US\$41 million, with the expectation that additional sources of financing would be identified to fill in the financing gap. It is important that such sources be identified and provided not later than in early FY23, in order to allow for smooth continued implementation. While the COVID-19 response window is covered under the original project framework, it will lead to increased needs of additional financing, larger than initially anticipated, if the project is to cover its original pool of beneficiaries over the planned duration of the SCTP.

### **A. Progress towards Achievement of the Project Development Objective (PDO)**

- 2. The project was approved by the World Bank Board of Executive Directors on December 10, 2019 and became effective in June 2020.** Meanwhile, implementation activities are ongoing (see section B) and progress and prospect for achieving the PDO is therefore assessed as Satisfactory.

### **B. Assessment of the Implementation Progress**

- 3. Signing took place on April 1, 2020, followed by effectiveness on June 1, 2020.** Conditions of effectiveness (establishing the Project Steering Committee and approving the Project Implementation Manual) were met on time. An implementation support mission and regular technical discussions were held in the period May-October 2020 to facilitate the commencement of project implementation.
- 4. Last rounds of regular SCTP transfers under the ongoing MASAF IV project were completed in October 2020, and the new SSRLP is preparing for beginning the regular cash transfer rounds under its financing to ensure continuity from MASAF IV.** However, the start of implementation of the cash transfers under SSRLP is closely linked to the ongoing efforts to implement a nationally-coordinated COVID-19 emergency cash transfer response program, which would include cash transfers under SSRLP, as well as from other donors. Both the regular cash transfers in 11 districts supported by the World Bank and the COVID-19 emergency cash transfers are expected to begin in November/December 2020.
- 5. The task force for the Financing Scalable Safety Nets subcomponent worked on advancing the SCTP Scalability Handbook, which includes the rules and operational guidelines for disbursing additional assistance through the SCTP in response to droughts.** The World Bank team agreed to provide feedback on the progress made so far and support the task force in drafting the remaining sections of the Handbook through technical assistance. As part of this assistance, the World Bank is hiring a specialized firm to conduct a data analysis and provide options for the design of primary and secondary triggers of the scalability mechanism. Initial results from this work are expected to be presented to the Government during the next mission. The World Bank team also agreed to further support the task force through capacity building. A roadmap on capacity building activities is being developed, including links to online trainings as well as tentative dates and content for remote training sessions over the coming months. The recruitment of a full-time coordinator to manage the scalability subcomponent has been completed.



6. **With regard to the Enhanced Public Works Program (EPWP)**, the World Bank and the Government agreed that the new climate-smart EPWP would only be launched when – and if – the results of the pilot EPWP (implemented under MASAF IV) were positively evaluated.

### C. Rationale for the Restructuring

7. **An outbreak of the coronavirus disease (COVID-19) caused by the 2019 novel coronavirus (SARS-CoV-2) has been spreading rapidly across the world since December 2019, following the diagnosis of the initial cases in Wuhan, Hubei Province, China, becoming a global pandemic.** As of October 22, 2020, the outbreak has resulted in over 41.1 million cases and more than 1,128,000 deaths across the globe<sup>1</sup>. The COVID-19 situation in Sub Saharan Africa (SSA) has also evolved with comparatively low levels of cases and mortality. The number of reported cases in SSA countries is 1,207,636, with 27,629 reported deaths as of October 20, 2020. Malawi confirmed its first cases of COVID-19 in April 2020 and since then the total number of cases has increased to 5,874 as of October 22, 2020 with 183 reported deaths.
8. **On March 20, 2020 a state of disaster was declared by the Malawi President, and a 21-day lockdown was announced from April 18 to May 9, 2020 in response to the global COVID-19 crisis.** However, the courts granted an injunction stopping the lockdown, nonetheless restriction measures are still under implementation. These measures include restrictions on public gatherings, redefinition of schooling arrangements, restrictions on international flights and cross-border passenger buses, redefinition of formal and informal working arrangements, etc. On April 8, 2020 Malawi launched its National Covid-19 Preparedness and Response Plan. The estimate of the plan is for a required US\$213.2 million (or MK157.1 billion) to implement the necessary set of measures. The objective of the response plan, among others, is to effectively respond to any COVID-19 outbreak in the country thereby reducing morbidity and mortality from the disease. Among the strategies for implementation of the preparedness and response plan is provision of emergency cash support (through both the social support and the food security clusters). On April 21, 2020 the Government of Malawi sent the World Bank a letter requesting restructuring of the SSRLP to provide US\$40 million for emergency COVID-19 crisis response.
9. **Although this restructuring took longer than expected, it is still timely, and the delay in applying it has objective reasons.** First, the RP is in support of a national response program, which took significant time to be finalized in discussions among Government, donors and other stakeholders. In addition, Malawi had a re-run of the presidential election on June 23, 2020, with heightened risk of pre-electoral political capture, and there was broad agreement among development partners to proceed with COVID-response activities only after the new Government had been formed. Following the elections, it took the government a couple of months to resume normal business and finalize design of the COVID-19 cash response program. The GoM is fully operational now, the national COVID-19 response program has been finalized, and this restructuring is ready to proceed. It should be noted that the delay in processing this restructuring has not delayed the preparation of the COVID-19 response by the WB. The SSRLP is designed to continue financing the main programs funded under MASAF IV, which is still ongoing, and there is a healthy overlap between the two projects. The social cash transfers program is under continued implementation (see further below), as the main program through which the COVID-19 response is implemented.
10. **The impacts of COVID-19 crisis on household (HH) incomes and broader welfare status are likely to be substantial, and disproportionate for specific poor and vulnerable groups.** Across Africa it is estimated that due to the COVID-19 crisis, welfare would be lower by 7 to 10 percent compared to the pre-crisis period. With over 70 percent of Malawians considered poor by international standards, and over 60 percent engaged in vulnerable employment, vulnerability and lack of resilience among the poorest is apparent. Though social safety nets are estimated to cover a quarter of the population, within a background of such high poverty levels, safety net programs are still unable to reach a sizable portion of both rural and urban poor. Furthermore, there is evidence in Malawi that downstream effects of severe shocks (such as droughts and floods) on food prices and agricultural outputs force two out of every five households into poverty and encourage negative coping strategies among these lower income groups. While government-imposed restrictions in Malawi aim to control the spread of the pandemic, the measures are expected to affect the most vulnerable.

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<sup>1</sup> Data from the **WHO Coronavirus Disease (COVID-19) Dashboard**, <https://covid19.who.int/>



11. **COVID-19 is a new challenge for the poor, especially in urban areas, and the effects are observed in the high frequency surveys collected in the country.** Urban poverty is estimated to increase by between 1.6 percent and 4.9 percent, leading to the government's decision to re-orient cash transfers in the short term to hotspots identified in the main four urban centers. Data from a WB phone survey collected in July 2020 show that although most respondents kept their job, 9 percent stopped working. After March 2020, 64 percent of small family businesses reported less revenue. At the same time, poverty is most acute in rural areas and directly linked to weather shocks and vulnerability due to environmental degradation. While urban poverty increased from 25 percent in 2004 to 26 percent in 2016, rural poverty has increased from 56 to 60 percent during the same period. Rural poverty is heavily impacted by climatic shocks and the degradation of the natural environment. Malawi's South and Central regions, which were severely affected by the devastating floods and drought in 2015, 2016 and 2019, account for most of the increase in rural poverty during the 2010–2016 period. The Shire Valley contains the highest incidence (above 80 percent) of extreme poverty. Furthermore, ILO and Employers Consultative Association of Malawi project an expected loss of between 270,000 to 680,000 for both current and future jobs due to the pandemic<sup>2</sup>.
12. **Therefore, as COVID-19 escalates in Malawi, vulnerable and poor households in both urban and rural areas are likely to be disproportionately and negatively affected due to their already low and volatile incomes, poor health and nutrition, susceptibility to shocks, and higher dependence burden (see paragraph 20 on affected beneficiaries).** The current lack of social safety nets coverage in urban areas, worsened by high population density in most areas where the urban poor reside, would further aggravate the situation. In Malawi, just like in many other African countries, social protection instruments especially emergency cash transfers and economic inclusion interventions could be used to serve two comprehensive functions, both very important in the current crisis. Firstly, and very relevant to the current COVID19 crisis, cash transfers can be deployed as income support to meet basic needs in the event of disruption of livelihoods from lockdowns and COVID-19 related restrictions, reducing the need for poor people and informal workers to look for work in the market. Doing so, makes it plausible for government to effectively implement quarantines, mobility lockdowns, or social distancing efforts aimed at controlling the spread of COVID-19. Secondly, cash transfers can prop up the demand side: there is strong evidence that during normal periods, cash transfers in Malawi can generate income multiplier as high as 1.69, thereby showing potential to stimulate consumption and therefore demand at a time of economic downturn.
13. **Potential impacts of the COVID-19 crisis include:**
- Inability to afford health treatment without depleting assets or incurring debt;
  - Restrictions on movement affecting implementation of existing safety nets programs, including the delivery of safety net benefits to existing beneficiaries of safety nets and economic inclusion programs;
  - Higher prices and scarcity of food and basic goods due to the disruption in trade and distribution. Evidence from Ebola crisis of 2014-15 showed how prices can sky-rocket rapidly making staple foods unaffordable;
  - Loss of jobs/livelihood for households in vulnerable employment (i.e. casual labor, temporary work, and informal self-employment) due to closure of businesses; Higher care burden in the context of school closure, especially for women, leading to lost or reduced earnings as well as higher rates of gender-based violence while staying home;
  - Increased risk for adolescent girls of unwanted pregnancies while schools are closed;
  - Reduced remittances because of the economic downturn in developed countries.
14. **There is a strong case for a cash-based social protection response, in view of minimal risk of significant short-term food supply disruptions and market dysfunctionality in Malawi.** Considering that locally, the crisis has coincided with the agriculture harvest and marketing season, and an expectation of above-average food production; while internationally, the Southern African Development Community (SADC) has passed a resolution that warrants uninterrupted flow of essential goods

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<sup>2</sup> [https://malawi.un.org/sites/default/files/2020-09/Assessment%20of%20the%20Impat%20of%20Covid-19%20on%20the%20Labour%20Market%20in%20Malawi\\_ECAM%20Final%20Report.pdf](https://malawi.un.org/sites/default/files/2020-09/Assessment%20of%20the%20Impat%20of%20Covid-19%20on%20the%20Labour%20Market%20in%20Malawi_ECAM%20Final%20Report.pdf)



including food across the region throughout the Covid-19 outbreak, risk of significant supply side disruption is minimal, compared to potential demand side disruptions. However, in some of the rural areas that might have also been affected by floods due to above-normal rainfall that Malawi experienced this year, there may be short term effects on the supply side. These might be requiring a combination of cash and in-kind support.

15. **Under the Malawi National Social Support Programme, the Government plans to expand the SCTP both horizontally and vertically to protect the poor and vulnerable from the health and economic consequences of outbreak of the disease in the country, as well as work with the humanitarian sector on a crisis cash intervention for the urban poor with income insecurity.** A total of MK88.8 billion (US\$120 million) will be required to implement the measures to cushion the poor and vulnerable from the negative effects of COVID-19 in the country. This amount will cover a total of 853,638 poor and vulnerable households, which is about 21% of the total household population of the country. These measures will be implemented under a special GoM's COVID-19 Urban Cash Initiative (CUCI) ('Mzati pa Covid') master plan for cash interventions to address COVID-19 effects, which includes a new emergency urban cash transfer program, as well as a vertical expansion of the SCTP in rural areas. The CUCI urban intervention is expected to be implemented for three months, whereas the SCT Vertical Expansion is expected to be implemented for four months. The World Bank-funded SSRLP will contribute to the Government's response through the existing instruments under the project, by front-loading and expanding the SCTP under Component 1 to cover beneficiaries in urban areas.
16. **The restructuring of SSRLP would allow the project to better respond to the COVID-19 emergency by taking part, together with other donors, in the Government cash transfer response program.** The SSRLP will direct cash transfers to groups and geographic locations that are likely to be worst hit by the impacts of the crisis. With the additional benefit of utilizing existing social protection delivery systems including SCTP and UBR, the restructured project will strengthen these systems for future crisis responsiveness.

## II. DESCRIPTION OF PROPOSED CHANGES

### D. Revisions of the Results Framework

17. **The results framework will be modified to include indicators that track progress with the COVID-19 crisis response.** The following new outcome indicator(s) is added to the results framework:
  - Number of beneficiaries of the COVID-19 emergency response cash transfer program (disaggregated by gender)
18. **The following intermediate results indicators will be added:**
  - Number of existing rural SCTP beneficiaries receiving at least one monthly emergency cash top up;
  - Number of new urban beneficiaries of emergency cash transfers covered by at least one monthly cash transfer;
  - Proportion of grievances about the Urban Cash Transfer intervention resolved within specified number of days;

### E. Changes to the Components' Design

#### *Updated Technical Analysis*

##### (a) Changes to Component Design

19. In line with the overall Government and donor program for responding to the COVID-19 crisis, US\$21.5 million of IDA funding will be allocated for COVID-19 emergency response activities under a new window of the existing SCTP. These activities and their scope will be defined in detail through revisions of the Project Implementation Manual (PIM), and, in addition to expanding the support for the SCTP in rural areas, will include covering urban poor in Lilongwe and Blantyre cities. The urban emergency response cash transfers program will be specific to the COVID-19 crisis response, and will have a limited duration.



The Government originally requested COVID support to be for a period of six months. Jointly with other development partners it has been agreed that the duration will be 3 months. The World Bank will finance 3 months of urban expansion in Lilongwe and Blantyre. At the same time, the WB will finance the vertical expansion of the cash transfer program (adding top-ups for existing rural beneficiaries) in 11 districts that are already covered by the SCTP program under the project, for a period of 4 months. The GoM also asked the WB to leave the option of continuing financing the two interventions for several additional months as a possibility, although the likelihood for such a scenario is considered low. The cost of the agreed WB-financed activities for COVID-19 response is estimated at \$21.5 million (urban expansion at US\$18.5 million; vertical expansion in 11 districts at a total of US\$2.6 million; and livelihoods urban expansion at US\$0.45m). Other donors (Germany KfW, EU) also support the Government CUCI program by funding cash transfers in urban and rural areas. However, similar to how the ongoing SCTP is implemented nationwide by multiple donors, funds from the WB-financed SSRLP will not be comingled with other donor funds. Same as is the case in the rural districts, where certain districts are funded by WB and others by KfW, EU and IrishAid, WB rules will apply to all SSRLP-funded beneficiaries in Lilongwe and Blantyre, as well as for the additional cash transfers in the existing rural districts where the SCTP is funded by WB.

20. **Under Component 1: Improving Social and Economic Inclusion, Subcomponent 1.1: Enhanced Core Programs, a new window for Urban Emergency Cash Transfers will be introduced and defined in detail through revisions of the PIM.** The revised PIM will describe targeting procedures, as well as specific operational rules that would be applied to this window. The revised PIM has already been shared with the World Bank and has received preliminary approval, with final no-objection to be provided after the approval of this restructuring. The current IDA financing for Component 1 is US\$109 million, of which US\$99 million is budgeted for the regular core programs, including social cash transfers, livelihoods support and, potentially, enhanced public works. The core programs subcomponent already has a built-in financing gap of US\$41 million, as appraised, and the PAD emphasized the need to secure other donor financing and/or additional financing from Government or IDA to cover the gap. The design of the new window is described below in more detail.

(b) Proposed Design of the Urban Emergency Cash Transfers (Horizontal Expansion of the Social Cash Transfers)

(i) Beneficiary Numbers and Preliminary Costing

21. **Impact of COVID 19 will be felt by a broader group beyond existing safety net beneficiaries.** Urban poor will be equally or more impacted than rural beneficiaries. Therefore, the SSRLP-funded SCT program will be expanded for a limited period to specifically identified urban poor in the two cities of Blantyre and Lilongwe. In addition, the World Bank may also expand temporarily the support to its existing rural SCTP beneficiaries and provide additional livelihoods support.

22. **The urban horizontal expansion of SCTP in Lilongwe and Blantyre will be implemented for 3 months, targeting 112,000 beneficiary households (see Table 1) at a transfer of MK35,000 (\$US46.6) per household per month, with at a total cost of US\$18.5 million.** The implementation of urban social cash transfers is planned to run between November/December 2020 and January/February 2021<sup>3</sup>.

23. **The vertical expansion will provide additional transfers of MK5,000 (US\$6.7) to existing 128,000 beneficiaries in the 11 WB-supported districts, at a total cost of US\$2.6 million,** to reduce the COVID-19-related shocks on already enrolled and verified beneficiaries. The duration of that part of the COVID-19 response will be 4 months, from November/December 2020 to February/March 2021.

24. **Finally, an urban poor livelihoods support will be provided in Lilongwe and Blantyre as part of the original Component 1 (Sub-component 1.1), to supplement the COVID-19 response of the World Bank in these cities, at a cost of US\$450,000.** There will be additional activities on Livelihood Support in response to the COVID-19 pandemic for the urban poor to enhance their capacity to better manage their resources and cushion the impact of the pandemic. Specifically, the interventions will aim at promoting financial inclusion (savings) among the targeted beneficiaries; building capacity in sustainably managing small scale enterprises; promoting home management best practices (planning and gender sensitive); and promoting

<sup>3</sup> The urban expansion will run for 3 months while the SCTP will be for 4 months and all financiers (i.e. EU, Irish, Germany-KfW and IDA) have committed to financing both the urban and SCTP vertical expansion.





nutrition, health and sanitation. Sequencing of livelihood activities will ensure that consumption objectives are not compromised.

- 25. **The novel for Malawi urban response (urban horizontal expansion) will focus on the urban poor households as well as households in precarious (vulnerable) employment.** The Malawi Labor Force Survey (2013) assesses that 35.3% of households are in vulnerable employment. Table 1 below shows the number of households in Lilongwe and Zomba and the number of households to be reached if 35% are targeted with the program.

**Table 1: Number of Households by City for the SSRLP Urban Response**

| City         | Total HH Population | 35% Urban Population to be Covered | World Bank Support         |
|--------------|---------------------|------------------------------------|----------------------------|
| Lilongwe     | 245,464             | 85,913                             | 63,000                     |
| Blantyre     | 204,333             | 71,517                             | 49,000                     |
| <b>Total</b> | <b>449,797</b>      | <b>157,430</b>                     | <b>112,000<sup>4</sup></b> |

Source: 2018 Malawi Population and Housing Census

(ii) Beneficiary Identification and Selection

- 26. **In terms of geographic targeting, the SSRLP will focus on two of the largest cities in Malawi – Lilongwe and Blantyre<sup>5</sup>.** The program will specifically focus on slums or urban poor hotspots, where those in precarious employment and the urban poor stay at. Slums are informal settlements where water supply and waste disposal are typically deficient. They are unhygienic and overcrowded.
- 27. **Identification of hotspots will be done on the basis of socioeconomic profiles produced by the cities that help them in the planning of projects as well as prioritization of programs.** District socioeconomic profiles are well detailed reports which indicate the neighborhoods that have the highest poverty incidences as well as vulnerabilities. These socioeconomic profiles will be used to identify the hotspots in the two cities of Lilongwe and Blantyre. The two City councils, through the Director of Planning and Development office, will also be engaged to vet if all the identified hotspots (slums) fall within the city limits. The ranking of hotspots will be participatory but will be informed by evidence. Ministry of Economic Planning and Development and Public Sector Reforms (MoEPDPSR) will conduct a quick review of the ranked hotspots and consult the city council to confirm if the list is complete. The population census by the National Statistics Office will also be utilized to assist in the ranking and prioritization. Furthermore, independent validation of the hotspots will be undertaken by donor partners using a mixture of physical verification, satellite images and Integrated household survey data to complement the socio-economic profiles.
- 28. **Categorical Targeting** – the priority of the program will be on households that rely on vulnerable employment. Such households include petty traders, hawkers, minibus touts, vendors, minibus drivers and conductors, vegetable sellers, bicycle taxi operators, delivery men etc. The UBR rapid targeting tool has exhaustively included all the categories under precarious employment and this would be the indicator that would be used to determine inclusion or exclusion into the program.
- 29. **Registration of households in identified hotspots will be done by enumerators that will be engaged by the Ministry of Gender, Community Development and Social Welfare (MoGCDSW) in collaboration with MoEPDPSR.** The data will be collected using a rapid data collection tool that has been designed to only get key information of the household head and sources of livelihood. The second phase of data collection will be through a call –center to get more detailed information for the household, mostly to populate the social registry for future targeting needs. Consequently, the call center information collection exercise will not play a role in enrollment – that will be established via the enumerators.

<sup>4</sup> The shortfall between Blantyre and Lilongwe is 45,430 beneficiaries. Other donors have pledged to cover that difference, and the PIM will define how the hotspots will be shared between the World Bank and other donors. There is preliminary commitment from Germany-KFW to cover that difference.

<sup>5</sup> In parallel, the Government CUCI program, with support from other donors, will also operate in Mzuzu and Zomba.



(iii) Data Management

30. **The data will be uploaded into the UBR.** After cleaning, data will be transferred to the Social Cash Transfer Program Management Information System (SCTP-MIS). The SCTP MIS will have a separate module that is being developed to handle this emergency response as it is different from the traditional SCTP.
31. **Payrolls will be generated in the SCTP MIS.** A list will be generated in the SCTP-MIS which will be used to generate a pay roll and submit to the Service Providers for Cash out each month. The SCTP-MIS will also be used for reconciliation of the transferred funds.
32. **The Urban Cash Transfer intervention will be delivered using mobile money system (MMS).** In the case of households without a phone and a phone number, a phone will be provided but will be paid for by the household beneficiary through moderate instalment deductions from their benefits over the 3 months. However, sim-cards will be issued free of charge.

(iv) Grievance Redress Mechanism

33. **Grievances regarding the Urban Cash Transfer intervention will be handled through the SSRLP GRM system and through a COVID-19 cash response Call Centre.** The MMS providers will also provide toll-free lines for participants of the interventions to register their complaints and other grievances regarding payments. All grievances received through the call center and through MMS providers will be channeled to respective city councils through the District Social Welfare Office/ District Social Cash Transfer Program Secretariat for action. The results (for example removal or cancellation of households) will be entered into the SCTP-MIS so that the pay roll can be updated accordingly.

(v) Supervision, Monitoring and Reporting

34. **The proposed Urban Emergency Social Cash Transfer will be subject to close monitoring and supervision.** The National Local Government Finance Committee (NLGFC), MoEPDPSR, Ministry of Finance, MoGCDSW and the Department of Disaster Management Affairs (DODMA) will provide close monitoring and supervision of implementation of the intervention. The aim is to ensure that the response is implemented within the set guidelines and procedures to ensure accountability at all stages of implementation.

(vi) Communication and Sensitization

35. **The interventions will be implemented with a robust communication and sensitization strategy.** The strategy includes briefing of the City Councils and District Councils. Special communication messages shall be developed to inform the communities about the strategies. The messages shall also include information on the amount, grievance redress mechanism, duration of the interventions and targeting mechanism. Proper and comprehensive communication and sensitization will be conducted to protect the beneficiaries and the general public from fraudsters.

(vii) Timeline and Exit Strategy.

36. **The Urban Emergency Cash Transfer is a one-off intervention.** This emergency response – being one of its kind in Malawi – is bound to offer a number of important lessons and experiences that would prove usable for future urban responses. A process evaluation has been included to bring out such important lessons and experiences.

## F. Risks

37. **As part of OPCS's SORT recalibration exercise, the SSRLP project team reassessed the SORT for SSRLP considering residual risks that the project is facing for achieving its development objectives, as well as the applied and planned mitigation measures.** The risk ratings were also made consistent with the predecessor MASAF IV project, in the elements common to the two projects.
38. **The reassessed current overall project risk for SSRLP is Moderate.** Although institutional capacity at the central, district, and community levels is often stretched, and fiduciary challenges are substantial, reassessing the main risk categories and



considering all mitigation measures lead to a revised assessment of the overall risk. The detailed considerations are described below, focusing on those categories for which the reassessment resulted in a reduced risk rating.

39. **Political and Governance risk is Moderate.** The current stage of implementation is already beyond the first year after presidential and parliamentary elections (which were conducted in May 2019), as well as the June 23rd 2020 Fresh Presidential Elections and high-risk political complications are less likely. Furthermore, the World Bank Group is heavily invested in macro, fiscal, and governance reforms and is attentive to the political realities of reforms. This risk can be mitigated by building broad public support for policy reforms—as public pressure and growing citizen political engagement to restore the credibility of government institutions is high, and there is much greater public scrutiny of government performance after the ‘cash-gate’ scandal in 2013. Appropriate anticorruption instruments are already in effect (for example, Code of Conduct, Internal Procurement Committees, and Integrity Committees), and there are plans to strengthen implementation/enforcement. This risk is managed by annual audits of the project accounts, as well as spot checks at the community level. Appropriate follow-up action on audit issues is instituted regularly. The NLGFC is responsible for monitoring the use of project resources. Malawi also has an ACB that investigates and prosecutes corrupt practices in government institutions and other stakeholders.
40. **Macroeconomic risks are assessed as Substantial.** Malawi’s macro-economic situation is erratic and highly vulnerable to weather and policy-related shocks. The COVID-19 pandemic is also likely to slow down economic activity in the medium term. Further, the prolonged energy crisis continues to dampen investor confidence affecting key economic sectors especially the service sector which is still at its infancy in Malawi. The resultant rising inflation, exchange rate instability and continued currency depreciation significantly weaken economic activity. Although macroeconomic conditions in the country have improved recently (inflation is down to single digits and fiscal deficit reduced), the prevailing macroeconomic instability, currency fluctuation and tight fiscal space may undermine the achievement of the project objectives, especially if it leads to a reduction in the availability of counterpart funds or an increase in the price of imported inputs.
41. **Risks related to the technical design of the project are Moderate.** The restructuring will somewhat challenge design by adding an activity in geographical areas that had not been targeted by the project before (urban poverty hotspots), as well looking to fast track electronic payments. However, the project’s SCTP already has a lot of experience in providing cash transfers nationwide over several years, and well-established systems for targeting and reaching out to the beneficiaries. The new elements will be carefully crafted and supported by quick investments in technical and human capacity necessary to implement them.
42. **Institutional Capacity for Implementation and Sustainability risk is assessed as Moderate.** As of April 1, 2018, the Local Development Fund and the National Local Government Finance Committee were merged into one institution under the name of the National Local Government Finance Committee (NLGFC). A number of transitional issues emerged at the time but have already been largely resolved. Other issues from the merger included the need to reinstate a Board or Steering Committee for the institution, the need to clarify the terms of reference/conditions of service for the NLGFC staff, and the delays in advertising and filling of vacant positions (for example, safeguards and procurement). This risk is mitigated by NLGFC efforts to clarify conditions of service for all staff under the NLGFC, recruitment of staff for all key vacancies; the project continuing to temporarily support salaries for UBR staff and district project officers, while engaging the Government for their permanent recruitment. Furthermore, despite the teething problems, the merger has benefitted from enhanced budgeting, accounting, and district financial oversight capacity from the old NLGFC structure. Overall oversight will be provided by the Project Steering Committee that will be reporting to a new NLGFC board. NLGFC may be stretched to implement the new activities in cooperation with multiple government and non-government stakeholders. This risk is mitigated by the project hiring additional support for the registration of new beneficiaries, as well as completing the hiring of project/liason officers that work at local level with the districts.
43. **Stakeholders risk is Moderate.** SSRLP, inheriting MASAF IV, is the largest safety nets program in the country and has been in place for two decades. While the new SSRLP may generate resistance by stakeholders at the national level, and it is also possible that both MASAF and SSRLP could be politicized, sufficient mitigation measures have been put in place. To mitigate



the risk, extensive stakeholder analysis, engagement, and consultations in line with the stakeholder engagement plan throughout the implementation process have been and will continue to be carried out with all stakeholders. With multiple donors and a significant part of Malawi's social protection budget coming from donor support, coordination is complex. There could be potential friction between COVID19 cash transfer approach being proposed by humanitarian stakeholders and the approach advanced by the social protection stakeholders, using existing investment in safety net programs. However, coordination mechanisms for efficient decision making have been in place for years, and donor support has been invested and will continue to be invested in strengthening those mechanisms, with the Government in the lead. Extensive stakeholder analysis, engagement, and consultations in line with the stakeholder engagement plan throughout the preparation process have been and will continue to be carried out with all stakeholders during implementation.

44. **Environmental and Social Risk is Moderate.** Environmental and social risk is maintained as moderate. The restructuring is expected to generate positive results by directing cash transfers to poor and vulnerable groups and to geographical locations that are likely to be worst hit by the impacts of COVID19. The Cash Transfer Program is designed to take into account gender considerations and while an injection of cash into vulnerable households and communities has been known to impact household and community relations, including exacerbating intra household tensions and increasing the risk of GBV, evidence to date under the program suggests that such multiplier effects are positive, and generate important economic investments for beneficiaries and non-beneficiaries alike. Nonetheless, the GBV risk assessment tool has been applied to the project in accordance with the World Bank's Good Practice Note and GBV risk rating is still maintained as low. The restructuring is not expected to generate additional environment and social risks from those that are outlined in the PAD.
45. **Fiduciary risk is Substantial:** The overall fiduciary risk is assessed as High but reduced to a residual risk rating of Substantial in view of the articulated risk mitigation measures. Risk mitigation measures include (a) procurement: hiring of a procurement specialist consultant, training of borrower procurement staff on the World Bank Procurement Regulations for IPF Borrowers, contract management training to enhance their capacity, and establishment of a secure record management system with dedicated staff; and (b) FM: based on the rich experience from other operations, especially the SSRLP's predecessor MASAF IV, procedures and controls are being introduced to ensure that transactions have integrity and that fraud and errors are minimized. The project will be subjected to both external and internal auditing and to close supervision and support from the World Bank team. Support will also be provided in terms of government institutional building, ensuring staffing capacity is available, and training of staff in procurement and FM to strengthen internal technical capacity. Additional measures to receive early warning information on potential issues will also be introduced or are already in place, utilizing independent external capacity.
46. **Other risks are Moderate.** Issues related to delayed effectiveness of SSRLP and creating the necessary administrative arrangements to advance a funds withdrawal application to allow for smooth bridging between MASAF IV and SSRLP in financing COVID 19 response have been resolved but may still affect implementation. There is also a reputational risk in the event of COVID-19 cases emerging in the urban geographical hotspots where MASAF IV/SSRLP may support the emergency response. Finally, any renewed lockdown measures or new waves of COVID-19 cases might affect the implementation of the COVID-19 emergency response, including new beneficiary identification or verification, intake, and registration. Therefore, the realization of the emergency response requires very swift action accompanied by strict adherence to social distancing, COVID-19 hygiene and sanitary practices throughout the execution of the plan. An ongoing dialogue with the Government, the implementing agency, and other donor partners mitigates these risks. The SSRLP effectiveness conditions have been completed and the project is now effective and entering active implementation. The Government has also confirmed that any activities related to international projects or COVID-19 response would continue.



### III. SUMMARY OF CHANGES

|  | Changed | Not Changed |
|--|---------|-------------|
| Results Framework                            | ✓       |             |
| Disbursement Estimates                       | ✓       |             |
| Overall Risk Rating                          | ✓       |             |
| Implementation Schedule                      | ✓       |             |
| Other Change(s)                              | ✓       |             |
| Technical Analysis                           | ✓       |             |
| Implementing Agency                          |         | ✓           |
| DDO Status                                   |         | ✓           |
| Project's Development Objectives             |         | ✓           |
| PBCs   |         | ✓           |
| Components and Cost                          |         | ✓           |
| Loan Closing Date(s)                         |         | ✓           |
| Cancellations Proposed                       |         | ✓           |
| Reallocation between Disbursement Categories |         | ✓           |
| Disbursements Arrangements                   |         | ✓           |
| Legal Covenants                              |         | ✓           |
| Institutional Arrangements                   |         | ✓           |
| Financial Management                         |         | ✓           |
| Procurement                                  |         | ✓           |
| Economic and Financial Analysis              |         | ✓           |
| Social Analysis                              |         | ✓           |
| Environmental Analysis                       |         | ✓           |

### IV. DETAILED CHANGE(S)

#### DISBURSEMENT ESTIMATES

Change in Disbursement Estimates



Yes

| Year | Current       | Proposed      |
|------|---------------|---------------|
| 2020 | 8,256,625.00  | 0.00          |
| 2021 | 29,363,250.00 | 65,897,000.00 |
| 2022 | 30,136,125.00 | 39,250,708.00 |
| 2023 | 25,932,250.00 | 19,852,292.00 |
| 2024 | 20,633,500.00 | 0.00          |
| 2025 | 10,678,250.00 | 0.00          |

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

| Risk Category  | Rating at Approval | Current Rating |
|--|--------------------|----------------|
| Political and Governance                                     | ● Substantial      | ● Moderate     |
| Macroeconomic  | ● High             | ● Substantial  |
| Sector Strategies and Policies                               | ● Moderate         | ● Moderate     |
| Technical Design of Project or Program                       | ● Substantial      | ● Moderate     |
| Institutional Capacity for Implementation and Sustainability | ● High             | ● Moderate     |
| Fiduciary  | ● Substantial      | ● Substantial  |
| Environment and Social                                       | ● Moderate         | ● Moderate     |
| Stakeholders   | ● Substantial      | ● Moderate     |
| Other  |                    | ● Moderate     |
| Overall  | ● Substantial      | ● Moderate     |



**Results framework**

**COUNTRY: Malawi**

**Social Support for Resilient Livelihoods Project**

**Project Development Objectives(s)**

The objectives of the Project are to improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.

**Project Development Objective Indicators by Objectives/ Outcomes**

| Indicator Name   | PBC  | Baseline  | End Target  |
|--|--|---|---|
| <b>To improve resilience among the poor and vulnerable population</b>  |  |   |   |
| Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score (Percentage) (Text), of which female-headed households (percentage) (Text)        |  | To be determined via baseline survey during the first year of implementation.   | To be determined on the basis of the baseline survey during the first year of implementation. |
| Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (Percentage) (Text) |  | Baseline: 0; Only refers to beneficiaries receiving the new extended/investment package (to be defined), targeting sub-group) | 29,500 of which 14,750 are women (50% of enhanced target, of which 60% women)                 |
| Number of beneficiaries of the COVID-19 emergency response cash transfer program (disaggregated by gender) (Number)  |  | 0.00  | 230,000.00  |
| <b>Action: This indicator is New</b>   | <b>Rationale:</b><br><i>This indicator is intended to measure the impact of the project with regards to the COVID-19 crisis response for vulnerable population of Malawi, including the total sum of beneficiaries from both the horizontal (urban CT) and vertical expansion.</i> |   |   |
| <b>To strengthen the national platform for safety nets</b>   |  |   |   |
| National social registry platform is institutionalized (Text)  |  | Formal institutional mechanisms not established   | Institutional mechanisms established and operational  |



| Indicator Name   | PBC | Baseline            | End Target  |
|--|-----|---------------------|---|
| Disaster risk financing mechanism is established for scalable Social Cash Transfers (Text) |     | No mechanism exists | Mechanism established and functional in selected districts. |

### Intermediate Results Indicators by Components

| Indicator Name   | PBC | Baseline               | Intermediate Targets |                      |                      |   |   | End Target           |
|--|-----|------------------------|----------------------|----------------------|----------------------|---|---|----------------------|
|  |     |                        | 1                    | 2                    | 3                    | 4 | 5 |                      |
| <b>Improving Social and Economic Inclusion</b>   |     |                        |                      |                      |                      |   |   |                      |
| Beneficiaries of Social Cash Transfer Programs (of which female) (Text)  |     | 123,682 (63.4% female) | 127,509 (65% female) | 147,000 (68% female) | 147,000 (68% female) |   |   | 147,000 (68% female) |
| Proportion of children in beneficiary households aged 6-17 years enrolled in primary and secondary schools with more than 80% of attendance annually (Percentage) (Percentage) |     | 0.00                   | 45.00                | 55.00                | 55.00                |   |   | 55.00                |
| Proportion of SCTP beneficiary Households linked to complementary services (Percentage)  |     | 3.10                   | 8.50                 |                      |                      |   |   | 10.50                |
| Number of direct project beneficiaries of EPWP (of which female; of which youth under 35 years of age) (Number)  |     | 0.00                   |                      |                      |                      |   |   | 35,000.00            |





| Indicator Name   | PBC | Baseline  | Intermediate Targets                  |                                      |                                     |                                     |                                       | End Target                           |
|--|-----|---|---------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
|  |     |   | 1                                     | 2                                    | 3                                   | 4                                   | 5                                     |                                      |
| Female direct project beneficiaries of EPWPP. (Number)   |     | 0.00  |                                       |                                      |                                     |                                     |                                       | 19,000.00                            |
| Number of EPWP beneficiaries - youth under 35 years of age (Number)  |     | 0.00  |                                       |                                      |                                     |                                     |                                       | 22,750.00                            |
| Percentage of households reporting satisfaction or direct benefits from the community assets created (Percentage)                                |     | 78.10   | 83.10                                 |                                      |                                     |                                     |                                       | 88.10                                |
| Percentage of households having at least 3 meals per day. (Text)   |     | 43.4% PWP; 32.4% SCTP;                              |                                       |                                      |                                     |                                     |                                       | 50% PWP; 40% SCTP;                   |
| Number of livelihoods groups and cooperatives formed with approved business plan and accessing livelihood for investment (Number)                |     | 114.00  | 195.00                                |                                      |                                     |                                     |                                       | 780.00                               |
| Beneficiaries HHs participating in functional Saving and Loans Groups (SLGs) (Percentage) of which Youth (25%) /female (65%) (Percentage) (Text) |     | from MASAF IV;32,562; (Youth: N/A );(Female 21,817) | 42,000 (Youth : 10,500; Women:27,300) | 56,000 (Youth: 14,000; Women:36,400) | 60,000 (Youth:15,000; Women:39,000) | 68,000 (Youth:17,000; Women:44,200) | 70,000 (Youth: 17,500 ; Women:45,500) | 70,000 (Youth: 17,500;Women:45,500 ) |



| Indicator Name  | PBC | Baseline                            | Intermediate Targets  |                  |   |   |   | End Target                           |
|---|-----|-------------------------------------|---|------------------|---|---|---|--------------------------------------|
|   |     |                                     | 1   | 2                | 3 | 4 | 5 |                                      |
| Adoption of triggering mechanism for SCTP scale-ups (Text)  |     | None exists                         | Indices as a basis for triggering scalability designed and adopted by GoM | Handbook adopted |   |   |   | Handbook adopted and in use          |
| Number of households covered by SCTP scalability mechanism (Number)   |     | 0.00                                |   |                  |   |   |   | 250,000.00                           |
| Number of existing rural SCTP beneficiaries receiving at least one monthly emergency cash top up (Number)               |     | 0.00                                |   |                  |   |   |   | 126,000.00                           |
| <b>Action: This indicator is New</b>  |     |                                     |   |                  |   |   |   |                                      |
| Number of new urban beneficiaries of emergency cash transfers covered by at least one monthly cash transfer (Number)    |     | 0.00                                |   |                  |   |   |   | 109,000.00                           |
| <b>Action: This indicator is New</b>  |     |                                     |   |                  |   |   |   |                                      |
| <b>Strengthening Harmonized Delivery Systems</b>  |     |                                     |   |                  |   |   |   |                                      |
| UBR data coverage increased to 100 percent households in 11 districts that are at 50 percent coverage as of 2018 (Text) |     | 50 percent coverage in 11 districts | 100 percent coverage in 7 districts                                       |                  |   |   |   | 100 percent coverage in 11 districts |



| Indicator Name  | PBC   | Baseline                                       | Intermediate Targets                            |   |   |   |   | End Target  |
|---|---|--|---|---|---|---|---|---|
|   |   |  | 1   | 2   | 3 | 4 | 5 |   |
| Security and privacy protocols developed and in use (Text)  |   | None exists                                    | Draft security and privacy protocols developed. |   |   |   |   | Security and privacy protocols developed and in use |
| E-payment system established and providing e-transfers to at least 50 percent of beneficiaries (Text)                     |   | No beneficiaries receive electronic transfers. | 25 percent of beneficiaries receive e-transfers | 50 percent of beneficiaries receive e-transfers |   |   |   | More than 50 percent of beneficiaries               |
| Percentage of grievances registered that are actually addressed (Text)  |   | 42.6% PWP; 48.9% SCTP;                         | 57.6% PWP, 63.9% SCTP;                          | 92.6% PWP, 98.9% SCTP;                          |   |   |   | 100% PWP; 100% SCTP;                                |
| Proportion of grievances about the Urban Cash Transfer intervention resolved within specified number of days (Percentage) |   | 0.00   |   |   |   |   |   | 60.00   |
| <b>Action: This indicator is New</b>  | <b>Rationale:</b><br><i>The indicator will monitor the effectiveness of the GRM mechanisms on the COVID19 response (after the project restructuring).</i> |  |   |   |   |   |   |   |
| <b>Capacity Building and Institutional Strengthening Support</b>  |   |  |   |   |   |   |   |   |
| Development of an anti-corruption strategy (Text)   |   | No strategy exists                             | Strategy developed                              |   |   |   |   | Strategy adopted                                    |



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