



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 08-Apr-2022 | Report No: PIDA33558



BASIC INFORMATION

A. Basic Project Data

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|---|--|---|---|
| Country Malawi | Project ID P177813 | Project Name Additional Financing for Social Support for Resilient Livelihoods Project | Parent Project ID (if any) P169198 |
| Parent Project Name Social Support for Resilient Livelihoods Project | Region AFRICA EAST | Estimated Appraisal Date 15-Mar-2022 | Estimated Board Date 25-May-2022 |
| Practice Area (Lead) Social Protection & Jobs | Financing Instrument Investment Project Financing | Borrower(s) The Republic of Malawi | Implementing Agency Malawi National Local Government Finance Committee |

Proposed Development Objective(s) Parent

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.

Components

- Improving Social and Economic Inclusion
- Strengthening Harmonized Delivery Systems
- Capacity Building and Institutional Strengthening Support
- Contingent Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

| | |
|---------------------------|--------|
| Total Project Cost | 187.50 |
| Total Financing | 187.50 |
| of which IBRD/IDA | 187.50 |
| Financing Gap | 0.00 |

DETAILS

World Bank Group Financing



| | |
|---|--------|
| International Development Association (IDA) | 187.50 |
| IDA Credit | 28.00 |
| IDA Grant | 159.50 |

Environmental and Social Risk Classification

Moderate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The persistence of poverty in Malawi highlights the need for safety nets as programs of last resort. The proportion of the population living below the national poverty line has remained largely constant since 2004, and was measured at 50.8 percent in 2019/20. This trend is at odds with those of many countries in the region, also considering that extreme poverty in Malawi (at the national poverty line) slightly increased by about 0.8 percentage points between 2016 and 2019/20 to reach 20.5 percent. There are sizeable differences in poverty levels between urban centers and the rural areas where nearly 95 percent of the poor live. Some underlying factors for the persistence of poverty include low educational and health outcomes, and limited diversification of income sources.

2. Malawi has a history of large-scale weather shocks which increase the vulnerability of households and may force many into poverty either permanently or temporarily. Accelerated by high population growth and environmental degradation, weather shocks in Malawi are expected to worsen over time. In comparison with almost every other country in the region, Malawi faced the highest sensitivity to extreme dry events from 1980 to 2014 (Hallegate, 2016). Flood and drought events in recent years, and most recently tropical cyclones, have exposed such vulnerabilities. Severe weather conditions further affect food prices and agricultural outputs, with significant impacts on poverty. Temporal shocks have the potential to keep chronically poor households locked in poverty and force a further two in every five households into poverty (Dang and Dabalén, 2017).

Sectoral and Institutional Context

3. There has been a marked improvement in the performance of social safety nets over time in Malawi, which provides a strong economic rationale for future investment. Overall, there has been an improvement in targeting performance for safety net programs in relation to the poor in recent years. Incidence of social safety net beneficiaries from the poorest quintile has increased steadily over time. While in 2010/11, 19.4 percent of beneficiaries of social safety net programs belonged to the poorest quintile, in 2013, it was 21.5 percent, and in 2016/17, it was 27 percent. The Social Cash Transfer Program (SCTP) has one of the highest incidences of beneficiaries who are extremely poor at 38.4 percent, with almost 70 percent of beneficiaries considered poor. The Malawi Social Action Fund’s public works program (MASAF PWP) was less pro-poor than most programs as



only 54.5 percent of its beneficiaries were poor or extremely poor. Recent innovations in data collection under the Unified Beneficiary Registry (UBR) are being leveraged for more effective targeting and supporting the efficient delivery of additional benefits and services.

4. Structural reform efforts have further highlighted the effectiveness of safety nets in Malawi in relation to other poverty interventions. Malawi's safety net coverage is noticeably lower than that of its other priority poverty reduction and relief programs. In 2016, the Farm Inputs Subsidy Program (FISP), which was restructured in 2020 into the current Affordable Inputs Programme (AIP) and humanitarian aid (food security and nutrition) coverage reached 37 percent and 33 percent of the population, respectively, with an equivalent expenditure of 1 percent and 6 percent of GDP. By contrast, the targeting performance in these areas show a fluctuating trend. Between 2010 and 2013, the share of beneficiaries belonging to the poorest quintile dropped but picked up in 2016. However, targeting performance of the FISP in 2016 was poorer than that in 2010. With the caveat that humanitarian assistance, the FISP, and safety net programs have slightly different objectives and hence targeting objectives, it is worth noting that both humanitarian assistance and the FISP do not perform as well as safety nets in terms of targeting the poorest households. Finally, there is a marked difference in the cost of delivering safety net versus humanitarian programs. Close to 35 percent of humanitarian expenditures in 2015–2016 was allocated to administrative costs, compared to an average (weighted) administrative cost of 14 percent for safety net programs.

5. Despite strong targeting, the overall impact on poverty and inequality of social safety net programs remains negligible given their low coverage and benefit levels. The size of the program (coverage) paired with the benefit level determines its impact on poverty and inequality. Most programs in Malawi for which the IHS survey collects monetary data report a small coverage (less than 5 percent of the total population and of the poor) and low benefit levels (less than 10 percent of the extreme poor's welfare and less than 20 percent of the poor's welfare). As a result, the reduction on poverty headcount and poverty gap from these programs is less than 1 percentage point reduction. However, closer examination of individual programs indicates important evaluative findings, such as the SCTP's effectiveness in increased food security, productive asset investment, curative care-seeking and reduced vulnerability to shocks, and the PWP's potential—if improved—to represent a key safety net for households. They could help determine how to appropriately prioritize, scale-up, and finance selective interventions. Further micro-simulation exercises will be undertaken to look at the likely outcomes under different future programming scenarios.

6. Emerging complementarity between social protection and agricultural input subsidy reforms is an opportunity to rationalize and expand Malawi's social protection system. In Malawi, agriculture is viewed as a means to food security through self-sufficiency, justifying substantial funding to heavily subsidized fertilizers for staple crop-maize through various schemes (currently AIP). These subsidies have not been well-targeted nor led to significant gains in productivity, as yields have stalled due to weather conditions and less efficient implementation of the subsidy¹. Current AIP coverage of 3.7 million farm families in comparison to overall 3.98 million households across Malawi, shows the wide coverage. However, targeting challenges makes the AIP a sub-optimal intervention for certain profiles of beneficiaries including the extreme poor, who usually sell the inputs opting for cash. Currently, there is a reform momentum to transform AIP and identify opportunities within social protection to provide safety nets that will support extreme poor households that will be transitioning out of AIP.

¹ Malawi Systematic Country Diagnostic: Breaking the Cycle of Vulnerability and Poverty <https://documents1.worldbank.org/curated/en/723781545072859945/pdf/malawi-scd-final-board-12-7-2018-12122018-636804216425880639.pdf>



In the 2022/23 budget statement, the Government of Malawi (GoM) commits to reforming the AIP including through upscaling safety net programs to better serve the lowest quintiles in form of public works. The proposed additional financing (AF) to the Social Support for Resilient Livelihoods Project (SSRLP) has been designed to complement AIP reforms by transitioning extreme poor households from AIP onto safety nets.

C. Proposed Development Objective(s)

Original PDO

7. 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.

Current PDO

8. 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.

Key Results

9. The key project development indicators are:

(a) To improve resilience among the poor and vulnerable population

- Number of Direct Project Beneficiaries [new];
- Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score,² of which female-headed households (percentage);
- Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package, of which female;

(b) To strengthen the national platform for safety nets

- National social registry platform is institutionalized;
- Disaster risk financing mechanism is established for scalable Social Cash Transfers.

D. Project Description

10. **The proposed AF would fill an original financing gap in its Social Cash Transfer (SCT) activity³; expand Malawi's social protection coverage through scaled-up climate-smart Enhanced Public Works Program (EPWP) including for resource poor households exiting the Affordable Input Program (AIP); and expand selected project**

² http://documents.wfp.org/stellent/groups/public/documents/manual_guide_proced/wfp197216.pdf.

³ The SCTP activity of SSRLP is part of Component 1: Improving Social and Economic Inclusion-Enhanced Core Packages, Subcomponent 1.1: Enhanced Core Programs, and feeds into the national Social Cash Transfer Program, financed by the Government, the World Bank, and other donors.



activities in response to natural disasters. To ensure adequate financing of the expanded coverage of Malawi's social protection system, the AF will provide US\$187.5 million equivalent (inclusive of US\$12.5 million from the Crisis Response Window – Emergency Response Financing /CRW-ERF/) to (a) meet the project's original development objectives related to expanded (by design) coverage and duration of the regular SCTP, (b) temporary scale up the climate-smart EPWP to take in a larger number of poorest households including absorbing those AIP beneficiaries in the poorest quintile, (c) scale up the Financing Scalable Safety Nets subcomponent, (d) scale up the livelihoods activities to match the expanded EPWP and ensure opportunities for graduation from social protection programs, (e) add financing to the Strengthening Harmonized Delivery Systems and Capacity Building and Institutional Strengthening Support components to cover for the expanded and longer duration of core programs, and (f) add US\$12.5 million from the CRW-ERF to ensure fast reaction to situations resulting in food insecurity. This will entail changing component financing to increase the allocation to the SCT activities, the climate smart EPWP, scalable safety nets financing mechanism and livelihoods activities to fill in the existing financing gap (currently estimated at US\$35 million) and scale up to additional beneficiaries and districts. One of the main tasks of the AF would be to help support the reform of the AIP.

11. **The components will be revised to accommodate a larger number of beneficiaries and commensurate larger needs for livelihoods support, systems and capacity building, and management costs.** Initial reviews and recommendations by the GoM and World Bank suggested that an appropriate immediate step to cushion the impacts of AIP reform would be to scale up the existing SSRLP core programs, primarily the climate smart EPWP, and livelihoods support activities. The objective is to also offer a potential pathway to transition poorest AIP beneficiaries to more appropriate social safety net programs that can serve their needs more effectively. The proposed US\$187.5 million equivalent AF would allow for covering 147,000 beneficiaries under the SCTP, an additional 400,000 beneficiary households transitioning from the AIP and temporarily into the EPWP for two years, with six months of work per year, and shock-responsive cash transfers to 300,000 drought-affected poor households for the full duration of the project, until 2025. For comparison, currently the SSRLP has available financing to fund the SCTP until June 2023, while funds for the EPWP can only cover 35,000 beneficiaries in 14 districts. The livelihoods support will also be expanded to match the increased number of beneficiaries of the SCTP and EPWP.

12. **The proposed AF will address GoM's priority of increasing food security and protecting vulnerable households from climate-related shocks.** The Scalable Safety Nets will be expanded to more districts and leverage existing social protection infrastructure to provide additional support in response to future droughts. In addition to that, the CRW financing would fund the Contingent Emergency Response Component (CERC) to provide early response financing (ERF) from IDA Crisis Response Window (CRW) linked to crisis preparedness efforts, with the objective of supporting and incentivizing resilience-building related to food insecurity and climate-related disasters.

13. **The following changes to components will be applied through this AF:**

- **Component 1: Improving Social and Economic Inclusion** – in the subcomponent Enhanced Core Programs, US\$166 million would be added to: (i) allow SCTP beneficiaries in 11 districts to receive social cash transfer payments for the whole duration of the project; (ii) include in EPWP 400,000 additional beneficiaries exiting the AIP, in 28 districts; (iii) in Livelihoods Support, provide services for additional beneficiaries of SCTP and EPWP. Under the subcomponent on Financing Scalable Safety Nets increasing the available financing to cover additional beneficiaries in three new districts.
- **Component 2: Strengthening Harmonized Delivery Systems** – US\$5 million would be added for



systems improvements and for system maintenance of the enlarged core programs;

- **Component 3: Capacity Building and Institutional Strengthening Support (which includes project management)** –US\$4 million would be added to provide sufficient financing to manage expanded core programs;
- **Component 4: Contingent Emergency Response (CERC)** –US\$12.5 million would be added from CRW ERF for potential emergencies related to food insecurity.

Legal Operational Policies

| | Triggered? |
|---|------------|
| Projects on International Waterways OP 7.50 | No |
| Projects in Disputed Areas OP 7.60 | No |

Summary of Assessment of Environmental and Social Risks and Impacts

14. Project subprojects have neither been defined in scope nor identified, however screening of potential environmental and social risks and impacts has been undertaken on similar interventions in the parent project. Possible social risks and impacts that are likely to arise from the public works program and livelihood activities include construction related health and safety risks to both community labour and surrounding local communities, land acquisition, most likely of a temporary nature, leading possible loss of assets, land, livelihoods and some access restrictions. The potential environmental impacts caused by rehabilitation works and associated handling and storage of construction material includes waste production, excessive noise and dust levels, and disposal of asbestos containing material, if present, deforestation, overgrazing, poor watershed management, soil salinity, soil acidity, communicable and non-communicable diseases, water logging, vegetation and associated fauna, soil disturbance and erosion. Approaches such as maintaining approved sub-project activity lists and the avoidance of high conservation value locations as well as reducing the scope of the public works element serve to avoid potential risks. The sub-project site screening and development of sub-project ESMPs will address remaining risks and ensure residual impacts are identified and appropriately managed.

E. Implementation

Institutional and Implementation Arrangements

15. **The overall implementation arrangements would be preserved, but the implementing institutions will be significantly strengthened to guarantee smooth implementation of the massively scaled-up program.** The NLGFC will continue to be the main implementing agency for the SSRLP and AF, working in close cooperation with several key implementing partners, including the Ministry of Finance and Economic Affairs (MoFEA), the Ministry of Gender, Children, Disability and Social Welfare (MGCDSW), the Ministry of Local Government and Rural Development, cooperatives and savings groups, and district authorities. The NLGFC will be the technical nexus for project implementation, including fiduciary functions, monitoring and reporting, coordination, and overall project



supervision. However, the significantly scaled up activities would require strengthening of the implementation capacity. The needs of the NLGFC to properly implement the AF were assessed, especially with regard to the enlarged EPWP. Specifically, the increased coverage of the EPWP under the proposed AF will require implementation capacity that could not be guaranteed by the current institutional setup of the NLGFC and the districts. Therefore, a special unit of dedicated staff would be created under the NLGFC's director for infrastructure and economic development. That unit would work exclusively on the SSRLP to guarantee timely implementation, adequate accountability and supervision, and strengthened support for the local implementing levels.

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APPROVAL

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