

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA23746

<b>Project Name</b>	Malawi Flood Emergency Recovery (P154803)
<b>Region</b>	AFRICA
<b>Country</b>	Malawi
<b>Sector(s)</b>	Irrigation and drainage (20%), General education sector (20%), Rural and Inter-Urban Roads and Highways (20%), General agriculture, fishing and forestry sector (20%), General water, sanitation and flood protection sector (20%)
<b>Theme(s)</b>	Water resource management (20%), Natural disaster management (50%), Social Safety Nets/Social Assistance & Social Care Services (20%), Climate change (10%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P154803
<b>Borrower(s)</b>	Government of Malawi
<b>Implementing Agency</b>	MIN.IRG.WATR DEV-CR4946 & H690
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	05-Apr-2015
<b>Date PID Approved/Disclosed</b>	05-Apr-2015
<b>Estimated Date of Appraisal Completion</b>	05-Apr-2015
<b>Estimated Date of Board Approval</b>	07-May-2015
<b>Appraisal Review Decision (from Decision Note)</b>	Main Decision by CD (Meeting Chair): The Project is considered appraised and cleared to proceed with negotiation, subject to (a) RVP's approval of safeguards deferral under para 12 (a) of OP 10; and (b) incorporation of guidance provided by the Decision Meeting into the appraisal package.

## I. Project Context

### Country Context

Malawi is a landlocked country located in southeast Africa and encircled by Mozambique to the South-east, Zambia to the West and Tanzania to the North. Malawi is one of Africa's smallest countries with a population of just over 16 million. It is also one of the continent's most densely populated countries, partly due to the famous Lake Malawi taking up nearly a third of the country's area. Malawi's young and growing population is expected to reach 22.8 million by 2025. With over half of its total population living in poverty, Malawi is one of the world's poorest countries and is ranked 174 out of 187 countries on the United Nations Human Development Index (UNDP, 2013). It has one of the lowest per capita incomes in the world at approximately US\$270 annually.

Around 85 percent of Malawi's population lives in rural areas, with the majority engaged in smallholder, rain-fed subsistence agriculture. While agriculture remains the main source of Malawi's economic growth (about 40 percent of Gross Domestic Product (GDP) and over 85 percent of total export earnings) the high level of subsistence farming is one of the key factors behind high poverty rates. Rural poverty stood at 55.9 percent in 2004/05 and increased to 56.6 percent by 2010/11, compared to approximately 25 percent in urban areas in 2010/11.

Agriculture is predominantly rain-fed and dependent on one brief and variable, annual rainy season. Much of the population reliant on subsistence agriculture is located in the Southern Region, a prime location for cultivation but which also contains the country's poorest districts. The primary staple for most rural households is maize. However, over 70 percent of all farmers cultivate less than one hectare of the crop and a significant number struggle to produce enough food to meet their household consumption requirements. Rates of malnutrition, especially among children in the Southern Region, remain high. Even in times of good production, poor roads have often prevented the marketing of surpluses.

Malawi also faces a number of disasters, both natural and human-made, which include floods, drought, stormy rains, strong winds, hailstorms, landslides, earthquakes, pest infestations, diseases outbreaks, fire and accidents. The intensity and frequency of disasters has been increasing, in the face of climate change, population growth, urbanization and environmental degradation. Farmers in Malawi are directly affected by such disasters, as they are highly vulnerable to natural hazards. The Lower Shire, for instance, which constitutes a key agricultural region of the country, is prone to cycles of recurrent floods and droughts. Between 1967 and 2003, the country experienced six major droughts and 18 incidences of flooding, which heavily impacted smallholder farmers. More recently, two major floods struck the country, including the district of Nsanje in January 2012, and the Mangochi District in January 2013, impacting many people and washing away large swathes of agricultural fields. These disaster events also resulted in the loss of life, infrastructure destruction (including roads, rail and homes), crop loss, perpetual food insecurity and health impacts (diarrhea, cholera and malaria). In the case of Nsanje for instance, recovery and reconstruction needs were estimated at US\$7.3 million.

### **Sectoral and institutional Context**

Malawi faced a large public financial management scandal recently that exposed fundamental weaknesses in the country's public financial management systems. The ensuing loss of confidence led to a withdrawal of budget support by major donors and financial institutions which in turn led to a substantial rise in non-food inflation. Other than the suspension of all budget support by donors, this also caused sharp reductions in disbursements of aid funds through government systems. In order to address these fiduciary risks head-on, the MFERP has incorporated mitigation measures, such as the use of ring-fenced, and tried and tested implementation arrangements (including the use of an existing and well performing PIU), to ensure closer and tighter fiduciary oversight.

**Agriculture and Livelihoods:** The January 2015 floods have aggravated an already highly precarious situation for rural households. Agriculture remains the main source of livelihoods, growth and exports in Malawi. With 85 percent of the population residing in the rural areas, the sector accounts for over 80 percent of the country's employment and about 85 percent of exports. Over 70 percent of all farmers in the country cultivate less than one hectare of land and a significant

number of these farmers struggle to meet their annual consumption needs. Farmers are also highly vulnerable to disasters. The Lower Shire in particular, which represents a key area for agriculture in Malawi, is hit by recurrent floods and droughts, which seriously undermine agricultural gains and incomes.

**Food Storage and Security:** The Government's Strategic Grain Reserve (SGR) was first established in 1981 to help cope with food (maize) shortages and emergencies. The Agricultural Development and Marketing Corporation (ADMARC), a parastatal grain marketing board, was in charge of the management and operation of the reserve. In 1999, the GoM established the National Food Reserve Agency (NFRA) as a Trust with autonomy to take direct responsibility for the management and marketing activities of the SGR. NFRA is supervised by a Board of Trustees and operates under the supervision of the Ministry of Agriculture, Irrigation and Water Development (MoAIWD). Drawdowns and maize purchases are also validated and monitored by a SGR Management Committee, chaired by the Permanent Secretary of Agriculture and composed of various maize sector and food aid stakeholders, including donors. NFRA's objectives are to: (i) maintain the SGR through storage, purchase and release of maize grain; (ii) assist in stabilizing grain prices; (iii) oversee grain importation and exportation on behalf of the Government; (iv) contribute to private sector development of the grain market in Malawi; and (v) advise the Government on matters relating to food security and grain market.

In addition to NFRA, several other key players are also used for SGR replenishments restocking. The Agricultural Commodity Exchange for Africa (ACE) is a spot and forward market commodity exchange that has adopted widely used regional commodity quality and trading standards. Supported by USAID, ACE is known in Malawi for successfully promoting the warehouse receipt system that offers market opportunities to small local traders, farmer organizations and cooperatives. ACE is already used on a regular basis by various institutions, including the World Food Programme (WFP), and has been successfully utilized by bilateral donors (Irish, Norway and Flanders co-operations) for SGR restocking. Moreover, the Auction Holdings Limited Commodity Exchange (AHCX) is a recently established subsidiary of the Auction Holdings Limited, which has more than 70 years of experience in tobacco auction trading. AHCX is now active on the private trading of agricultural commodities, including maize and other traded legumes, such as groundnuts and soya beans.

**Transportation:** The transport sector in Malawi is comprised of four sub-sectors, namely roads, rail, water and air. Road transport is the dominant mode of transport on land as compared to rail due to the flexibility allowed to users in reaching remote areas and also due to the poor condition of rail infrastructure. Road transport handles more than 70 percent of the internal freight traffic and 99 percent of passenger traffic. Accessibility in rural areas has remained a challenge in Malawi due to the condition of the rural roads, which are mainly comprised of secondary, tertiary, district and community roads. The total road network covers 15,451km, of which 28 percent is paved, while the rest constitutes of either earth or gravel roads.

The Roads Authority was formed through an act of Parliament in 1998 and has the mandate of overseeing the maintenance, rehabilitation and upgrading of main, secondary and tertiary roads in Malawi. District and community roads are administered by the District Councils but the Roads Authority still assists the districts in providing rehabilitation and maintenance services due to the councils' lack of capacity. The GoM is currently implementing several programs, including the Agriculture Sector Wide Approach Support Project (ASWAp-SP), to address challenges related to

the transport sector. The main intervention in the ASWAp-SP roads component is to provide access to areas that have agricultural potential. The Road Fund Administration (RFA) was established by an act of Parliament to administer the road fund collected from the fuel levy and other road user charges for purposes of road maintenance and rehabilitation. It also generally manages the funding of all operations by the Roads Authority.

Flood Mitigation and Climate Resilience: To improve climate resilience in the Shire River Basin, the GoM is implementing the Integrated Flood Risk Management Plan (IFRMP) for the Lower Shire. The Bank's Shire River Basin Management Program (SRBMP) is supporting the implementation of the IFRMP in collaboration with other initiatives. Key activities under the SRBMP that are relevant for the design of the MFERP include priority flood mitigation interventions, community awareness raising on flood mapping and zoning, design and construction of adaptation measures, connectivity to flood early warning systems, civil protection, ecological flood mitigation and climate resilient livelihoods. The recovery and resilience-building strategy underpinning the MFERP builds upon and complements these SRBMP interventions.

## II. Proposed Development Objectives

The Project Development Objective is to “sustainably restore agricultural livelihoods, reconstruct critical public infrastructure to improved standards in the flood-affected districts, and improve the Government of Malawi’s disaster response and recovery capacities”.

## III. Project Description

### Component Name

Livelihoods and Food Security

### Comments (optional)

### Component Name

Public Works Reconstruction

### Comments (optional)

### Component Name

Promoting Disaster Resilience

### Comments (optional)

### Component Name

Program Management

### Comments (optional)

## IV. Financing (in USD Million)

Total Project Cost:	80.00	Total Bank Financing:	80.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>

BORROWER/RECIPIENT	0.00
International Development Association (IDA)	80.00
Total	80.00

## V. Implementation

The challenges faced by Malawi towards achieving effective and efficient flood recovery warrant the institution of dedicated arrangements for recovery planning and implementation at a central-programmatic level. However these arrangements must also rely upon and tap into existing delivery mechanisms for implementation at the sector and departmental levels. The overall implementation arrangements agreed for the MFERP are illustrated in a flow chart included in Annex 3 and are briefly explained below. These arrangements also take into account the recent financial management scandal and contain measures to address the ensuing high-risk fiduciary environment.

**Need for an Institutional Locus for Programmatic Recovery Planning:** The GoM has tasked DoDMA with providing advice on a programmatic, cross-sectoral framework of recovery interventions. DoDMA will thus have an advisory role in guiding the PIU in the development and implementation of a Recovery Framework that will help towards coordinating and planning floods recovery in an integrated and cohesive manner. DoDMA will thereby also serve as a convening forum and repository for multi-sector and programmatic recovery planning. However, it will not have a direct role in implementation or coordination other than for the execution of Component 3. Sectoral and line-department focal points may also be designated to ensure that an inclusive process that incorporates elements of bottom-up planning merge together with central policy precincts towards shaping a holistic framework for cross-sectoral and programmatic recovery.

**Process for the Prioritization and Sequencing of Recovery Interventions:** DoDMA may consider setting up and heading an inter-departmental Prioritization Taskforce (PT) to sequence and prioritize activities across and within various sectors. The PT will work closely with the Project Steering Committee (PSC) to solicit policy decisions from Government and communicate them to the respective implementing entities for the various Project components. The above will require putting in place a cascading series of processes and functions for recovery planning including the development of: (a) a central vision for recovery; (b) policy frameworks for recovery; (c) inter-sectoral strategy and program development for recovery; (d) inter-sectoral prioritization and sequencing of recovery needs, and; (e) sector-level recovery programs leading to specific sector interventions.

**Project Steering Committee (PSC):** The principal or apex decision-making body for the MFERP will be the PSC chaired by the Ministry of Finance and Economic Development (MoFED) and composed of representatives from the MoFED, MoAIWD, Ministry of Education, Science and Technology (MoEST), Ministry of Health (MoH), Ministry of Natural Resources, Energy and Environment (MoNREM), Ministry of Local Government and Rural Development (MoLGRD), Ministry of Transport and Public Works (MoTPW) (which includes the Roads Authority), Ministry of Lands, Housing and Urban Development (MoLHUD) and DoDMA. This committee will provide oversight for project implementation as well as central policy guidance as required on a periodic basis. DoDMA will act as the lead technical agency for the development of the Recovery Framework and sit on the PSC in an advisory role.

**Project Implementation Unit (PIU):** The existing PIU for the Bank-funded IRLADP will transition

into a dedicated PIU for the MFERP. The IRLADP PIU is coming to an end in June 2015 and will be converted into the MFERP PIU. The IRLADP PIU is composed of government-contracted staff and its existing mandate and functions will be extended and adjusted in line with the requirements of the MFERP through a notification to be issued by the GoM. The use of an existing PIU will also facilitate timely implementation of Project activities, particularly including the fast disbursing components. IRLADP was chosen in order to take advantage of an existing and efficient project implementation structure for similar interventions and will remain housed within MoAIWD. The staff of IRLADP will be responsible for overall project management, which includes coordination across implementing agencies and ministries, financial management, centralized procurement, inter-ministerial reporting arrangements, quality control, social and environmental controls and monitoring and evaluation. In light of the recent financial management scandal, the Project's use of a well-established, Bank-accredited and functioning PIU will also ensure closer and tighter fiduciary oversight.

## VI. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

**Comments (optional)**

## VII. Contact point

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