



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 01-Jun-2018 | Report No: PIDC23840



BASIC INFORMATION

A. Basic Project Data

Country Malawi	Project ID P165056	Project Name MALAWI-Disaster Risk Management Development Policy Credit with Cat DDO (P165056)	Parent Project ID (if any)
Region AFRICA	Estimated Board Date Feb 15, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance, Economic Planning, and Development	Implementing Agency Ministry of Finance, Economic Planning, and Development		

Proposed Development Objective(s)

The overall objective is to strengthen the institutional, technical, and financial capacity of the Government of Malawi for disaster and climate risk management.

Financing (in US\$, Millions)

SUMMARY

Total Financing	27.00
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DETAILS

Total World Bank Group Financing	27.00
World Bank Lending	27.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

1. Malawi's growing disaster risk and vulnerability to climate change threatens the country's long-term economic growth and development. Growth in Malawi's open economy has lagged and been more volatile in comparison to its Sub-Saharan neighbors, even with similar frequency of climate-induced shocks. With GDP per capita reaching only US\$372 in 2015, poverty is entrenched in Malawi, ranking as the sixth poorest country in the world. Malawi is frequently affected by the Indian Ocean's south western cyclonic weather pattern and the El Niño-Southern Oscillation (ENSO) inter-annual variability leading to successive and compounding climatic shocks. Extreme weather conditions induced by La Niña (cooling phase of ENSO) in 2015, generated extended floods, where estimated economic damage and losses were US\$335 million (5.2 percent of GDP), with US\$68 million in agriculture alone. This was followed by severe droughts during El Niño in 2016, with the highest ever agricultural losses of about US\$200 million, 83 percent of the overall losses to the economy (US\$239 million).¹

2. While the Government has started to move from a reactive to a more proactive approach for climate and disaster risk approach, implementation and enforcement remains weak. The Government's limited investments on disaster risk management are focused on responding to disasters and the immediate food security challenges without addressing the underlying factors of vulnerability, especially related to unplanned urbanization in hazard prone areas, lack of resilient standards in infrastructure and buildings. The proposed US\$27 million DRM Development Policy Credit with a Catastrophe Deferred Drawdown Option (DPC with Cat DDO) will support the Government of Malawi (GoM) in strengthening the country's institutional, technical and financial capacity for disaster and climate risk management. Facilitating key policy and institutional reforms in Disaster Risk Management (DRM) is an urgent priority for Malawi to be able to better manage the socio-economic costs of disasters. Furthermore, by ensuring timely access to much needed resources after a disaster, the Government can better manage the cost of emergency response and recovery, as well as protect its fiscal space for strategic growth-enabling investments.

Relationship to CPF

3. The proposed program aligns with Malawi's most recent Country Assistance Strategy (CAS) 2012-2016. Malawi is currently preparing its next Systematic Country Diagnostic (SCD), which will be the basis for its new Country Partnership Framework (CPF). In the Country Assistance Strategy 2012-2016, under the theme of "Enhancing Human Capital and Reducing Vulnerabilities", Outcome 2.2 focused on "Improving resilience for poor communities through adequate social safety nets, improved climate resilience, and enhanced capacity to respond to disaster risks", which directly contributes to the World Bank's twin goals. The proposed operation is fully aligned with all expected outcomes under the 2.2 of the CAS. Further, concept discussion of the next SCD also indicates climate risks as a key challenge affecting poor households, and will likely require actions in the CPF to address this challenge.

C. Proposed Development Objective(s)

The overall objective is to strengthen the institutional, technical, and financial capacity of the Government of Malawi for disaster and climate risk management.

Key Results

¹ World Bank, *Hard Hit by El Niño: Experiences, Responses, and Options for Malawi*, 2018.



6. The proposed DPC with Cat DDO will set the stage for a multi-sectoral comprehensive approach for DRM. The Program will enable a more proactive approach for the Government to manage existing disaster risks and prevent creation of new risks, including those aggravated by climate change, thereby reducing the socio-economic and financial impacts of disasters. The DPC's pillars and associated prior actions as well as their results are aligned with the government's development program, Malawi Growth and Development Strategy III. Many of the activities and reforms prioritized under this operation will fill critical gaps in Malawi's current institutional and financial framework to reduce the impact of disasters on lives, livelihoods, and infrastructure.

D. Concept Description

7. The proposed operation is designed to strengthen the technical, institutional and financial capacity of the government, while providing immediate liquidity to the country when a disaster strikes. The Program is structured around four pillars with eight prior actions, fully aligned with the Government's development program. Malawi is a policy-rich country with well-drafted and adopted policies and strategies across development sectors. However, implementation of policies has remained a challenge due to an absence of legal mandates, lack of clear roles of stakeholders, and/or inadequate financial resources. The program, designed under the DPC, is strategic as it attempts to change the country's DRM focus from emergency response to a more holistic and proactive approach for managing risk ahead of disasters, especially by improving DRM institutional arrangements for more proactive interventions and better coordination among different sectors and levels of government; improving climate and meteorological services; resilience in urban, education, transport and building infrastructure; as well as scaling up post disaster resources and shock-sensitive safety net programs so that they can benefit the poor and most vulnerable people affected by disasters.

8. The four Pillars and related Prior actions facilitate policy reforms that will help achieve development outcomes that are already championed by the Government. These include:

Pillar A will focus on strengthening the institutional framework and coordination mechanisms for the implementation of the national disaster and climate resilience agenda.

- **Prior Action A.1:** The Cabinet has approved a DRM Bill which establishes an effective systematic institutional framework that will facilitate a shift from emergency response to a comprehensive approach to DRM.
- **Prior Action A.2:** The Government has, through MoFEPD and DoDMA, agreed upon and adopted an institutional coordination mechanism, which facilitates monitoring of budget allocation and results for DRM and climate change within and across levels of government and international stakeholders involved. This aligns with the priorities of the Malawi Growth and Development Strategy (MGDS) III (2017-2022).

Pillar B will focus on improving the policy environment for the provision of meteorological services and early warning systems.

- **Prior Action B.1:** The Cabinet has approved the Malawi National Meteorology Policy which will guide the modernization of climate and meteorological services central to providing quality and timely information for resilient development.

Pillar C will focus on increasing climate and disaster resilience in urban development and public infrastructure.

- **Prior Action C.1:** The Cabinet has approved the Malawi Urban Policy which incorporates DRM and climate change as cross-cutting topics, and facilitates the development of other policy instruments needed to improve urban resilience.



- **Prior Action C.2:** The Cabinet has approved the Malawi National Transport and Public Works Policy which promotes mechanisms for resilient design, construction and operation of transport infrastructure and public buildings.
- **Prior Action C.3:** The Government has adopted Safer Schools Construction Guidelines as well as a Roadmap for Safer Schools which will ensure (multi-hazard) resilient design and construction of public education infrastructure, and outline a way forward for safe location, selection of materials, and construction techniques for safer schools.

Pillar D will focus on strengthening the social protection mechanisms and the financial capacity of the government to respond to disasters.

- **Prior Action D.1:** The Government has approved the Malawi National Social Support Programme II (MNSSP II, 2017-2022), which prioritizes the development a shock-sensitive social protection system.
- **Prior Action D.2:** The Government will adopt a Disaster Risk Financing Strategy which provides a comprehensive framework for implementing different financial instruments to respond to disasters.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

9. The DPC with Cat DDO's Prior Actions will enable GoM to better protect poor and vulnerable people from disasters. Prior Actions under Pillar A focus on a clarifying roles and priorities for DRM across different government stakeholders. Developing strong and well-coordinated policy frameworks and institutions is critical for ex ante action on disaster risk management and also for enabling a rapid and effective response to disasters, hence protecting the country and its people from the erosion of development gains. Malawi's third Growth and Development Strategy focuses on "sustainable and inclusive growth" and helping the nation develop resilience to shocks and hazards. Prior Actions under Pillar B focus on strengthening meteorological services and early warning systems, which are effective DRM measures for increasing resilience since these mechanisms can provide lead time for preparing for disasters, and also trigger appropriate financial response mechanisms. Prior Actions under Pillar C will support urban development and resilient infrastructure, which will benefit people at all levels of income, particularly poor populations, in urban as well as rural settings. Poor populations are more likely to settle in risk-prone areas, live in poor quality housing, and be most-affected by disruptions in transport connectivity, which is also addressed in Malawi's National Policy. Lastly, Prior Actions under Pillar D focus on the government's fiscal resilience and are crucial for enabling the financing of post-disaster support through scalable social protection systems as well other risk financing instruments. By putting in place dedicated systems for accessing and channeling contingency funds, the GoM can ensure that funds are available to finance the pro-poor risk management measures contained in the other pillars.

Environmental Impacts

10. The Prior Actions for this project will help improve Malawi's ability to manage its environment and natural resources, and are thus likely to result in positive impacts on the environment. Specifically, the Prior Actions are designed to strengthen the engagement and coordination of several key ministries and authorities for effective DRM. Through this process, departments of economic planning, disaster management, land, housing, urban development, and transport will be able to better reflect environmental considerations and risks in their respective decision-making processes. Overall, by supporting the GoM's effort to mainstream DRM into several key infrastructure sectors (including transport, education, and urban), this project can help to better integrate sustainable environmental management into more general planning processes.



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APPROVAL

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