



# Concept Environmental and Social Review Summary

## Concept Stage

### **( ESRS Concept Stage)**

Date Prepared/Updated: 11/01/2023 | Report No: ESRSC03897



**I. BASIC INFORMATION**

**A. Basic Operation Data**

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P181371	Program-for-Results Financing (PforR)	Malawi Fiscal Governance PforR	2024
Operation Name	Malawi Fiscal Governance Program for Results		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Malawi	Malawi	EASTERN AND SOUTHERN AFRICA	Governance
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Ministry of Finance and Economic Affairs	Public Procurement and Disposal of Assets Authority, Malawi Revenue Authority	15-Jan-2024	28-Feb-2024
Estimated Concept Review Date	Total Project Cost		
25-Oct-2023	80,000,000.00		

**Proposed Development Objective**

The PDO is to improve the effectiveness of resource mobilization, budget execution, and transparency of public finances in Malawi.

**B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project Activities**

*[Description imported from the Concept Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]*

The Malawi Fiscal Governance Program for Results (PforR) is supporting the delivery of the Malawi Public Finance Management Strategy 2023 – 2028 with the overarching objective of attaining sound financial management and discipline in public service delivery for sustainable development. The Government of Malawi (GoM) recently launched



the Malawi Public Finance Management (PFM) Strategy 2023 – 2028 with the overarching objective of attaining sound financial management and discipline in public service delivery for sustainable development. The proposed IDA operation (US\$80 million) would support GoM in the delivery of results under the program and have significant complementarity with the IMF Extended Credit Facility (ECF) and World Bank Development Policy Financing (DPF) currently under negotiation. It would evolve World Bank support to PFM strengthening from prior input-based instruments to financing linked to implementation of policy reforms and achievement of continued results throughout the span of the PFM Strategy. The proposed operation would represent the first Program for Results (PforR) introduced in Malawi, with the objective of increasing trust and strengthening controls for spending through government systems. This will enable the GoM to further invest in the credibility of its systems and improve its ability for harmonized planning, coordination, and utilization of resources for service delivery aligned to national development priorities.

## D. Environmental and Social Overview

### D.1 Overview of Environmental and Social Project Settings

*[Description of key features relevant to the operation’s environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 2,000]*

The Project aims to improve financial management and discipline in public service delivery. The activities under both the IPF and PforR will be undertaken within Central Government rather than within the districts and is therefore a national program. The Project does not include infrastructure and as such there are no specific project settings. Malawi’s public finances remain impacted by an economy weakened by a series of exogenous shocks and persistent macro-fiscal imbalances. Sustained macroeconomic mismanagement and a sequence of external shocks have pushed the economy into a prolonged and severe crisis. Malawi is regularly affected by cyclones, floods and droughts, amongst other natural hazards resulting in human disasters. Unsustainable farming practices and deforestation in particular have result in significant land degradation. These hazards and land use practices negatively impact production. A series of exogenous shocks has exacerbated the macroeconomic crisis. The COVID-19 pandemic and supply-related constraints hindered trade and growth, but also pushed inflation on an upward trajectory. The economy has also been hit by three tropical cyclones that disrupted the production process, including electricity generation coupled with an increase in global commodity prices. With reserves buffers depleted and fiscal space eroded, this has made it difficult for Malawi to take advantage of easing global conditions. Protracted shortage of foreign exchange has affected the importation of strategic inputs for production and weakened the Malawi Kwacha against other currencies.

### D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

*[Description of Borrower’s capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 2,000]*

Public Procurement and Disposal of Assets Authority and the Malawi Revenue Authority have no experience in E&S safeguards in line with World Bank requirements and currently employs no E&S specialists. In general Malawi lacks safeguard capacity to identify risks and impacts and implement appropriate mitigation measures. The national framework does not readily identify or mitigate risks and impacts consistent with the ESSs, rather focusing on the positive benefits of the projects. There is also limited capacity to implement functional grievance committees and to undertake meaningful stakeholder engagement. To address these capacity constraints a strengthened PIU has been



agreed consisting of two Environmental Safeguards Specialists; two Social Safeguards Specialists; one Occupational Health and Safety Specialist; two Engineers; One GBV Specialist and One Communication Specialist.

However, the IPF component is supporting Technical Assistance Activities, potentially including measures to strengthen E&S Capacity in Central Government. The Projects Environmental and Social Commitment Plan will include the necessary measures to strengthen the capacity of the implementing agencies to manage the project in accordance with the Bank’s Environmental and Social Framework. Activities including E&S risks under the PforR component will be managed through the Environmental and Social Systems Assessment (ESSA).

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Low

#### A.1 Environmental Risk Rating

Low

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]*

This IPF component of the Program for Result involves technical assistance to strengthen institutions, capacity building including for environment and social and program management. It will not support any studies or preparation of future investments nor will it support formulation of policies, plans, programs, strategies or legal frameworks. The program may procure electronic equipment like computers, printers or other IT related equipment. Although the IPF support will not have any civil works that may have direct adverse environmental impacts, the outcomes of the proposed support may have environmental implications going forward, entailing risks and potentially inducing adverse impacts through disposal of old or used electronic equipment that may result in contamination if not properly managed. This risk is site-specific and well manageable through proper enforcement of the electronic waste management policy. However, there is limited capacity to manage environmental risks within Malawi and the implementing agencies have no previous experience in the implementation of World Bank Projects or the ESF however given the nature of the activities proposed the risks associated with the lack of capacity are considered to be low. The environment risk rating is therefore assessed to be low.

#### A.2 Social Risk Rating

Low

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]*

The social risk classification is low based on the nature of the activities which mainly involves capacity building and technical assistance at the National level to strengthen systems and E&S Capacity. The Project will not include any civil works and any direct interaction with communities is expected to be limited. Engagement will be required with other professional agencies as well as NGOs, CDOs and others to ensure successful implementation of the Technical Assistance but will also need to cover the activities under the PforR elements to ensure stakeholders have a full understanding of the proposed activities. Given the nature of the activities there is a risk that the engagement will not be fully implemented in a timely manner. A functional grievance mechanism will also need to be established and described in the stakeholder engagement plan. The GRM will need to cover all proposed activities including those to be implemented under the PforR but there is a risk that it may not be accessible to all stakeholders. Due to the likely nature and scale of the workforce issues related to labor and working conditions are anticipated to be negligible but

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will be addressed through the development of a Labor Management Procedure. There is limited capacity to manage social risks and the implementing agencies have no experience in managing projects in line with the ESF.

*[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 2,000]*

**B. Relevance of Standards and Policies at Concept Stage**

**B.1 Relevance of Environmental and Social Standards**

**ESS1 - Assessment and Management of Environmental and Social Risks and Impacts** Relevant

*[Optional Explanation - Max. character limit 1,000]*

The potential risks identified above will need to be actively mitigated throughout the project’s lifecycle. Environmental risks relate to electronic waste and risks to workers including OHS etc. This will be limited as civil works will not be funded, hence risks to community H&S are limited Social impacts are linked to inadequate engagement and management of grievances and poor labor and working conditions notably for contracted workers. Technical Assistance activities will need to be undertaken in line with the requirements of the ESF. The preparation of all terms of references, work plans, or other documents defining the scope and outputs of technical assistance activities. An Environmental and Social Commitment Plan (ESCP) which outlines the measures required to address potential environmental and social risks and impacts of the project will be developed. The ESCP will detail monitoring and reporting requirements, application of the ESF to TA and capacity needs.

**ESS10 - Stakeholder Engagement and Information Disclosure** Relevant

*[Optional Explanation - Max. character limit 1,000]*

The project will require inputs from different stakeholder groups which are likely to include government departments and ministries etc. In addition, development partners; NGOs and CSOs at both the national and district level relevant to the TA and PforR activities will need to be identified. Requirements for stakeholder engagement will be included in the ESCP. The ESCP will outline the need to identify characteristics and interests of the relevant stakeholders and timing and methods of engagement. The ESCP will outline how meaningful engagement will be undertaken with stakeholders ensuring the disclosure of timely, relevant, understandable and accessible information. The ESCP will also outline the need for a Grievance Redress Mechanism (GRM). The GRM will also be developed to be GBV responsive.

**ESS2 - Labor and Working Conditions** Relevant

*[Optional Explanation - Max. character limit 1,000]*

The IPF component will involve the use of Direct Project Workers and Contracted Workers, mainly in the form of technical consultants, to undertake the TA. This is likely to involve desk based research, workshops and meeting with stakeholders. The program may engage consulting firms to support technical capacity building activities. Labor requirements will be included in the ESCP to manage labor risks, including OHS, child labor and ensuring adequate pay

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and working conditions. The project will also ensure that relevant national labor-related laws are upheld. A grievance redress mechanism (GRM) for work-related grievances will be provided to project workers including consultants, with necessary considerations for confidentiality and whistle-blower protection.

**ESS3 - Resource Efficiency and Pollution Prevention and Management** Relevant

*[Optional Explanation - Max. character limit 1,000]*

The program may procure electronic equipment like computers, printers, batteries, servers, or other IT related equipment. Disposal of old or used electronic equipment that may result in contamination. The national E-Waste Policy will need to be applied to the Project. During preparation the scale of this risk will be considered further and as needed commitments will be included in the ESCP.

**ESS4 - Community Health and Safety** Relevant

*[Optional Explanation - Max. character limit 1,000]*

Civil works and large-scale procurement and installation of infrastructure will not be funded under the IPF, and as such, risks to community health and safety associated with labor influx or due to construction are not expected. Furthermore, given that the IPF component will mainly involve technical assistance and capacity building, the risk of SEA/SH risks to communities is considered to be minimal as Project Workers will not be interacting with communities given the scope of work.

**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement** Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

Land acquisition, restrictions on land use and involuntary resettlement are not anticipated as civil works are not planned as part of the IPF component.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources** Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

At this stage of the project, no direct or indirect impact on biodiversity and living natural resources is anticipated

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities** Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

There are no groups who meet the definition of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities under ESS7 in Malawi.

**ESS8 - Cultural Heritage** Not Currently Relevant

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*[Optional Explanation - Max. character limit 1,000]*

ESS8 is not currently considered to be relevant as no civil works are envisaged and there is no proposed use of intangible cultural heritage as part of this project.

**ESS9 - Financial Intermediaries**

Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

This standard is not relevant to this project as financial intermediaries will not be involved

**B.2 Legal Operational Policies that Apply**

**OP 7.50 Operations on International Waterways**

No

**OP 7.60 Operations in Disputed Areas**

No

**B.3 Other Salient Features**

**Use of Borrower Framework**

No

*[Optional explanation – Max. character limit 1,000]*

The Borrower’s Framework is not being applied to the IPF Component of the Project. For the PforR the Borrowers Framework will be assessed through the ESSA.

**Use of Common Approach**

No

*[Optional Explanation including list of possible financing partners – Max. character limit 1,000]*

A common approach is not being considered

**B.4 Summary of Assessment of Environmental and Social Risks and Impacts**

*[Description provided will not be disclosed but will flow as a one time flow to the Concept Stage PID – Max. character limit 5,000]*

This IPF component of the Program for Result involves technical assistance to strengthen institutions, capacity building including for environment and social and program management. It will not support any studies or preparation of future investments nor will it support formulation of policies, plans, programs, strategies or legal frameworks. The program may procure electronic equipment like computers, printers or other IT related equipment. Although the IPF support will not have any civil works that may have direct adverse environmental impacts, the outcomes of the proposed support may have environmental implications going forward, entailing risks and potentially inducing adverse impacts through disposal of old or used electronic equipment that may result in contamination if not properly managed. This risk is site-specific and well manageable through proper enforcement of the electronic waste management policy and as needed measures in the ESCP. However, there is limited capacity to manage environmental risks within Malawi and the implementing

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agencies have no previous experience in the implementation of World Bank Projects or the ESF. The environment risk rating is therefore assessed to be low.

The social risk classification is low based on the nature of the activities which mainly involves capacity building and technical assistance at the National level to strengthen systems. The Project will not include any civil works and any direct interaction with communities is expected to be limited. Engagement will be required with other professional agencies as well as NGOs, CDOs and others to ensure successful implementation of the Technical Assistance but will also need to cover the activities under the PforR elements to ensure stakeholders have a full understanding of the proposed activities. Given the nature of the activities there is a risk that the engagement will not be fully implemented in a timely manner. A functional grievance mechanism will also need to be established and described in the stakeholder engagement plan. The GRM will need to cover all proposed activities including those to be implemented under the PforR but there is a risk that it may not be accessible to all stakeholders. Due to the likely nature and scale of the workforce issues related to labor and working conditions are anticipated to be negligible but will be addressed through measures to be developed in the ESCP. There is limited capacity to manage social risks and the implementing agencies have no experience in managing projects in line with the ESF.

### **C. Overview of Required Environmental and Social Risk Management Activities**

#### **C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?**

*[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 3,000]*

The Project will develop the following documents for the IPF component, by the end of Appraisal:

##### **1. Environmental and Social Commitment Plan**

The ESCP will detail requirements for E&S capacity within the PIU as well as requirements for stakeholder engagement and management of labor and working conditions. No separate plans will be prepared for stakeholder engagement and labor management procedures.

### **III. CONTACT POINT**

#### **Contact Point**





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#### **IV. FOR MORE INFORMATION CONTACT**

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#### **V. APPROVAL**

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