Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-May-2024 | Report No: PIDIA00549

BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
	EASTERN AND SOUTHERN AFRICA	P505095	Digital Malawi Acceleration Project (DMAP)
Financing Instrument	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
Investment Project Financing (IPF)	02-May-2024	27-Jun-2024	Digital Development
Borrower(s)	Implementing Agency		
Ministry of Finance and Economic Affairs	Public Private Partnership Commission		

Proposed Development Objective(s)

Increase access to, and inclusive use of, the internet and improve the Government's capacity to deliver digitally-enabled services.

Components

1. Affordable broadband and secure data hosting
2. Interoperable and secure data platforms
3. High-impact digital services and productive digital usage
4. Program management and capacity building

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?   Yes

Is this project Private Capital Enabling (PCE)?   Yes

SUMMARY

Total Operation Cost	**90.00**
Total Financing	**90.00**
of which IBRD/IDA	70.00
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	70.00
IDA Grant	70.00

Non-World Bank Group Financing

Commercial Financing	20.00
Unguaranteed Commercial Financing	20.00

Environmental And Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1.   Malawi faces significant challenges that have impeded sustained growth and structural transformation over the past decades. Since achieving independence in 1964, Malawi has averaged only 1.5 percent annual per capita GDP growth. Poverty remains persistently high, at 72 percent at the US$2.15 poverty line (2017 purchasing power parity). The country faces numerous challenges that perpetuate a low-growth equilibrium. These include both structural factors, including high trade and transport costs due to its landlocked position, as well as policies maintained over successive administrations that have prioritized low-productivity subsistence farming instead of the development of more productive and commercially oriented production. Meanwhile, the environment for private sector-led job creation has been affected by significant market distortions (such as government interventions in agricultural markets) and lack of access to reliable electricity, digital technologies, and finance.

2.   The post-pandemic recovery has been severely affected by large macroeconomic imbalances and numerous external shocks. Growth decelerated to 0.8 percent of GDP in 2022, due to the impact of two tropical cyclones, which disrupted electricity generation and reduced agricultural production. In addition, prolonged external imbalances and foreign exchange shortages hindered the importation of essential raw materials, further weakening the economy. The impact of external crises on commodity prices placed significant strain on the country, given its dependence on fuel and fertilizer imports. Since 2021, inflation has increased progressively, driven primarily by supply constraints in domestic

markets, high commodity prices, and depreciation of the Malawi kwacha. This resulted in headline inflation averaging 20.8 percent in 2022, up from 9.3 percent in 2021.

Sectoral and Institutional Context

3.   **Malawi has a relatively competitive telecommunications market**, with three licensed mobile operators (Airtel, TMN, and ACL), at least six ISPs, and an experienced regulatory authority, Malawi Communications Regulatory Authority (MACRA). However, the growth of the market is constrained by low incomes and relatively high prices, compounded by high excise duties on imported ICT equipment. Internet penetration, at around 24 users for every 100 inhabitants, is below the AFE regional average of 28 percent. During the implementation period of the Digital Malawi Foundations Project SOP-1 (P160433; 2017–2024), the wholesale price of international internet bandwidth was reduced to below 10 percent of its previous level, but at around US$35 per Mbit/s, it is still well above the typical price of below US$5 experienced in coastal countries such as Kenya. A monthly data bundle of 2 GB costs almost 10 percent of the annual GNI per capita. However, the market entry of LEO satellite operator, StarLink, in October 2022, may bring greater price competition and provide new connectivity options in rural areas.

4.   **Digitalization can be a powerful tool for development in Malawi, transforming service delivery in key sectors and creating employment opportunities as well as assisting in tackling challenges such as climate vulnerability and health emergencies.** Given the importance of the digital economy for increased productivity and efficiency, its potential benefits are amplified in the context of addressing natural disasters and health pandemics, as demonstrated during the COVID-19 pandemic. Malawi will increasingly need to rely on digital technologies to ensure that public services, businesses, and individuals are able to withstand current and future hazards and develop a set of resilience measures, to ensure business continuity of government and avoid interruptions in service delivery. Under Digital Malawi, an emergency program of over 100 public WiFi hotspots was rolled out in schools, post offices, markets, community centers, and airports as well as internet connectivity to over 80 HEIs, which allowed continued learning during the pandemic, when on-site access was limited due to lockdowns. A combination of widespread access to broadband, digitally enabled services, and payments can offer a powerful platform to remove barriers of distance, lower costs and improve efficiencies in the delivery of services, and create new job opportunities and improve human development, while also contributing to economic growth and reduced poverty.

5.   **Malawi is included in the first wave of countries in the IDEA MPA**, with an appraisal amount of US$150 million[1] in national and IDA regional plus a further US$50 million leveraged in UCF from the private sector, under the Digital Malawi Acceleration Program (DMAP). The project design follows a OneWBG approach with close coordination between the IDA team, IFC and MIGA. The Government of Malawi, by a letter of December 18, 2023, requested that Malawi be included in this new regional program.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

Increase access to, and inclusive use of, the internet and improve the Government's capacity to deliver digitally-enabled services.

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[1] Depending on the availability of IDA under the current and subsequent cycles the full appraised sum may not be available at project approval but will become available later. [1] Depending on the availability of IDA under the current and subsequent cycles the full appraised sum may not be available at project approval but will become available later. It is anticipated that US$70 million will be available in IDA funding for Phase 1 and US$80m in Phase 2.

Key Results

Table 1. Results Framework for DMAP

Indicators	Baseline (2022)	End Target (October 2029)
PDO-level indicators		
People using broadband internet (additional, number)	0	3 million
- of which female	0	1.5 million
People with digitally-verifiable identification (additional, number)	0	2 million
- of which female	0	1 million
People using digitally enabled services (additional, number)	0	2 million
- of which female	0	0.8 million
Volume of international data traffic: used international bandwidth in kbit/s per capita (number)	9.5	25
Intermediate results indicators		
Component 1: Affordable broadband and secure data hosting		
Kilometers of fiber optic network added (number)	0	2,000
- Of, which, climate resilient and energy efficient	0	1,600
Public institutions provided with new or improved access to broadband (additional, number):	0	2,500
- Of, which, educational institutions	0	2,000
- Of which, other Government institutions	0	500
Government data governance frameworks, including data classification and cloud policies, enacted and mandated for use (number)	0	3
Number of entities hosting their data in the national data center	0	25
- Of which public entities	0	20
of which private entities (through colocation)	0	5
Component 2: Interoperable and safe data platforms		
Number of entities on-boarded onto the government exchange platform	9	25
- Of which, public entities	9	25
- Of which, private entities	0	5
Retail price of a standard package of mobile data services per month, as a share of GNI per capita (percentage)	9.4	4.0
Component 3: High impact digital services and productive digital use		
People enrolled in digital skills training programs supported by the project (number)	0	10,000
- Of which, female	0	5,000
Graduates of advanced digital skills training programs (number)	0	1,000
- Of which, female	0	500
Successful digital authentications in the context of service delivery (number)	0	5 million
People using digital payments (additional, age 15+)	0	3 million
- Of which, female	0	1.2 million
Component 4:		
Private capital mobilized (US$, millions)	0	50
Citizen engagement indicator: Grievances registered that receive an adequate response within 30 days (percentage)	0	80

D. Project Description

6.   **This project is an integral part of the regional IDEA MPA.** The following is an overview of the project's components (table 4.2). More details can be found in the Financing Agreement, the project's Technical Document, and the Project Implementation Manual.

<div align="center">Table 2. Project Components and Funds Allocation (Phase 2 activities are shaded in blue)</div>

Component	Regional IDA (US$, millions)	National IDA (US$, millions)	UCF (US$, millions)	Total (US$, millions) Phase 1	Total (US$, millions) Phase 2
Component 1: Affordable broadband and secure data hosting (US$110 million; US$35 million in Phase 1 and US$85 million in Phase 2)					
1.1 Rural Connectivity	0	20	10	10	10
1.2 Connecting schools and HEIs	15	30	10	0	45
1.3 Regional connectivity and climate resilience	10	0	5	5	5
1.4 Enhancing data hosting capacity and transition to cloud computing	0	5	5	5	0
Component 2: Interoperable and secure data platforms (US$45 million, all in Phase 1)					
2.1 Next generation digital ID, identity verification, including for eKYC and PKI	10	15	7	20	5
2.2 Extending the *Bomalathu* data exchange platform for Government and Financial Institutions	0	5	3	5	0
2.3 Enhancing policy and regulatory frameworks, operationalizing the Data Protection Agency and supporting the Government CIRT	5	0	0	3	2
Component 3: High impact digital services and productive digital usage (US$45 million; US$10 million in Phase 1 and US$25 million in Phase 2)					
3.1 Support to tech hubs and sub-grants for digital start-ups	0	10	5	5	5
3.2 Participation in regional program on device affordability	5	0	5	1	4
3.3 Sectoral deep dives, including social protection, disaster and emergency response, financial inclusion and land management	0	10[2]	0	10	0
Component 4: Project management and capacity building (US$10 million; US$6 million in Phase 1 and US$4 million in Phase 2)					
4.1 Operationalization of MITA	2.5	2.5	0	3	2
4.2 Program coordination and management	2.5	2.5	0	3	2
Total (US$70 million IDA in Phase 1 and US$80 million IDA in Phase 2)	**50**	**100**	**50**	**70**	**80**

Note: Phase 1 will be implemented starting in FY25. Phase 2 will commence based on availability of IDA funds. For Phase 2 activities, feasibility studies will already be initiated in Phase 1. Phase 1 and 2 totals include only IDA (not UCF). UCF is expected to be higher under Phase 2 (US$30m) than Phase 1 (US$20m).

7.   **The DMAP is structured around four components** that are aligned with the IDEA Program, as follows:

Component 1: Affordable broadband and secure data hosting. This component will cover the following activities:

Sub-component 1.1: Rural connectivity[3]

a) **Expand broadband coverage in rural areas** with the aim of achieving universal coverage of mobile broadband, including for traditionally marginalized and climate-vulnerable communities and climate hotspots that are unserved

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[2] This will be supplemented through funding from other sectoral programs.
[3] Corresponding to Sub-pillar 1.1 b) and 1.2 of the MPA.

or underserved by affordable and quality internet services. The project will provide matching investments ('catalytic gap financing') to incentivize private sector investment in the areas where private sector would not go otherwise. This investment will be used to support the private sector in rolling out mobile broadband coverage (4G/5G cellular and/or LEO satellite) and upgrading 2G cell sites to more energy efficient 4G/5G cellular technologies, as well as installing additional IXPs and data caches, at a local level, to improve latency.[4] The matching investments will be awarded based on a competitive tendering process, subject to the provisions of a commercial transaction manual to be developed. Other methods such as reverse auctions; PPPs; and build, transfer, operate may also be considered. This subcomponent is expected to leverage private sector investments, roughly in the ratio of 2:1 public versus private.

b) **Closing last-mile connectivity gaps for government institutions** (offices, hospitals, and post offices) in rural areas. Under Digital Malawi Phase 1, around 530 institutions were provided with access to high-speed internet through the provision of last-mile fiber, and the pre-purchase of international internet capacity under long-term supply agreements. Under DMAP, an additional 500 institutions will be targeted, including sites of new beneficiaries, such as Ministry of Lands, the National Statistical Office and the National Registration Bureau (NRB), to improve government efficiency, resilience, and ability to sustain operations even in the face of natural disasters. A variety of technologies will be used, such as last-mile fiber as well as LEO satellite. Every effort will be made to increase energy efficiency and climate-smart solutions following international standards and best practices.

Sub-component 1.2: Education sector connectivity[5]

a) **Universal school connectivity,** building upon Phase 1, which connected 80+ HEIs, the project will aim to connect up to 2,000 schools under DMAP. This will be done through Malawi Research and Education Network (MAREN), which proved to be an able partner under Phase 1, and use the existing connected HEIs under a hub-and-spoke model to reach the surrounding schools. The expected PCM ratio, at 2.33:1, is slightly lower than for Subcomponent 1.1. The attraction for the private sector is the possibility of having an anchor tenant (school or HEI) to cover their base investment, so they can then reach out to other clients in each locality on the principle of 'build once, use by all'. An 'ecosystem approach' will be followed in which provision of connectivity will be coordinated with the supply of renewable energy, computer labs, digital skills training, and O&M to the same schools.

b) **Sponsoring Malawi's participation in the EU Africa Connect 4 program,** in partnership with the UbuntuNet Alliance. This will enable the program to leverage additional EU funding. This activity will also include pre-purchase of internet capacity for Malawi's schools and HEIs, which may be coordinated at the regional level, drawing upon the resources of the planned regional financing facility, to leverage cost savings through economies of scale.

Sub-component 1.3: Regional connectivity[6]

- **Addressing gaps in missing cross-border broadband links,** possibly drawing upon a regional financing facility. To this end, a survey of missing broadband links has been commissioned. Investments will be coordinated with IDEA Programs in neighboring countries (for example, DRC and Zambia) and with other development partners, to ensure that there is end-to-end connectivity and efficient route planning.

- **Integrated infrastructure planning of 'digital corridors' for Southern Africa.** At the 2023 Transform Africa Summit, hosted at Victoria Falls, in April 2023, Heads of State from four countries—Botswana, Malawi, Zambia, and Zimbabwe—came together to commit to build 'digital corridors' that would facilitate the growth of trade in the region. The project can support this initiative by further integrated regional planning of investments.

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[4] World Bank. 2024. *Green Digital Transformation: How to Sustainably Close the Digital Divide and Harness Digital Tools for Climate Action*. Climate Change and Development Series.
[5] Corresponding to sub-pillar 1.2 of the MPA.
[6] Corresponding to sub-pillars 1.1 and 1.4 of the MPA.

- **Demand aggregation** at the regional level for internet connectivity for education, health, and government. The planned regional facility under IDEA can play a role in administering a framework contract for bandwidth suppliers to bid for competitively awarded connectivity contracts, to serve the region's users and serve as an incentive for the private sector to establish cross-border links.

- **Climate resilience TA,** including development of regionally harmonized standards and guidelines for development of climate resilient digital infrastructure.

Sub-component 1.4: Enhancing data hosting capacity and transition to cloud computing[7]

a) **Provide ongoing support to the national data center and enabling cloud services at the national and regional levels.** In the late stages of Phase 1 of Digital Malawi, project funds were used to establish a national data center in Lilongwe. But additional TA will be required to oversee the development of a sustainability plan, including looking at options for leasing co-location space to the private sector, and handling the transition to a cloud-first national data strategy.

b) **Ensure safe hosting of government data:** this will be done by supporting migration of government data from various MDAs, currently located in server rooms that were not purpose-built and are currently in a deteriorated condition, presenting a high risk to critical government data. The project will support the migration of data to the newly built data center in Lilongwe and put in place various back up and disaster recovery options, including by establishing fiber links with a datacenter in Blantyre. Support will also be provided to introduce a government cloud.

c) **Providing managed IT services** and a help desk to ensure smooth functioning of the national data center to keep government data and applications safe.

d) **Development of a National Data Strategy** to ensure a well-structure framework for data governance and sharing protocols.

Component 2: Interoperable and secure data platforms. This component will cover the following activities:

Sub-component 2.1: Next Generation Digital ID and identity verification services, including for eKYC and PKI[8]

a) The rollout of first-generation national ID was implemented by the NRB and supported by UNDP. However, the limitations of the physical ID with a smart chip, are now apparent, with millions of ID cards expiring and too expensive to replace. Moreover, the chip technology was never used, and more advanced solutions have emerged over the years, such as QR codes. Project funds will support the Government to transition to a next-generation cost-effective digital ID, introduction of a choice of credentials (such as Mobile ID), support for streamlined identity verification to needed by multiple sectors, enabling secure digital authentication services, including for electronic Know-Your-Customer (eKYC). Support will also be provided for the development of cross border mutual recognition mechanisms of IDs in SADC.

b) Develop e-Signatures capability for e-services that require a higher level of assurance. This will include development of PKI which may also be developed based on a PPP arrangement and based on "buy it as a service" model.

Sub-component 2.2: Extending the *Bomalathu* data exchange platform for Government and Financial Institutions[9]

a) **The Digital Malawi Foundations Project supported the development of a government data exchange platform,** now known as *Bomalathu* ('my Government'), which has onboarded seven Government agencies so far and has developed an e-services portal, as a pilot. However, much more needs to be done to extend the data exchange platform and on-board more government agencies, as well as expand the e-services portal to offer more e-services in key sectors. This

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[7] Corresponding to sub-pillar 1.3 of the MPA.
[8] Corresponding to sub-pillar 2.1 of the MPA.
[9] Corresponding to sub-pillar 2.2 of the MPA.

will require investment in the development of Application Programming Interfaces (APIs) for up to 30 MDAs, additional consultancy services, and capacity building among the newly onboarded government institutions to experience full benefits from seamless data exchange, identify verification and ability to pay for services digitally.

b) **To become truly transformational, it will be necessary to extend functionality of *Bomalathu* to the private sector,** by developing APIs for the financial institutions that have a requirement for eKYC and seamless identity verification. It is expected that this extension will also generate revenue for the Government from identity verification fees, to help with sustainability. The e-Government department, which runs *Bomalathu,* may require additional TA to develop a competitive price structure for these services and support effective operation of this new data exchange platform.

c) **Expansion of e-services portal:** The Digital Malawi Foundations Project also supported the development of the e-services portal that benefits from the data exchange platform. However, only a few e-services have thus far been tested with many more expected to go live under this project.

Sub-component 2.3: Enhancing policy and regulatory frameworks, operationalization of the Data Protection Authority and supporting the Government CIRT[10]

a) **Regional policy and regulatory harmonization** to support digital integration, cross-border digital services, and data flows, with the goal of increasing digital trade. This will cover, for instance, guidelines on data classification (in conjunction with the e-Government department, NRB, and other stakeholders), e-commerce, taxation of cross-border digital services, modernization of the relevant legal and regulatory framework for e-transactions/e-commerce, and so on. Under EARDIP, regulatory harmonization work is under way at the EAC, and a coordination agreement will be developed between ECA and COMESA under this new MPA. Extending this work also to COMESA, and potentially also SADC, will greatly increase the number of countries that will benefit.

b) **Operationalization of the Data Protection Authority (DPA),** for which the Data Protection Bill was approved by Parliament on December 7, 2023,[11] as well as support for MACRA, the regulatory authority, which will host the DPA. TA for the DPA will include provision of expert consultant services, study tours, capacity building, and support for the development of various data protection regulations.

c) The project will support Malawi in enhancing **cybersecurity resilience** by, among other things, supporting the government sector CIRT.

Component 3: High impact digital services and productive digital usage. This will cover the following activities:

Sub-component 3.1: Digital skills and digital literacy[12]
a) The Digital Malawi Project SOP-1 provided seed funding to 10 tech hubs across the country and trained over 19,000 youth in digital literacy, advanced digital skills (such as AI and drones), and digital entrepreneurship. Under DMAP, it is planned to expand support to the tech hubs through a further round of competitively awarded performance-based grants, disbursed in tranches, with agreed targets for offering higher-level ICT skills, digital entrepreneurship and development of the digitally enabled solutions that contribute to climate change mitigation and adaptation.

b) **DMAP will also initiate a sub-grants program for digital entrepreneurs** of up to US$100,000 for around 20 grants to digitally enabled start-ups and high-growth firms, including those that work in the area of addressing climate change induced disasters. The program will be administered by the tech hubs under overall supervision of the World Bank

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[10] Corresponding to sub-pillars 2.2 and 2.3 of the MPA.
[11] The text of the bill can be found at https://parliament.gov.mw/uploads/doc_bills/doc_bills_87718172-12d2-4a15-a397-9ec52ec079b81701965503149.pdf. The drafting of the bill benefited from TA under the Digital Malawi Project and further work is under way to develop secondary legislations and guidelines.
[12] Corresponding to sub-pillars 3.2 and 3.3 in the MPA.

and will use matching grants to leverage private sector investment while the focus on the digital sector will ensure continuity with other aspects of DMAP. Those firms receiving grants will be tracked over time to identify what factors contribute to their success, so that these learnings can be built into future phases, and the number of jobs created will be closely monitored.

c) **TA to develop a Start-Up Act** and associated regulations to facilitate the establishment of tech entrepreneur associations and the provision of seed financing to start-ups.

Sub-component 3.2 Participation in regional program on device affordability[13]

a) **Malawi, one of the world's poorest markets, is too small to attract major device manufacturers to invest.** Yet, the excise duty on some imported ICT devices is close to 35 percent. Thus, device affordability is a major barrier to further market development, particularly, for higher-end devices such as smartphones and laptops. The project will support a variety of schemes to decrease the cost of device for end users and improve the ability of the poorest to acquire a mobile phone. Some of these schemes may involve working through a financial intermediary such as IFC. Malawi may also participate in a planned regional device affordability program that will offer a de-risking platform to organizations (such as mobile operators, banks, micro-lenders, and so on), which provide 'pay-as-you go' lending for devices. Digital start-ups that support innovative device affordability activities in the energy and digital sectors, such as Yellow,[14] can also be supported through the digital start-ups program in Subcomponent 3.1.

b) **The device affordability program will be complemented by an e-waste initiative for recycling and resale or safe disposal of laptops and phones.** This will be carried out in conjunction with the tech hubs, with a focus on skills development and job creation for young people and PWDs. This activity will also include development of a national e-waste strategy, capacity building, and TA to support drafting of the necessary e-waste-related regulations.

Sub-component 3.3. Sectoral deep dives: social protection, disaster and emergency response, financial inclusion, and lands management[15]

a) **In line with national priorities, and in coordination with other projects in the World Bank portfolio in Malawi, four key priority sectors have been selected for deep dives in digitalization:** (a) social protection, with a focus on facilitating identity verification needed for proper functioning of the dynamic social registries as well as digitalization of safety nets and disaster emergency payments, including through a choice model, such as via mobile money. This (b) financial sector, including implementation of eKYC, activities related to credit reference system, upgrade of collateral registry, and support for the deposit insurance system; (c) disaster and emergency response, which may include support for establishing early warning systems and addressing the urgent needs arising when disaster strikes (including climate disasters); and (d) land management, where the project will assist with the connectivity, development of APIs for identity verification, streamlining of payments, capacity building in cybersecurity and software development, digitization of paper records and certain aspects of rolling out the existing lands information management system launched by Government in 2024. Seed funding provided under this component will complement the financing already made available to Malawi in these sectors through other sector specific World Bank project. The support to update the legal and regulatory framework will be provided under Subcomponent 1.5.

Component 4: Project management and capacity building. This component[16] will cover the following activities:
Sub-component 4.1. Operationalization of MITA

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[13] Corresponding to sub-pillar 1.5 in the MPA.
[14] http://Yellow.africa, a company active in Malawi, is an example of a new generation of micro-lenders that provide pay-as-you-go support for both solar-powered devices and smartphones.
[15] Corresponding to sub-pillar 3.1 in the main MPA.
[16] Corresponding to pillar 4 in the main MPA.

a) DMAP will provide funding for the operationalization of the newly created Malawi Information Technology Authority (MITA), including support for selected consultants to be embedded in MITA. It is expected that some of the staff of the existing e-Government department will transition into MITA, on a competitive selection basis.

Sub-component 4.2. Program management and coordination

a) **Coordination and program management,** including procurement, FM, and environmental and social safeguards. Other standard project management functions include communications, M&E, security, and gender awareness.

b) A targeted program of **capacity building** for all DMAP beneficiaries will also be provided under this component.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

8. **Environment and Social Standards (ESS):** The possible ESS risks and impacts related to the project during the construction and operation/maintenance phases are diverse and are expected to have both positive and negative impacts on the environment, as well as potential health and safety risks to workers and communities if not managed properly. To mitigate these risks, the client is preparing, and plans to disclose, appropriate safeguards instruments. Site-specific instruments for some activities, including the ESIA/ESMF, Resettlement Action Plan, and Occupational Health and Safety Plan will also be prepared before commencement of the project activities. These instruments will guide project implementation, in accordance with the ESF. The ESS risk is Substantial.

9. **The ESS risks are Substantial.** For social safeguards, the rating considers the likely social risks and impacts resulting from project activities related to support national ID, scale-up of the data exchange platform, and development of e-services that require safe handling and protection of personal data. There will also be risks associated with the rollout of the broadband infrastructure, which may include temporary displacement of people or land acquisition. There could also be possible inherited risk of social exclusion due to lack of affordable devices in the country. These are mitigated through support to the DPA; strict adherence to World Bank ESS guidelines; and measures intended to promote inclusion, such as the device affordability program. The environmental risks are associated with the e-waste management, which is being supported by the project.

10. **Other risks are rated** *Substantial***.** The country is exposed to a high risk of flood, which may adversely affect digital infrastructure by damaging fiber optic networks and microwave networks, for which the project will deploy financing. Soft components such as TA for developing climate-resilient and low-carbon digital network connectivity will help mitigate the risk (see annex 5 for more details on adaptation and mitigation).

11. **Paris alignment.** The project is aligned with the Paris Agreement on both mitigation and adaptation goals.

a) **Assessment and reduction of mitigation risks.** The project will contribute to the country's low-carbon development goals by prioritizing renewable energy to power the digital connectivity infrastructure and integrating energy efficiency requirements in all project components. This project will not finance data centers and will only support migration of data from old servers of various MDAs, currently housed in an old server room, by financing consultancy

services. The project's activities are considered universally aligned with mitigation goals since the integrated low-carbon measures will ensure that the carbon lock-in and transition risks associated with the project are low.

b) **Assessment and reduction of adaptation risks.** The main climate risks likely to have an adverse impact on project investments, as identified in the CDRS tool, are intense rainfall and floods. They can damage telecommunication cables causing network failure in affected areas and inundating telecom equipment. The project has included activities to reduce adaptation risks to an 'acceptable' level by (a) integrating projected increase in risk and intensity of flood events, temperatures, and other climate hazards identified in site-specific climate risk assessments in the design of digital connectivity infrastructure; (b) following structural climate adaptation measures for climate-resilient digital connectivity; and (c) complying with disaster response requirements. Additionally, the project will contribute to adaptation goals by financing disaster recovery site to prevent data loss resulting from climate-related damage to existing data storage facilities (see annex 5 for details).

E. Implementation

Institutional and Implementation Arrangements

12.   **The project will utilize the implementation arrangements of the ongoing Digital Malawi Project** (P160533), with the Public Private Partnership Commission (PPPC) again hosting the PIU. The functions of the PIU will cover project coordination, procurement, FM, ESS, M&E, communications, gender, and so on. There will be other improvements, building on the lessons from the current project, notably a bigger role for MAREN as an implementing partner for the 'internet in schools' initiative, as well as a central role for the Ministry of Information and Digitalization. The project will introduce additional beneficiaries, such as the NRB, and newly created organizations, such as DPA and MITA, planned to be operationalized under this project. The implementing partners and beneficiaries will be represented on the PSC, to be chaired by the Principal Secretary of the Ministry of Information and Digitalization, with the PIU providing secretariat services. They will also be represented in a Technical Committee, reporting to the PSC, which shall additionally include representation from the private sector and civil society.

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