



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 04-Dec-2018 | Report No: PIDC26061



BASIC INFORMATION

A. Basic Project Data

Country Malawi	Project ID P169198	Parent Project ID (if any)	Project Name Malawi Platform for National Social Support Project (P169198)
Region AFRICA	Estimated Appraisal Date Sep 16, 2019	Estimated Board Date Dec 10, 2019	Practice Area (Lead) Social Protection & Labor
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Economic Planning and Development	Implementing Agency Malawi National Local Government Finance Committee	

Proposed Development Objective(s)

To improve resilience among the poor and vulnerable population and strengthen the national platform for safety nets.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	75.00
of which IBRD/IDA	75.00
Financing Gap	75.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	75.00
IDA Credit	75.00

Environmental and Social Risk Classification
Moderate

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Malawi, a land-locked country, is one of the world's poorest countries trapped in a low income and low productivity equilibrium.** Malawi's per capita Gross National Income (GNI) was US\$320 in 2017 and around 70 percent of the population lives below the international poverty line of US\$1.90 per day – 95 percent of whom live in rural locations. The GNI grew at an annual average of around 1.5 percent between 1995 and 2014 which is below the average of 2.8 percent in non-resource African economies during the last twenty years. Agriculture contributes 28 percent of Malawi's Gross Domestic Product (GDP), over 80 percent of the national export earnings and absorbs 64 percent of the country's workforce but its productivity is undermined by weather-related shocks and limited crop diversity. In 2017, 50 percent of the export earnings were from tobacco (28 percent), sugar (8 percent), tea (8 percent) and edible nuts (6 percent)¹. Malawi's Growth and Development Strategy III is focused on breaking the cycle of the persistently low agricultural productivity, limited opportunities for non-farm self-employment and stagnant poverty.
- 2. There have been recent improvements in extreme poverty and inequality, although geographic disparities remain.** Consumption growth of the bottom 40 percent of Malawians is now increasing on average by 1.7 percent since 2010. The proportion of the population living in extreme poverty (below the food poverty line) has reduced from 24.5 percent prior to 2010/11 to 20.1 percent by 2016/17. Inequality has also declined with the GINI coefficient reducing from 45 percent to 42 percent over the same period. In rural areas, inequality has substantially reduced from 38 percent to 32 percent (IHS4 2016/17). However, urban inequality has increased marginally over the years. In terms of regional disparities, inequality in the Northern and Central regions of Malawi has decreased, while in the Southern region it has increased. This correlates with poverty trends which are highest in the poorest five districts Phalombe, Nsanje, Chitipa, Machinga and Mulanje) and ranges from 66 to 83 percent.
- 3. Frequent seasonal shocks undermine efforts towards economic growth and poverty reduction.** Compared to almost every other country in the region, Malawi faced the highest sensitivity to extreme dry events from 1980 to 2014². One reason for this is Malawi's high dependence on maize (corn), its staple crop, for both production and consumption. Maize accounts for roughly 90 percent of all land under cereal production and 54 percent of caloric intake by households. Most recent flood and drought events have exposed such vulnerabilities. Severe

¹ World Bank, 2017.

² Hallegatte, Stephane; Bangalore, Mook; Bonzanigo, Laura; Fay, Marianne; Kane, Tamaro; Narloch, Ulf; Rozenberg, Julie; Treguer, David; Vogt-Schilb, Adrien. 2016. *Shock Waves: Managing the Impacts of Climate Change on Poverty*. *Climate Change and Development*; Washington, DC: World Bank.



floods generated by El Niño rains in late 2014 affected over one million people and displaced 200,000 (UNDAC, 2015) at damage costs of an estimated USD 335 million, or 5.2 percent of GDP (Government of Malawi Post-Disaster Needs Assessment, 2015). Droughts increased food shortages for an estimated 2.8 million people³. Severe weather conditions have downstream effects on food prices and agricultural outputs that keep household's poor and can force two out of every five households into poverty⁴. Accelerated by high population growth and environmental degradation, the negative impacts of weather shocks in Malawi are expected to worsen.

Sectoral and Institutional Context

4. **The recently approved second Malawi National Social Support Program (MNSSP II) has created an opportunity to transform Malawi's social safety net between now and 2023⁵.** Based on experiences from the first MNSSP, MNSSP II shifts focus from individual social safety net programs to ensuring coherence, integration, and harmonization between systems of interrelated interventions. The MNSSP II prioritizes five thematic areas of support including: (i) consumption support (ii) support for resilient livelihoods (iii) shock-sensitive social protection (iv) links between safety nets and other programs (cross cutting); and (v) strengthening safety net systems (cross cutting). The MNSSP II is the main vehicle for achieving Target 1.3 of the UN Sustainable Development Goals, which focuses on the implementation of a nationally appropriate social safety net system by 2030.
5. **There is considerable ambition and challenge in realizing the Government's commitment to reform under the MNSSP II.** Social safety net programs in Malawi are estimated to cover 25 percent of the population, compared to an average of 10 percent across the Africa region. While these are encouraging trends, safety net programs still exclude a sizable portion of the population especially children and youth cohorts. Moreover, the adequacy of safety net benefit levels is also a concern, driven in part by inadequate financing to the sector. The average expenditure on safety net programs from 2011-2016 in Malawi was equivalent to 0.6 percent of GDP, a strikingly low amount compared to the 1.2 percent average across the Africa region. As a result, many safety net transfers are insufficient to make a meaningful impact on household consumption. Against this backdrop, several important priorities have emerged in realizing the potential of safety nets. These include:
 - Need to review the mix and scale of the programs that constitute its current safety net and the links between these programs and other poverty and relief programs;
 - Strong emphasis to move beyond a primary focus on consumption support to include resilient livelihoods and shock sensitive safety nets;
 - Strengthening core delivery systems is seen as a critical pathway to improve the effectiveness of safety nets and other poverty reduction programs;
 - Using safety net investments' strong demonstrated potential to realize important human capital outcomes.

³ <https://www.aljazeera.com/news/2016/04/Malawi-declares-state-emergency-drought-160413144707560.html>

⁴ Dang, Hai-Anh H.; Dabalén, Andrew L.. 2017. *Is Poverty in Africa Mostly Chronic or Transient? Evidence from Synthetic Panel Data. Policy Research Working Paper*; No. 8033. World Bank, Washington, DC.

⁵The MNSSP II defines social safety nets (or social support) as "providing income and consumption transfers to the poor and food insecure, protecting the vulnerable against livelihood risks, and enhancing the social status and rights of the marginalized, with the overall objective of reducing ultra-poverty as well as reducing the economic and social vulnerability of poor and marginalized groups."



6. **The ambitious direction of the MNSSP II must be balanced against foundational challenges on the ground i.e. financing, institutional aspects and overall issues of program accountability.** Financing requirements in the sector are considerable, and the dominance of donor support raises sustainability concerns. Malawi's social protection is characterized by institutional fragmentation and faces significant coordination challenges. Finally, it is noted that increased accountability is critical for improved safety nets programs' outcomes.

Relationship to CPF

7. **By supporting the most impoverished and vulnerable segments of the Malawian population, the proposed project is aligned with the recently concluded Country Partnership Framework (CPF) for Malawi FY13 – FY16⁶.** The CPF had three themes and social protections aligns with theme 2: *Enhancing Human Capital and Reducing Vulnerabilities*; and Result Area 4: *Lowering vulnerability and enhancing resilience*. A CPF for period 2018-2023 is currently under development and amongst the key themes a focus on Human Capital and Resilience is emerging. This project will contribute strongly to this theme, both as the main instrument and as a catalyst for realizing human capital development and resilience objectives. It will also contribute to some of the objectives on governance through strengthening of institutional mechanisms delivering the core safety net systems at both national and local levels.

C. Proposed Development Objective(s)

To improve resilience among the poor and vulnerable population and strengthen the national platform for safety nets.

Key Results (From PCN)

- ❖ Direct project beneficiaries (number), of which female (percentage);
- ❖ Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score⁷ (percentage);
- ❖ Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (percentage);
- ❖ National social registry platform is legally institutionalized and operational across an increased number of programs.
- ❖ Contingency financing mechanism is established for scalable Social Cash Transfers.

D. Concept Description

⁶ World Bank, 2013

⁷ http://documents.wfp.org/stellent/groups/public/documents/manual_guide_proced/wfp197216.pdf



- 8. The proposed five-year project will support the MNSSP II as the overarching and formal platform in social protection, led by Government with coordinated donor engagement.** The proposed PNSSP project is entirely devised around the MNSSP II Strategy and Implementation Plan, reflecting strong Government ownership. In this context, the project will contribute to the MNSSP II in two ways, as reflected in the PDO. The first part of the PDO highlights the importance of improving resilience, which is understood as the ability of households to improve initial levels of welfare in the face of chronic stress and to maintain welfare in the face of shocks. In this regard the project emphasizes safety net programs which boost economic and social inclusion. The resilience of these programs will be further strengthened by the delivery systems and capacity investments under the project. The second part of the PDO highlights the need to more strongly support the effectiveness of a national system for social safety nets under the MNSSP II framework. The project places emphasis on this through efforts to support delivery systems (for social registry, e-payments and citizens engagement), as well as efforts to strengthen overall capacity and harmonization in the sector. The project is based on a strong vision of reform, working towards a Government led platform with improved donor coordination. In this respect, there is widespread recognition on the need for improved donor harmonization and coherence.
- 9. The project will use a standard Investment Project Financing (IPF) instrument with \$75 million IDA financing (credit and/or grant) for enhanced core program support, strengthening of the delivery systems, and capacity building for operationalization of new system linkages.** The project anticipates a financing gap of \$75 million, with the expectation to access Additional Financing by the third year of project implementation. IDA financing is expected to be only one of the sources of financing for the social safety nets platform. The project intends to leverage financing from other sources as the project moves forward and discussions are currently ongoing with DFID, the Global Risk Financing Facility (GRIF) and the Partnership for Economic Inclusion (PEI).
- 10. The new project brings emphasizes consolidation and sustainability within the sector.** Key principles underpinning the design of the proposed PNSSP include: (i) demonstration of value for money, taking into account the investment potential of safety nets;⁸ (ii) a ‘learning-by-doing’ approach to enable testing and evaluation of new interventions to ensure sustainability; (iii) building on the achievements and lessons of the MASAF series; (iv) ensuring synergistic engagement across the Bank portfolio including Governance, Health, Education, Finance, Competitiveness and Innovation, Macroeconomic, Trade and Investment, and Poverty Global Practices; and (v) promoting strong linkages within and outside of the social protection sector.
- 11. Activities under PNSSP will be structured in three mutually reinforcing components: Component 1 on *Improving Social and Economic Inclusion*; Component 2 on *Strengthening Harmonized Delivery Systems*; and Component 3 for *Capacity Building and Institutional Strengthening Support*.** Component 1 will focus on the consolidation of an appropriate package of support for beneficiary households with a mix of program interventions, including social cash transfers, livelihoods support, and enhanced public works, as well as an option for scalable financing

⁸ Value for Money is about (i) maximizing the impact of each expense towards improving poor people’s lives and (ii) developing a better understanding of costs and results to help in evidence-based decision making.



in time of crisis. Component 2 will establish systems that will promote harmonization within the social safety net sector and potentially link to other sectors to improve effectiveness of delivery. The activities would include social registries and information management, e-payments, and citizen engagement. Component 3 will support the enactment of the MNSSP II, the setting up of the necessary institutional structure for its implementation, as well as the general management and evaluation of the PNSSP.

12. The proposed project will be screened to assess its contribution to meeting World Bank climate change commitments and anticipates several climate change co-benefits. The adaptive approach of the new project places climate-responsiveness at its core by (i) building resilience of the poorest and most vulnerable people to climate change before shocks occur, and (2) preventing people from falling into poverty (or deeper poverty) aftershocks occur. Examples of adaptation include risk preparedness in both cash transfers and public works programs, strengthening the dynamic social registry approach for crisis settings, putting in place contingent risk financing and supporting overall institutional coordination with relevant Ministries and partners engaged in humanitarian and disaster response. Efforts to incorporate an integrated catchment management approach under the EPWP are particularly relevant for mitigation co-benefits. The productive inclusion efforts (skills training, livelihood diversification) may also be considered as both adaptation activities, as well as mitigation efforts.

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

Summary of Screening of Environmental and Social Risks and Impacts

Project subprojects have neither been defined in scope nor identified, however screening of potential environmental and social impacts has been undertaken on similar interventions in the existing MASAF IV 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.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.



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APPROVAL

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