

 Early Warning System

WB-P500589

De-risking Importation of Strategic Commodities



Quick Facts

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| Countries | Malawi |
| Financial Institutions | World Bank (WB) |
| Status | Approved |
| Bank Risk Rating | B |
| Voting Date | 2023-11-20 |
| Borrower | Government of Malawi |
| Sectors | Agriculture and Forestry, Finance, Industry and Trade, Transport |
| Investment Type(s) | Grant |
| Investment Amount (USD) | \$ 60.00 million |
| Grant Amount (USD) | \$ 60.00 million |
| Project Cost (USD) | \$ 75.00 million |



Project Description

As stated by the World Bank, the development objective of De-risking Importation of Strategic Commodities Project is to increase supply of trade finance for importation of essential commodities to Malawi. This project has a single component, Trade Facility for imports, with a Deferred Drawdown Option, through which the World Bank will provide contingent financing to backstop the payment obligations of local issuing banks to their correspondent confirming banks.

In effect, the project would assume the payment risk of local issuing banks to their correspondent confirming banks. Currently, correspondent banks lack confidence to extend letter of credit (LC) lines to Malawian banks due to the high-risk profile of local banks, which largely emanates from country risk. As a result, Malawi is witnessing a huge deficit in the supply of essential commodities such as fertilizers and pharmaceuticals. The proposed facility will provide correspondent banks with the assurance that the WB will assume the payment obligations of the local issuing banks in the unlikely event that local banks default on their payment obligations, thereby increasing correspondent banks' confidence to extend LC lines to local issuing banks. The facility is akin to a credit guarantee facility in its intent to make markets work by enhancing confidence.



Early Warning System Project Analysis

As stated by the World Bank, the overall risk rating of this operation is Moderate.



Investment Description

- World Bank (WB)



Contact Information

World Bank Team Leaders:

Isfandiyar Zaman Khan - Lead Financial Sector Specialist
Mengistu Bessir Achew - Senior Financial Sector Specialist
Qursum Qasim - Private Sector Specialist

No contacts provided at the time of disclosure.

Borrower - Ministry of Finance and Economic Affairs:

No contacts provided at the time of disclosure.

Implementing Agency - Reserve Bank of Malawi:

Chakudza Linje - Director
Email: chakubanda@rbm.mw

ACCESS TO INFORMATION

To submit an information request for project information, you will have to create an account to access the Access to Information request form. You can learn more about this process at: <https://www.worldbank.org/en/access-to-information/request-submission>

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The World Bank Inspection Panel is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by a World Bank-financed project. If you submit a complaint to the Inspection Panel, they may investigate to assess whether the World Bank is following its own policies and procedures for preventing harm to people or the environment. You can contact the Inspection Panel or submit a complaint by emailing ipanel@worldbank.org. Information on how to file a complaint and a complaint request form are available at: <https://www.inspectionpanel.org/how-to-file-complaint>



Bank Documents

- [Official Documents- Financing Agreement for Grant E2660-MW.pdf \(English\)](#)
- [Official Documents- Project Agreement for Grant E2660-MW.pdf \(English\)](#)
- [Official Documents- Project Agreement for Grant E2660-MW.pdf \(English\)](#)
- [Appraisal Environmental and Social Review Summary \(ESRS\) - Malawi De-risking Import of Strategic Com](#) [Original Source]
- [Appraisal Project Information Document \(PID\)](#) [Original Source]
- [Malawi - De-risking Import of Strategic Commodities Project](#) [Original Source]
- [Malawi - De-risking Importation of Strategic Commodities Project](#) [Original Source]
- [Official Documents- Disbursement and Financial Information Letter for Grant E2660-MW.pdf](#)