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IDA/R2019-0326/3

December 6, 2019

**Closing Date: Tuesday, December 10, 2019  
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

**Malawi - Social Support for Resilient Livelihoods Project**

**Project Appraisal Document**

**Second Corrigendum**

*[The attached document replaces the previous version, dated November 27, 2019 (IDA/R2019-0326/2), to correct a typographical error on the financing amount on the cover page.]*

Attached is the Project Appraisal Document regarding a proposed grant to Malawi for a Social Support for Resilient Livelihoods Project (IDA/R2019-0326), which is being processed on an absence-of-objection basis.

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Report No: PAD3350

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 91.7 MILLION  
(US\$125 MILLION EQUIVALENT)

AND A

TRUST FUND GRANT

IN THE AMOUNT OF US\$17 MILLION FROM THE GLOBAL RISK FINANCING FACILITY

TO THE

REPUBLIC OF MALAWI

FOR A

SOCIAL SUPPORT FOR RESILIENT LIVELIHOODS PROJECT

November 15, 2019

Social Protection and Jobs Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2019)

Currency Unit = Malawi Kwacha (MWK)

MWK 729.7 = US\$1

US\$1 = SDR 0.73350889

FISCAL YEAR

July 1 – June 30

## ABBREVIATIONS AND ACRONYMS

ACB	Anti-corruption Bureau
ADMARC	Agricultural Development and Marketing Corporation
CDD	Community-driven Development
CERC	Contingent Emergency Response Component
COMSIP	Community Savings and Investment Promotion
CPF	Country Partnership Framework
CSSC	Community Social Support Committee
CTPOVC	Cash Transfer Program for Orphans and Vulnerable Children
DA	Designated Account
DP	Development Partner
ECD	Early Childhood Development
EU	European Union
EPWP	Enhanced Public Works Program
EQUALS	Equity with Quality and Learning at Secondary
ESF	Environmental and Social Framework
ESIA	Environment and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Review Summary
FA	Financing Agreement
FCI	Finance, Competitiveness and Innovation
FINES	Financial Inclusion and Entrepreneurship Scaling
FISP	Farm Inputs Subsidy Program
FM	Financial Management
GBV	Gender-based Violence
GDP	Gross Domestic Product
GIVE	GiveDirectly
GIZ	German Agency for International Cooperation ( <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> )
GNI	Gross National Income
GoM	Government of Malawi
GRiF	Global Risk Financing Facility
GRM	Grievance Redress Mechanism
HSNP	Hunger Safety Net Program
ICT	Information and Communication Technology

IEC	Information, Education, and Communication
IEY	Investing in Early Years for Growth and Productivity Project for Malawi
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IHS	Integrated Households Survey
IPF	Investment Project Financing
ISP	Implementation Support Plan
KfW	Credit Institute for Reconstruction ( <i>Kreditanstalt für Wiederaufbau</i> )
LCGP	Lesotho's Child Grants Programme
LDF	Local Development Fund
LEAP	Livelihood Empowerment Against Poverty Program
MAIWD	Ministry of Agriculture, Irrigation, and Water Development
MASAF	Malawi Social Action Fund
MFEPD	Ministry of Finance, Economic Planning, and Development
M&E	Monitoring and Evaluation
MGCDWS	Ministry of Gender, Children, Disability, and Social Welfare
MGDS	Malawi Growth and Development Strategy
MIS	Management Information System
MNSSP	Malawi National Social Support Program
MoU	Memorandum of Understanding
NLGFC	National Local Government Finance Committee
NSNP	Niger Safety Nets Project
NSSP	National Social Support Policy
PMC	Project Management Committee
PPSD	Project Procurement Strategy for Development
PIM	Project Implementation Manual
PDO	Project Development Objective
PSNP	Productive Safety Net Program
PWP	Public Works Program
SCD	Systematic Country Diagnostic
SCTP	Social Cash Transfer Program
SLG	Savings and Loans Group
SORT	Systematic Operational Risk-Rating Tool
SPD	Standard Procurement Document
SSRLP	Social Support for Resilient Livelihoods Project
UBR	Unified Beneficiary Registry
UN	United Nations
UNDAC	United Nations Disaster Assessment and Coordination
UNICEF	United Nations Children's Fund
VDC	Village Development Committee
VSL	Village Savings and Loans
VSLA	Village Savings and Loans Association
WFP	World Food Programme
ZCGP	Zambia Child Grant Programme

Regional Vice President: **Hafez M. H. Ghanem**

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Task Team Leaders: **Colin Andrews, Ivan Drabek**



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## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name	
Malawi	Social Support for Resilient Livelihoods Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P169198	Investment Project Financing	Moderate

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
10-Dec-2019	31-Dec-2024
Bank/IFC Collaboration	
No	

### Proposed Development Objective(s)

The objectives of the Project are to improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.



**Components**

Component Name	Cost (US\$, millions)
Improving Social and Economic Inclusion	126.00
Strengthening Harmonized Delivery Systems	11.00
Capacity Building and Institutional Strengthening Support	5.00
Contingent Emergency Response Component	0.00

**Organizations**

Borrower:	The Republic of Malawi
Implementing Agency:	Malawi National Local Government Finance Committee

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

Total Project Cost	183.00
Total Financing	142.00
of which IBRD/IDA	125.00
Financing Gap	41.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	125.00
IDA Grant	125.00

**Non-World Bank Group Financing**

Trust Funds	17.00
Free-standing TFs AFR Human Development	17.00



#### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Malawi</b>	0.00	125.00	0.00	125.00
National PBA	0.00	125.00	0.00	125.00
<b>Total</b>	<b>0.00</b>	<b>125.00</b>	<b>0.00</b>	<b>125.00</b>

#### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025
<b>Annual</b>	8.26	29.36	30.14	25.93	20.63	10.68
<b>Cumulative</b>	8.26	37.62	67.76	93.69	114.32	125.00

#### INSTITUTIONAL DATA

##### Practice Area (Lead)

Social Protection & Jobs

##### Contributing Practice Areas

Finance, Competitiveness and Innovation

#### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

#### Gender Tag

##### Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

#### SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

##### Risk Category

##### Rating

1. Political and Governance ● Substantial



2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes   ☒ No

Does the project require any waivers of Bank policies?

☐ Yes   ☒ No



## Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

## Legal Covenants

### Conditions

Type Effectiveness	Description Financing Agreement, Article V, 5.01 and Grant Agreement, Article IV, 4.01:  (a) The Project Steering Committee described in Section I.A.1 of Schedule 2 to the Finance Agreement has been established;
Type Effectiveness	Description (b) The Project Implementation Manual has been adopted in accordance with the provisions in Section I.B.1(b) of Schedule 2 to the Finance Agreement; and



Type Effectiveness	<p>Description</p> <p>Grant Agreement, Article IV, 4.01:</p> <p>The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.</p>
Type Disbursement	<p>Description</p> <p>Notwithstanding the provisions of Part A above, no withdrawal shall be made:</p> <p>(a) for payments made prior to the Signature Date; or</p> <p>(b) Emergency Expenditures under Category (2), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:</p> <p>(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;</p>
Type Disbursement	<p>Description</p> <p>(ii) the Recipient has ensured that all safeguard instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.I.3(b) of this Schedule;</p>
Type Disbursement	<p>Description</p> <p>(iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.I.2 of this Schedule, for the purposes of said activities; and</p>
Type Disbursement	<p>Description</p> <p>(iv) the Recipient has adopted the CER Manual, in form and substance acceptable to the Association, and the provisions of the CER Manual remain in accordance with the provisions of Section I.I.1(c) of this Schedule appropriate for the inclusion and implementation of the Emergency Response Part.</p>



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Malawi, a landlocked country, is one of the world's poorest countries, and is seeking to move out of a low-income and low-productivity equilibrium.** Malawi's per capita gross national income (GNI) was US\$360 in 2018 and around 70 percent of the people live 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 20 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).<sup>1</sup> The overarching national development strategy, Malawi Growth and Development Strategy (MGDS 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 and gender disparities remain.** Consumption growth of the bottom 40 percent of Malawians has increased on average by 1.7 percent since 2010. The proportion of the population living in extreme poverty (below the food poverty line) reduced from 24.5 percent before 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 has decreased in the Northern and Central regions of Malawi, while it has increased in the Southern region. This correlates with poverty trends which are highest in the poorest five districts (Phalombe, Nsanje, Chitipa, Machinga, and Mulanje) and ranges from 66 percent to 83 percent. Female headed households tend to be poorer and have less endowments (assets and access to infrastructure and basic services) than male headed households. They also tend to own smaller cropland and have less access to electricity and improved water and sanitation. As a result, poverty headcount rates of female headed households are around 5 percentage points higher than male headed households<sup>2</sup>.

3. **Malawi has made significant progress recently in reducing child mortality, decreasing fertility and population growth, increasing primary school enrollment, and reducing stunting level to an extent.** However, overall progress remains limited on key aspects of human capital development. With a 2017 human capital index of 0.41, a child born today in Malawi will only be 41 percent as productive compared to a situation where the child had complete education and full health. The low levels are due to the large burden of stunting and fertility, low enrollment and poor quality and access to education,

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<sup>1</sup>Kandoole, Priscilla Flaness; Hettinger, Patrick Shawn; Andrews, Colin; Kalembe, Sunganani Violet; Zeleza, Angela Nyarai; Chilima, Efrem Zephna; Cassim, Lucius; Msowoya, Chipo; Drabek, Ivan; Paul, Boban Varghese; Han, Courtney. 2018. Malawi Economic Monitor: Realizing Safety Nets' Potential (English). Washington, D.C.: World Bank Group.

<sup>2</sup> World Bank 2016. Malawi Poverty Assessment. Washington D.C.: World Bank



and inadequate domestic financing for human capital. Women and girls in Malawi are the most affected group due to early marriages and child bearing. Malawi has one of the highest rates of adolescent fertility in the world, with 135 births per 1,000 women ages 15-19<sup>3</sup>. Early marriage is widespread, and women comprise 60 percent of those living with HIV. Lack of access to improved water and sanitation facilities also affects female school attendance, given that adolescent girls are disproportionately involved in collecting water. There is a need for significantly enhanced efforts and innovations to move the needle on human capital and to narrow the remaining gender gaps.

4. **A critical area of priority concerns youth and adolescent cohorts, especially women.** With persistently high total fertility rates (4.4) and relatively low life expectancy, Malawi's population is youthful. The total population is expected to double from 17.2 million in 2015 to 34.4 million in 2038 (UNDAC 2015).<sup>4</sup> The current population growth rate is 2.9 percent compared to a regional average of 2.7 percent. Malawi has one of the highest adolescent birth rates in the world, with 29 percent of girls being mothers by the age of 19. Promoting women's empowerment and gender equality is central to addressing the poverty, human capital, and demographic realities that face Malawi. The Africa Region Gender Action Plan FY18–22<sup>5</sup> identifies gender gaps in schooling, agricultural productivity, and access to work between men and women in Sub-Saharan Africa and the project will analyze the relevant specific gender issues in Malawi and use its tools to narrow the identified specific gender gaps.

5. **Devising a strategy to promote economic opportunities—and particularly a strategy that engages the youthful and female population—is a crucial development challenge.** At 23 percent in 2013, overall unemployment among the youth ages 15–34 is high (NSO 2014)<sup>6</sup>. Providing access to income-generating opportunities can contribute to the realization of more productive citizens by ensuring greater economic inclusion, especially in an environment where the pace of job creation has been slow—the annual job growth rate for Malawi was 1.5 percent at the time of appraisal, lower than the population growth at approximately 3 percent. The poor and vulnerable lack adequate livelihood opportunities due to a host of economic and social factors, including low literacy, educational attainment, social capital and networks, and access to credit, among others. Similarly, the most recent World Development Report (2019) on the Changing Nature of Work brings into focus the need for progressively expanding coverage of social protection and how this will be shaped in a more informal labor context.

6. **However, any efforts to address economic growth, poverty reduction, and human capital need to take stock of the frequent shocks facing Malawi.** Compared to almost every other country in the region, Malawi faced the highest sensitivity to extreme dry events from 1980 to 2014.<sup>7</sup> 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

<sup>3</sup> World Bank 2018. Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction. Washington D.C.: World Bank

<sup>4</sup> UNDAC (United Nations Disaster Assessment and Coordination). 2015. "Malawi 2015 Floods UNDAC Assessment Results."

<sup>5</sup> World Bank 2018 - Africa Region - Gender Action Plan FY18–22. Washington, D.C.: World Bank Group.

<sup>6</sup> National Statistical Office (NSO) 2014. Malawi Labour Force Survey 2013. Zomba, Malawi

<sup>7</sup> Hallegatte, Stephane, Mook Bangalore, Laura Bonzanigo, Marianne Fay, Tamaro Kane, Ulf Narloch, Julie Rozenberg, David Treguer, and Adrien Vogt-Schilb. 2016. *Shock Waves: Managing the Impacts of Climate Change on Poverty. Climate Change and Development*. Washington, DC: World Bank.



intake by households. Recent flood and drought events have exposed climate change vulnerabilities. Severe 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 US\$335 million, or 5.2 percent of GDP (Government of Malawi Post-Disaster Needs Assessment 2015). The assessment estimates that the total value of the effects of the disaster stands at US\$220.2 million, while the total needs for recovery and reconstruction stands at US\$370.5 million. Droughts increased food shortages for an estimated 2.8 million people.<sup>8</sup> Severe weather conditions have downstream effects on food prices and agricultural outputs that keep households poor and can force two out of every five households into poverty.<sup>9</sup> Accelerated by high population growth and environmental degradation, the negative impacts of weather shocks in Malawi are expected to worsen.

7. **In this context, safety nets are increasingly recognized as playing a critical role to promote resilience and long-term development in the economy.** In Malawi, safety net programs have a track record of effectively targeting the poorest households with income support to smoothen consumption and enhance household-level human capital investments. This positive feature emerges strongly when compared especially against other priority poverty and relief response mechanisms including the Farm Inputs Subsidy Program (FISP), Agricultural Development and Marketing Corporation (ADMARC) maize purchases, and humanitarian aid. Recent investments in safety net delivery systems (including social registries, e-payments, and citizen engagement) are also providing a platform for improving effectiveness in the sector, as well as harmonizing service delivery in other sectors such as education and health. Innovation and advancements in technology are helping to leapfrog capacity constraints and strengthen such delivery systems.

## B. Sectoral and Institutional Context

8. **The second Malawi National Social Support Program (MNSSP II) has created an opportunity to transform Malawi's social safety nets between now and 2023.**<sup>10</sup> Based on experiences from MNSSP I, MNSSP II shifts focus from individual social safety net programs to ensuring coherence, integration, and harmonization between systems of interrelated interventions. MNSSP II prioritizes five thematic areas of support including (a) consumption support, (b) support for resilient livelihoods, (c) shock-responsive social protection, (d) links between safety nets and other programs (crosscutting), and (e) strengthening safety net systems (crosscutting). MNSSP II is the main vehicle for achieving Target 1.3 of the United Nations (UN) Sustainable Development Goals, which focuses on the implementation of a nationally appropriate social safety net system by 2030.

9. **There is considerable ambition and challenge in realizing the Government's commitment to reform under MNSSP II.** As detailed in figure 1, 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.

<sup>8</sup> <https://www.aljazeera.com/news/2016/04/Malawi-declares-state-emergency-drought-160413144707560.html>.

<sup>9</sup> Dang, Hai-Anh H., and Andrew L. Dabalen. 2017. "Is Poverty in Africa Mostly Chronic or Transient? Evidence from Synthetic Panel Data." Policy Research Working Paper No. 8033. World Bank, Washington, DC.

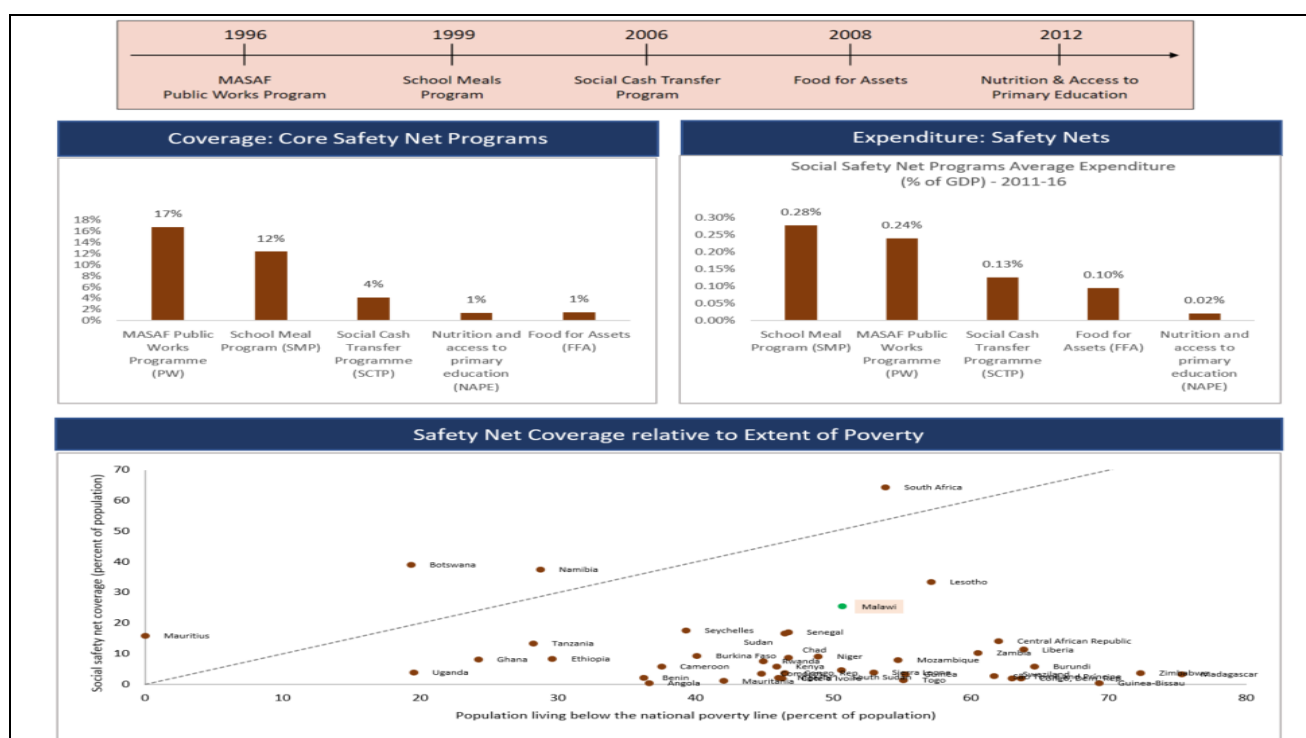
<sup>10</sup> MNSSP II defines social safety nets (or social support) as "providing income and consumption transfers to the poor and food insecure, protecting the vulnerable against livelihood risks, and enhancing the social status and rights of the marginalized, with the overall objective of reducing ultra-poverty as well as reducing the economic and social vulnerability of poor and marginalized groups."





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 to 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. At the same time, the system is complex, with multiple interlinking programs, national stakeholders, and donor-driven support.

Figure 1. Safety Nets at a Glance in Malawi



Source: Adaptation from World Bank. 2018. *Malawi Economic Monitor, May 2018: Realizing Safety Nets' Potential*.

10. **First, Malawi is at a point where it must 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.** Although coverage and financing trends are positive, gaps remain, and Malawi's safety net remains inefficient compared to those of other countries. With the establishment of a robust evidence base, there has been a significant shift toward cash transfers to enhance resilience and to facilitate longer-term human development.<sup>11</sup> Reform efforts have been introduced to fundamentally recast public

<sup>11</sup>Abdoulayi, Sara; Angeles, Gustavo; Barrington, Clare; Brugh, Kristen; Handa, Sudhanshu; Hill, Mary Jane; Kelly, Kilburn; Otchere, Frank; Zuskov, Diana; Mvula, Peter, Tsoka, Maxton, Handa, Sudhanshu; Natali Luisa (2014). *Malawi Social Cash Transfer Program Baseline Evaluation Report*. Carolina Population Center, University of North Carolina at Chapel Hill. Kandoole, Priscilla Flaness; Hettinger, Patrick Shawn; Andrews, Colin; Kalemba, Sunganani Violet; Zeleza, Angela Nyarai; Chilima, Efrem Zephna; Cassim, Lucius; Msowoya, Chipso; Drabek, Ivan; Paul, Boban Varghese; Han, Courtney. 2018. *Malawi Economic Monitor: Realizing Safety Nets' Potential* (English). Washington, D.C.: World Bank Group.



works interventions. There is now an opportunity to work toward a ‘safety nets plus’ model, which builds on existing interventions to promote stronger possibilities for economic and social inclusion. Going forward, further attention is required on the scale and linkages of program interventions considering a likely shift in coverage between the cash transfers and public works program (PWP), the possibility of increasing cash transfer coverage in vulnerable hotspots, and the possibility to link program participants – especially women – better to livelihood support packages.

11. **Second, there is now a strong emphasis to move beyond a primary focus on consumption support to include resilient livelihoods and shock-responsive safety nets.** Safety nets need to be designed so that they can be scaled up during temporary crises to help households be resilient during those times and to reduce Malawi’s dependence on humanitarian aid. Currently, safety nets and humanitarian aid operate completely separately from each other, despite having many overlapping functions. The fact that shocks will occur is predictable, but their timing and scale is not, so there will always be households that will repeatedly need periodic support at these times. Other households require assistance during certain seasons. Therefore, there is a need to improve the predictability and adequacy of the support provided to these households.

12. **The rationale for improved shock responsiveness is also reinforced by broader policy dialogue.** Structural reform efforts are highlighting the need to scale up targeted safety net programs to complement or replace less effective interventions. The less effective programs include the FISP, maize purchases, bailouts for public enterprises such as ADMARC which is inefficiently executing social functions and imposing of export bans in a manner that is not predictable and transparent. The World Bank Agricultural Support and Fiscal Management Development Policy Financing (P164122) recently included a prior action to support the national scale-up of the Social Cash Transfer Program (SCTP). This was motivated to offset the reduced coverage of the FISP. The ongoing preparation of a Development Policy Credit with a Catastrophe Deferred Drawdown Option (P165056) also prioritizes the value of a shock-responsive safety net system.

13. **Third, safety net investments have demonstrated a strong potential to realize important human capital outcomes and close gender gaps.** Pillar 2 of MNSSP II prioritizes human capital development interventions to increase access to education, health, and nutrition services, thus breaking the intergenerational cycle of poverty. Global experience has shown that a multisectoral approach to education, health, and nutrition interventions, is likely to be much more effective than if the sectors operate independently, and are most able to close gender gaps and address inequality.<sup>12</sup> An important future focus is the potential of safety nets to improve human capital outcomes for specific age cohorts, for example, a focus on investment in early childhood development through nutrition-sensitive investments and securing safe adolescent transition to adulthood through investments in secondary education, especially for girls. For example, the SCTP provides specific top-up benefits to promote behavioral change outcomes that encourage primary- and secondary-level attendance, which is particularly relevant for girls. It is also developing a linkage and referral system to connect beneficiaries to required services. Within the World Bank portfolio, these linkages are also taking place through

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<sup>12</sup> Ralston, Laura, Andrews, Colin, Hsiao, Allan. 2017. *The Impacts of Safety Nets in Africa: What Are We Learning?* Policy Research Working Paper; No. 8255. World Bank, Washington, DC.



multisectoral strategies in recently approved World Bank operations, for example, Investing in Early Years for Growth and Productivity Project in Malawi (IEY) (P164771) and Equity with Quality and Learning at Secondary (EQUALS) Project (P164223).

14. **Fourth, strengthening core delivery systems is seen as a critical pathway to improve the effectiveness of safety nets and other poverty reduction programs.** Across Africa, the expansion of safety net systems has arisen concomitantly with significant investments in core systems, including targeting, social registries, and payment mechanisms. In Malawi, the experience is no different, with potentially game-changing innovations on the horizon that can improve efficiency and effectiveness (better targeting of the poor and financial accountability) and potentially bring about a consolidation of an otherwise deeply fragmented sector. For example, the Unified Beneficiary Registry (UBR) is a recently launched social registry that supports the processes of intake and registration of households to gather information on their socioeconomic characteristics. The UBR serves as an integrated platform for assessing needs and conditions that can help inform eligibility and enrollment decisions for social support programs and potentially other sector interventions. By 2020, approximately 70 percent of the people are expected to be registered in the UBR, one of the highest coverage rates in the World<sup>13</sup>. Along with an integrated e-payment system, whose foundation is currently being laid by related World Bank teams, the social safety net delivery system can potentially deliver on many historically challenging issues. Innovation and the leverage of disruptive technology provides a platform for further experimentation in this arena.

15. **The direction of MNSSP II needs to be balanced against foundational challenges on the ground, including 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. Conservative projections (based on current program coverage and mix) suggest a five-year sector financing requirement for safety nets of approximately US\$475 million. Introducing a scalable safety net purely for the SCTP alone would add an additional US\$31 million to this five-year outlook. At present, an estimated 94 percent of all safety net expenditure in Malawi is financed by development partners (DPs). A national financing strategy for an effective and sustainable safety net is needed. This will involve incremental commitments to national budget lines that clearly reflect core sector priorities, for example, SCTP and UBR. A starting point to enable improved financial commitments may be to consider ways to reallocate fiscal spending with the aim of providing a more progressive and effective mix of safety net programs. The ongoing FISP reforms are an obvious starting point for discussing how this might be done. Considerations around establishing disaster risk financing mechanisms to link safety net, humanitarian, and disaster responses more effectively also fall under this agenda.

16. **Malawi's social protection is characterized by institutional fragmentation and faces significant coordination challenges.** A growing number of different line ministries are tasked with various aspects of implementing safety net programs, and the Ministry of Finance, Economic Planning, and Development (MFEPD) as a central coordinating agency does not have enough capacity to ensure that

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<sup>13</sup> Lindert, Kathy A., Andrews, Colin, Msowoya, Chipso, Paul, Boban Varghese, Chirwa, Elijah and Mittal, Anita. 2018. *Rapid Social Registry Assessment: Malawi's Unified Beneficiary Registry (UBR)*. Policy Research Working Paper Series 132144, The World Bank.



all stakeholders are held accountable or to enforce cross-ministerial coordination.<sup>14</sup> Furthermore, most social protection programs have independent implementing structures often involving the same stakeholders, ending up unduly overstressing district coordination capacities. Efforts are now under way to create single social protection committees in every district to coordinate programs at the district level. The merger of the Local Development Fund (LDF) and the National Local Government Finance Committee (NLGFC) is already shaping nascent discussions on further roles that the NLGFC can play at the national level in coordinating financing for social protection as part of the evolving social support fund for Malawi. However, coordination is only part of the problem, as programs also must contend with inadequate resourcing, infrastructure, and staffing, which limit their ability to operate effectively. The proliferation of different donors contributes to fragmentation with different financing structures and implementation modalities, which makes it difficult to coordinate initiatives. However, it should also be noted that there are ongoing optimization processes. There are basic administrative structures that are already setting the ground for improvements and can be leaned on for future development: some examples include the functioning national level coordination bodies, including both steering and technical committees. At district level, district coordination guidelines for social protection have been developed, and district social support committees have been established, and the process to build their capacity is ongoing.

**17. Finally, increasing accountability will be critical for improved safety nets programs' outcomes.**

Implementation of safety nets interventions in Malawi takes place within a decentralized context, where monitoring, supervision, and community engagement have faced challenges. This requires a reinforcement of efforts to develop strong accountability mechanisms that facilitate flow of both information and funds at all levels, especially at the community and district levels, and, more generally, strengthen citizen engagement and accountability for results at all levels.<sup>15</sup> Strengthening transparency and accountability in the implementation of safety nets interventions is a way to promote good governance, effectiveness, openness, and responsiveness of key stakeholders in the implementation of MNSSP II. This is consistent with the analysis in the Systematic Country Diagnostic (SCD)<sup>16</sup>, where accountability and responsiveness constraints have also been emphasized. The relatively stronger financial accountability and oversight capacities that have emerged with the LDF and NLGFC merger offer a key opportunity for enhancing accountability at the local government level. The recent rollout of a grievance redress mechanism (GRM) as part of increased social accountability and citizen engagement, and planned e-payments of cash transfers, are initiatives to build on to enhance overall accountability. Potential programmatic linkages are also being explored with the proposed Malawi Governance to Enable Service Delivery Project (P164961) to enhance accountability at the local government level within the proposed intervention.

**18. The vision of the Government is to leverage World Bank financing in a manner that is entirely devised around the MNSSP strategy and implementation plan.** The proposed Malawi Social Support for Resilient Livelihoods Project (SSRLP) will set in motion two reform priorities. First, an overarching focus

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<sup>14</sup> World Bank Group. 2018. *Malawi Economic Monitor, May 2018: Realizing Social Safety Nets Potential*.

<sup>15</sup> MFEPP (Ministry of Finance, Economic Planning, and Development). 2016. *Review of the Malawi National Social Support Program 2016*. Lilongwe, Malawi.

<sup>16</sup> World Bank Group. 2018. *Malawi Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction*. World Bank, Washington, DC.



is to foster resilience, which is understood as the ability of households to improve initial levels of welfare in the face of chronic stress, as well as maintaining welfare in the face of shocks. The Government has expressed its strong commitment to build on high-performing cash interventions, to reform underperforming public works interventions, and to ensure that successful programs are connected to more effective livelihood investments. Social protection contributes to the growth agenda by increasing poor people's access to assets, productive opportunities, and coping capacities, as well as offering an effective tool to usher in reforms around inefficient subsidy programs. Under the proposed project, the Government has explicitly recognized the need to support delivery systems (for social registry, management information systems (MISs), e-payments, and citizen engagement), as well as efforts to strengthen overall capacity and harmonization in the sector.

### C. Relevance to Higher Level Objectives

19. **The proposed project will contribute to the achievement of government policy priorities, as set out in the Malawi Growth and Development Strategy (MGDS III [2017–2022]), the Malawi National Social Support Policy (NSSP) (2012) and MNSSP II (2018).** MGDS III recognizes the catalytic role of social protection in building a productive, competitive, and resilient Malawi nation. The NSSP is a medium-term pro-poor policy that provides linkages with the national development strategy toward reducing poverty and vulnerability. The policy has four priority areas: (a) provision of welfare support, (b) protection of assets, (c) promotion through productivity enhancement, and (d) linkages and mainstreaming. The NSSP further outlines the need for better coordination, targeting, and a rebalancing of programs and expenditure. As noted earlier, MNSSP II sets an ambitious reform agenda to move from a programmatic approach for implementing social protection policy as advocated in MNSSP I toward a system of interventions with increased coherence, integration, and harmonization.

20. **By supporting the most impoverished and vulnerable segments of the Malawian population, the proposed project is also aligned with the pipeline Country Partnership Framework (CPF) for Malawi FY20–FY24.** Among the key themes emerging from the pipeline CPF, is a focus on human capital and resilience. This project will contribute strongly to these themes, both as the main instrument and as a catalyst for realizing human capital development and resilience objectives. It will also contribute to the objective of reducing gender gaps in welfare and human capital, and to some of the objectives on governance through strengthening of institutional mechanisms delivering the core safety net systems at both national and local levels. This alignment continues from the role that social protection played in the recently concluded CPF 2013–2017<sup>17</sup>, where closer alignment was with Theme 2: Enhancing Human Capital and Reducing Vulnerabilities and Result Area 4: Lowering Vulnerability and Enhancing Resilience.

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<sup>17</sup> World Bank. 2012. Malawi - Country Assistance Strategy for the period FY13 - FY16 (English). Washington, DC: World Bank.



## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

21. To improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.

#### PDO-Level Indicators

To improve resilience among the poor and vulnerable population

- Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score<sup>18</sup> (percentage) of which female-headed households (percentage);
- Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (percentage);

To strengthen the national platform for safety nets

- National social registry platform is institutionalized;
- Disaster risk financing mechanism is established for scalable Social Cash Transfers.

### B. Project Components

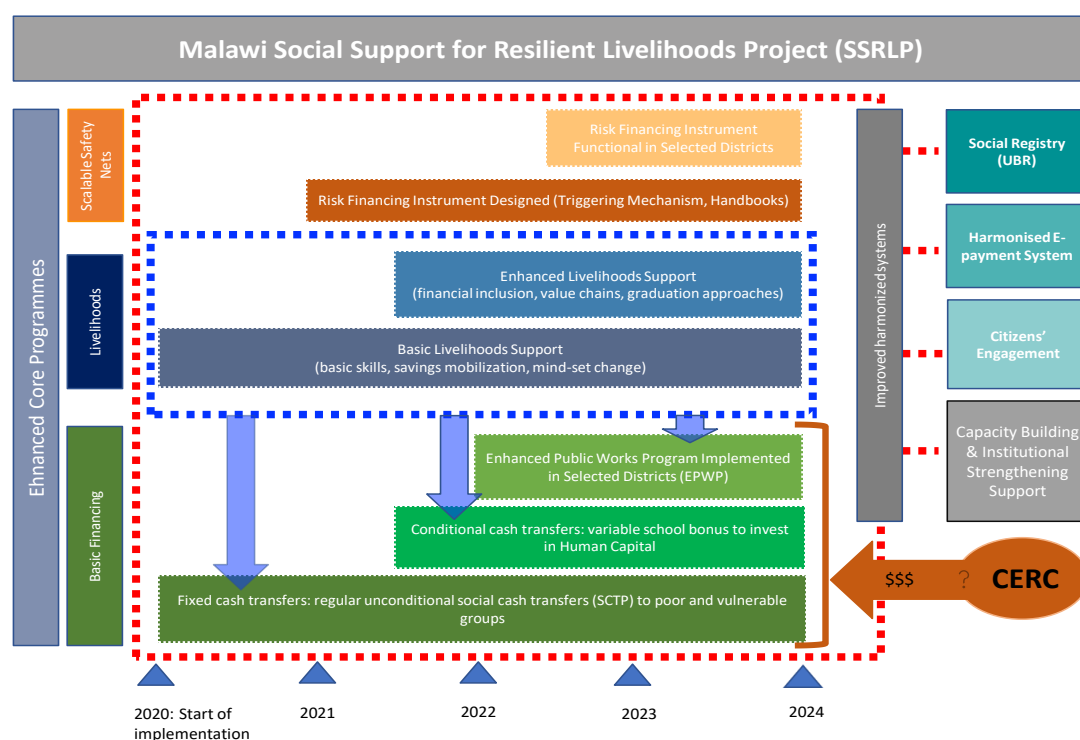
22. **Activities under the SSRLP will be structured into four mutually reinforcing components (figure 2).** Building strongly on the success of the SCTP, Component 1 will focus most directly on cash transfers as an anchor of project support. The project will sustain the recent expansion of the SCTP in 11 districts, working progressively to coordinate with donor-supported interventions nationwide. The program will work to combine cash transfers with livelihood opportunities as a means to increase household income through building household-level assets, enhancing risk management, and facilitating a shift to more productive types of employment. The project will use its operational procedures to improve the inclusion of the poorest and most vulnerable, including women and those living in the poorest areas, to contribute to closing remaining geographic and gender gaps. Most innovatively, the project will support the scale-up of the SCTP in response to drought and/or floods. The project will also support a reform effort around public works, but at a significantly scaled-down level of coverage compared to the fourth Malawi Social Action Fund (MASAF IV) Project (P133620). In parallel, the project will support systems building interventions (Component 2), most notably linked to an improved social registry and information management systems, e-payments and GRMs.

<sup>18</sup> [http://documents.wfp.org/stellent/groups/public/documents/manual\\_guide\\_proced/wfp197216.pdf](http://documents.wfp.org/stellent/groups/public/documents/manual_guide_proced/wfp197216.pdf).



23. Given the ambitious nature of the project, Component 3 will prioritize capacity building and institutional support. Project beneficiaries<sup>19</sup> including women will be targeted by mutually reinforcing instruments aimed at boosting human capacity by providing the most effective support to each group and household based on poverty levels, availability of labor in the household, educational and health needs, number of children, and so on. The poorest and labor-constrained households in 11 districts will receive unconditional cash transfers from the SCTP. All ultra-poor SCTP beneficiaries with children would also be eligible to receive a top-up, encouraging school attendance. Furthermore, poor households with labor capacities would be given the opportunity to participate in public works in 10 districts. All beneficiaries of both social cash transfers and public works would also be able to receive various forms of sustainable livelihoods support. To contribute towards closing the gender gap, deliberate efforts have been made to ensure that at least 60 percent of the livelihood beneficiaries are female-headed households; consistent with the population dynamics in Malawi where more than half of the population are women. Finally, closely linked and supplementing the scalability features in Component 1, a Contingent Emergency Response Component (CERC) has been included in the design, to prepare the project for providing immediate recovery support to the Government of Malawi (GoM) in the event of a future eligible crisis or emergency. Figure 2 highlights the complementarity across different components, with an emphasis on the need for sequencing interventions during the project life cycle.

Figure 2. Proposed SSRLP Model



<sup>19</sup> See section C for more details on project beneficiaries.





**Component 1: Improving Social and Economic Inclusion (US\$126 million equivalent, of which US\$109 million equivalent IDA grant, US\$17 million GRiF Trust Fund).** This component has a financing gap of US\$41 million to be met by additional contributions in the program.

24. **The component focuses 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 in time of crisis.** Drawing on operational experiences and international best practice, the component will support a rebalancing of interventions, with increased prioritization of cash transfers and productive inclusion interventions and linkages. Each program will leverage its ability to meet the needs of different population groups including women and adolescent girls across the life cycle and to promote higher returns to human capacity investments. Activities under this component will work simultaneously with other project interventions, through efforts to increase the delivery effectiveness of transfers through a strengthened social registry, predictable and reliable e-payments, and strengthened citizen engagement (Component 2) and efforts to strengthen the sustainability of institutional and financial mechanisms (Component 3). The component comprises two subcomponents: (a) Enhanced Core Programs and (b) Financing Scalable Safety Nets.

**Subcomponent 1.1: Enhanced Core Programs (US\$99 million equivalent IDA Grant).** This sub-component has a financing gap of US\$41 million to be met by additional contributions to the program.

*1.1.1: Social Cash Transfer Program (US\$59 million equivalent IDA grant). The Social Cash Transfer Program has US\$41 million financing gap to be met by additional contributions to the program.*

25. **The SCTP will provide the following:**

- (a) **Fixed unconditional cash transfers.** A fixed unconditional cash transfer will be offered to 10 percent of the poorest population and at the same time labor-constrained households mainly comprising vulnerable groups of the population, such as people with disability, chronic illness, elderly, orphans and vulnerable children, and single female-headed households. The transferred amount would aim to support these targeted ultra-poor and vulnerable groups to meet their basic consumption/food needs. The amount of the transfers is set according to the size of the households and delivered on a bimonthly basis for four consecutive years.
- (b) **School bonus.** This is an additional cash top-up offered to all SCTP beneficiary households with school going children and varying based on the number of children enrolled, and educational stage (that is, primary or secondary school). The objective is to enhance human capital gains by encouraging caretakers to enroll and retain their children in primary and secondary school.

26. **The project will work to increase the coverage and effectiveness of the existing SCTP.** Established in 2006 as a pilot, the program has steadily expanded since 2012, with the largest expansion





in 2017 covering all 28 districts of Malawi, 11<sup>20</sup> of which are directly financed by the World Bank under MASAF IV (P133620). As of September 2019, the national coverage of the SCTP has reached 287,157 ultra-poor and labor-constrained households, representing a total of 1,292,206 beneficiaries.<sup>21</sup> The World Bank supports approximately 120,829 of these households. However, even though the SCTP has reached national coverage, the program is yet to reach its target coverage of 320,000 households. To contribute to this vision, under the SSRP, the SCTP will be leveraged as an anchor safety net program. First, the coverage of the program in the 11 World Bank-funded districts will be extended from 120,829 to over 147,000 beneficiary households. These figures indicate the coverage of the SCTP for the first three years of the life of the project, for which financing has been secured. Additional contributions to the program are expected to cover the gap for the remaining duration until the end of the project. Particular attention will continue to be paid to ensuring women and girls are adequately included, to address prevailing gaps. Second, the effectiveness of the program in building household resilience will be strengthened by promoting linkages to 'cash plus' interventions such as livelihood and graduation approach, education, nutrition, and health services, which are also critical to closing any identified gender gaps. Third, the timeliness of transfers delivery will be improved through the use of a more effective harmonized e-payment system being set up through Component 2.

**27. Building on the existing SCTP, the project will aim to improve the program's main characteristics and operational indicators.** The project will work to improve the regularity of transfers in all the districts by ensuring that the disbursements of funds to the districts are timely. The SCTP will also continue improving on the case management system of the program to adequately address updates and claims of the beneficiaries. The program will also review the adequacy of the transfers to ensure that the cash meaningfully supports the beneficiaries' food basket. The SCTP will be reviewing the transfer levels annually during the duration of the program. Coverage will be 10 percent of the districts' household population, within the ultra-poor segment. The project will also support the linkages and referrals to the other social protection programs and services (for example, cash plus and livelihoods support). The project will further develop the shock sensitivity of the SCTP by allowing vertical expansion in time of shock, using the current SCTP delivery systems, thereby minimizing operational costs.

**28. The capacity of SCTP implementers will be strengthened through the project.** There is evidence that capacity gaps limit the program's effectiveness. The project will work to address critical capacity needs of government staff through tailored trainings in areas of financial management (FM) and planning, monitoring and evaluation (M&E) and learning, GRM/case management, information and communication technology (ICT) and emerging capacity need on e-payments, and shock-responsive social protection. In line with ongoing government initiatives, the project will work to support common approaches across each district program implementation and strengthen government-led coordination mechanisms at all levels.

**29. Mechanisms will be introduced to ensure stronger coordination across SCTP donors.** Under the leadership of the Ministry of Gender, Children, Disability, and Social Welfare (MGCDW), the World Bank will seek to agree a Memorandum of Understanding (MoU) with other financing partners (*Kreditanstalt für Wiederaufbau* [KfW], the European Union [EU], and Irish Aid) that outlines common

<sup>20</sup> Dedza, Rumphi, Blantyre, Rural Karonga, Chiradzulu, Dowa, Lilongwe, Ntchisi, Nkhosakota, Nkhatabay, and Kasungu.

<sup>21</sup> SCTP MIS data, accessed in February 2019.



priorities and agreements in transitioning the SCTP from a series of donor-led interventions in separate districts to a unified, government-led national program. The MGCDSW will prepare a strategic plan on the SCTP development for 2020–2023, which will inform this. In addition, the following areas of technical collaboration will be identified including MIS, UBR, and payment support.

*1.1.2: Enhanced Public Works Program (EPWP) (US\$20 million equivalent IDA grant)*

30. **This program will seek to establish a viable way forward for public works, through an accountable and technically improved climate-smart PWP.** Critically, this will depend on the availability of satisfactory pilot evidence and reassurances on the future accountability framework (section IV.A). If these elements are in place, the program is expected to build on a pilot Enhanced Public Works Program (EPWP) under MASAF IV implemented by the Government—with support from the World Bank, German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ), and the United Nations Children’s Fund (UNICEF). The pilot EPWP is expected to be completed during the first year of SSRLP implementation and will result in an evaluation (financed by GIZ) that would define the exact parameters of the SSRLP’s EPWP, including scale, geographical distribution, as well as technical and operational mechanisms for its implementation. The potential scale of project financing for this activity would be expected to cover no more than 35,000 households annually—a dramatic scale-down from the coverage under MASAF IV, which regularly covered around 450,000 per year and even reached 678,000 direct beneficiaries at its peak in 2016. The scale down followed a series of technical assessments which highlighted several implementation challenges around the MASAF Public Works program. This process identified priority areas of reform including program accountability, fiduciary management, asset creation and program timing and duration. These priorities motivated the reform of public works that is now presented in this proposed project.

31. **The EPWP under the SSRLP would employ a climate-smart design based on an in-depth technical analysis of Malawi’s experience and international lessons, promoting the use of the catchment management approach.** The EPWP would finance only small subprojects in up to 10 districts, mainly for land and water conservation and for rehabilitation and maintenance of small infrastructure. The EPWP would be implemented in micro-catchments under 250 ha, which promotes interventions that minimize the adverse effects of natural disasters and improves land productivity. The project would also finance small community-selected infrastructure subprojects, with a focus on maintenance of such infrastructure, implying that the major focus of the EPWP would be on maintenance of natural resources, and the rehabilitation of small community assets linked to the catchment management. The possible subprojects could include, among other things, forest restoration, through both tree planting and natural regeneration; land resources conservation including gully reclamation; and rehabilitation of water supply, drainage, and small access roads. Lessons from the implementation of subprojects under the MASAF IV-financed pilot EPWP will be used to narrow down and focus the types of works under the EPWP such that they are more directly linked to landscape resilience and thus both socially and environmentally beneficial.

*1.1.3: Livelihoods Support (Social and Economic Inclusion) (US\$20 million equivalent IDA grant)*

32. The livelihoods support will provide an additional economic inclusion package to selected SCTP and EPWP households in all districts supported by IDA financing. The subcomponent will incorporate basic and enhanced livelihoods packages. Through a mind-set approach, the basic livelihood package is



aimed at instilling the culture of savings and investment, which helps beneficiary households to grow savings that eventually cushion the households in times of shocks. Specifically, the basic livelihoods interventions will target 70,000 beneficiary households: 15,000 from the EPWP and 55,000 from the SCTP beneficiary households. The enhanced livelihood package builds on the basic package by broadening the investment activities through skills training. It will target 59,000 households: 49,000 from the SCTP and 10,000 from the EPWP out of the basic livelihood's beneficiaries with joint group skills and income-generating activities. As a strategy to promote economic opportunities for the youth, 25 percent (14,750) of the total enhanced livelihoods beneficiaries will be the youth, while at least 60 percent will be women. This special attention will be paid to ensure women have access to these economic inclusion opportunities, as part of the effort to close gender gaps in poverty. The subcomponent will also include a graduation program, a continuation of which has already been built in the current MASAF IV project. Due to the intensity and comprehensiveness of the graduation intervention, graduation will start with 8,400 target beneficiary households (table 1). Furthermore, value chain and market assessments will be undertaken to further inform enterprises and asset transfers under the enhanced livelihoods and graduation package, respectively. Priority will be given to SCTP and EPWP beneficiaries, but exceptions will be considered for ultra-poor households not included in these two core social support programs. The livelihood design anticipates that the funds flow will be timely to avoid disruption of activities that may have a negative impact on the outcomes of the project.

**Table 1. Beneficiaries of Livelihoods Packages (Incremental over Project Lifetime) by Calendar Year**

Year	2020	2021	2022	2023	2024
<b>Basic</b>	<b>42,000</b> • o/w 38,000 SCTP • 4,000 EPWP	<b>56,000</b> • 46,000 SCTP • 10,000 EPWP	<b>60,000</b> • 48,000 SCTP • 12,000 EPWP	<b>68,000</b> • 54,000 SCTP • 14,000 EPWP	<b>70,000</b> • 55,000 SCTP • 15,000 EPWP
<b>Enhanced</b>		<b>23,000</b> • o/w 18,900 SCTP • 4,100 EPWP	<b>39,000</b> • 33,000 SCTP • 6,000 EPWP	<b>54,000</b> • 46,000 SCTP • 8,000 EPWP	<b>59,000</b> • 49,000 SCTP • 10,000 EPWP
<b>Graduation (SCTP)</b>		<b>2,000</b>	<b>5,200</b>	<b>8,400</b>	<b>8,400</b>

33. **This intervention will seek to complement consumption support provided through the SCTP and to a smaller scale EPWP wages through a ‘cash plus’ model.** This will be done by enhancing the productive capacity of SCTP and EPWP beneficiaries through sustainable multisectoral income-generating investments and linkages designed to increase poor households’ incomes and assets, build human capital, and promote social inclusion. These multisectoral interventions and linkages will be carefully sequenced in line with international experience around livelihoods and graduation programming. Attention will be given to ensuring that this activity is appropriately designed to meet the needs of the youth and women among its beneficiaries. Key components of the livelihood approach will be the following:

- (a) **Basic livelihoods.** This package will empower both SCTP and EPWP beneficiaries with basic knowledge for additional livelihoods opportunities through farm and off-farm income generation activities. Interventions will include basic capacity building in business management; financial literacy; safeguards; disaster risk management (DRM); group dynamics; as well as savings mobilization and transformative or mind-set change trainings. Transformative training and DRM come in as new additions from the MASAF IV livelihoods



approach, recognizing the prominent role that both mind-sets change, and DRM play in driving sustainability and self-initiative.

- (b) **Enhanced livelihoods and graduation.** This package will provide a more comprehensive set of livelihood support activities to SCTP and EPWP beneficiary households sequenced as a follow-up to the basic livelihoods package. The subcomponent will also develop a graduation approach to selected SCTP beneficiary households as an upward resilience building pathway to realizing sustainable improvements in economic and multidimensional welfare, thereby moving them out of extreme poverty. The enhanced livelihoods and graduation packages will consist of the following:

(i) **Enhanced livelihoods package.** This package will comprise capacity building in financial inclusion (savings and loans groups [SLGs], e-payments, and linkage to financial institutions including COMSIP<sup>22</sup>; joint skills group trainings; group livelihood value chain grants; market linkages, cooperative development, and management; and water supply, sanitation, and hygiene, and nutrition. Additionally, the package will provide mentorship and training to selected youths in business development services, technical, vocational, and entrepreneurial skills, and start-up equipment. The approach is to have individual youth beneficiaries as well as youth groups who will eventually graduate into cooperatives.

(ii) **Graduation package.** The package will focus on market linkages, household-level livelihood grants (asset transfers), nutrition supplements, and coaching and mentoring at the household level using the caseworker model. Graduation targeting criteria will leverage the social registry (UBR), SCTP and EPWP targeting criteria, and international best practices of graduation targeting.

34. **Learning and evidence generation.** Reflective of the iterative ‘learning-by-doing’ approach adopted in this project, the livelihoods subcomponent provides a fertile learning and evidence generation base. Among others, learning will focus on identifying the most cost-effective packages, recognizing that different groups – women, youth, disabled – might need alternative support to best take advantage of the support. Unlike both the SCTP and EPWP, which have undergone robust impact evaluations recently, livelihoods support has very limited robust evidence. To this end, there will be enhanced monitoring and real-time learning specifically designed to adjust and scale up interventions that have demonstrated evidence of impact. This will be complemented by robust evaluation surveys to generate strong evidence.

***Subcomponent 1.2: Financing Scalable Safety Nets (US\$27 million equivalent of which US\$10 million equivalent IDA grant and US\$17 million GRiF Trust Fund)***

35. **This subcomponent includes the design and implementation of a mechanism to scale up the SCTP to channel funds to poor and vulnerable households in the case of extreme weather-related shocks. It covers the cost of cash transfers to approximately 250,000 households in the case of pre-**

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<sup>22</sup> Community Savings and Investment Promotion Cooperative Union



**agreed disaster events, across a small number of districts (that is, two to three).** The subcomponent will support the Government in designing and pre-agreeing the rules for the SCTP scale-up and providing clarity on the roles and responsibilities of each stakeholder as documented in the scalability handbook. This will require significant institutional investment and consultations with the Government and partners to build technical and operational capacity to ensure understanding and sustainability of the mechanism. Furthermore, it will expand existing social protection infrastructure and systems, such as the MIS, UBR, and e-payment systems, to provide targeted support to households affected by disasters on time.

36. **Given the vulnerability of Malawi to both droughts and floods, the feasibility of the scale-up mechanism for each of these perils will be assessed in the design phase, and it is expected that drought will be taken forward as a priority.** A dual trigger approach will be investigated: (a) a modeled primary hard trigger based on an index used to capture the impact of pre-agreed peril; and (b) a complementary secondary soft trigger used as a ‘fail-safe’ to capture the impacts of shocks which may not be captured under the primary trigger. The chosen primary trigger will be based on data that are (a) timely, so that scale-ups can be conducted not only quickly but also at points in time when additional transfers are most effective in minimizing harmful impacts of shocks; (b) relevant, so that the mechanism offers reliable protection; (c) objective and possible to audit, to avoid subjective analysis and/or the risk of politicizing of the scale-up decisions; (d) cost-effective; and (e) available over a long time horizon. The secondary soft trigger will be subject to transparent, robust, and a more detailed decision-making review process.

37. **The project will take a phased approach building toward the implementation of a scalable mechanism in select districts.** In the first one to two years of the project, the focus will be on developing the detailed technical analysis and operational and institutional capacity required to develop the scalability handbook. Within this project, it is expected that the SCTP scalability mechanism will be implemented in a small number of selected districts based on the policy decisions of the Government and the financing available. The intention is that this initial phase of implementation will generate adequate evidence on which to base the design of a possible extension of the program to other districts if more funding becomes available. The districts will be selected based on consultations with the Government and criteria including poverty rates, malnutrition levels, food insecurity, and disaster-related vulnerability, existing capacity of districts, accessibility, presence of necessary staff, and regional balance.

38. **The subcomponent will support the design and setup of disaster risk finance instruments that will use up to US\$20 million available to cover the costs of scaling up the SCTP.** The resources will be disbursed over the life of the project, with any payouts from the financial instruments going to households identified, according to the data, as affected by the selected peril. The design will be based on actuarial analysis that calculates the historical average emergency transfer amount that would have been paid in previous years, had the rules been in effect in those years, using historical data. The analysis will also assess the relative cost-effectiveness of different financial instruments for covering the cost of scale-ups associated with different-size shocks to ensure value for money for the Government. For example, it will assess the cost-effectiveness of a contingent financing instrument and risk transfer instrument.



## **Component 2: Strengthening Harmonized Delivery Systems (US\$11 million equivalent IDA grant)**

39. **This component will establish systems to promote harmonization within the social safety net sector and potentially link to other sectors to improve effectiveness of delivering interventions.** Harmonization of delivery systems, across programs and potentially across sectors, will be a key tenet of a strong delivery system. Harmonization of delivery systems is important because it encourages program consolidation and the realization of economies of scale in the use of the delivery platform and learning across various programs that use the system. The SSRLP will strengthen government capacity to design and implement delivery systems, while continuously involving various stakeholders within the social protection sector. By doing so, the component is envisioned to strengthen program capacity and improve donor coordination. This is crucial in a fragmented donor context. The component will focus on three priority areas: (a) social registry and information management, (b) e-payments, and (c) citizen engagement (including GRM and social accountability).

### ***Subcomponent 2.1: Social Registry and Information Management (US\$5 million equivalent IDA grant)***

40. **This activity will support the implementation and rollout of a social registry.** In 2017, Malawi's social registry, the UBR, was rolled out in 10 districts with 50 percent coverage of households. By 2020, the UBR will have been rolled out to all districts, with an effective coverage of 70 percent of households countrywide. The SSRLP will further build on this momentum through support to the following:

- (a) **Ongoing data collection.** Strengthening oversight and M&E mechanisms to enhance data quality and maintaining its relevance over time through further rounds of data collection (either through on-demand data collection or census sweeps, in some or all districts). Data collection that takes place in the 11 World Bank-supported SCTP districts, follows processes that ensure the most vulnerable, including women, disabled or marginalized groups, are included in the UBR database.
- (b) **Extension to broader user programs.** Boosting the UBR's wider use for other purposes, such as provision of safety nets in the aftermath of climatic shocks through the innovative use of satellite imagery in conjunction with geospatial data in the UBR; and in other sectors, such as education (for example, bursary programs), health (for example, health insurance or locations of primary healthcare centers) and targeted subsidy programs in agriculture. This would be done through regular communications and discussions with various stakeholders in Malawi.
- (c) **Institutional strengthening and capacity building.** This includes (i) promoting further institutional strengthening of the UBR to provide it clear jurisdictional independence from user programs, a clear legal mandate, and clear data security and privacy guidelines; (ii) enhancing overall capacity of the UBR management team and district teams through trainings and capacity-building workshops to build technical as well as management skills to handle increasing demand for data from other programs; (iii) enhancing IT capabilities; and (iv) further developing its reporting and research capacity to inform program design and to identify sector needs and gaps. These analytics will include assessments of gender related exclusion errors to highlight vulnerabilities specific to women and inform social protection programming in response.





41. **This activity will also support coordination of efforts for an improved MIS under the project, with a strong focus on strengthening the utility of the SCTP.** Building on ongoing discussions and analysis, a short scoping exercise will be conducted across the SCTP, EPWP, and livelihoods support to clarify the type of program details to be collected, frequency of data collection and reporting requirements, and the IT infrastructure gaps. Following this, investments will be made in the capacity of the NLGFC, MGCDSW, and Community Savings and Investment Promotion (COMSIP) to build and maintain MISs across all key interventions under Component 1. This will include (a) training to improve IT capabilities of IT staff responsible for managing the MIS IT platform and (b) training to improve analytical capacity of key staff within the NLGFC, MGCDSW, and COMSIP not only to analyze MIS data but also inform management decision making and policy formulation based on insights from the MIS. As necessary, investments will also be made to improve linkages across the delivery chain that are crucial to build a coherent social protection system. One of these linkages is the forward flow of information to payment service providers to enable social protection programs to use e-payments for making benefit transfers.

***Subcomponent 2.2: E-Payments (US\$5 million equivalent IDA grant)***

42. **The activity will support the mainstreaming of e-payments across multiple social protection programs.** An e-payment system, in the context of Malawi, will not only help reduce corruption, error, and fraud in the delivery of benefits, but would also (i) reduce the burden on district staff who are currently engaged in person-to-person delivery of benefits; and (ii) facilitate access to the cash assistance by the poorest and most vulnerable, including those with more limited mobility. The overall vision of this subcomponent is to build an e-payment system that (a) is in line with and can evolve with broader financial market developments (for example, availability of payments access points, beneficiary access to various payment access points, and variety of payment delivery models); (b) can work across multiple social protection programs, that is, harmonized to make benefit transfers on time, accurately, and cost-effectively; and (c) one that contributes to closing gender gaps by embedding good digitization principles of reliability; accessibility, security, flexibility and accountability. The Government's payments working group is already working toward this vision through analytical work and a pilot of harmonized e-payments (SCTP and EPWP) in Balaka district building on an existing Irish Aid investment in e-payments. The SSRLP will further invest in a national e-payment system through the following key activities:

- (a) **Due diligence.** Through geospatial mapping of financial access points, the Government will obtain geospatial coordinates of financial access points across the 11 World Bank-financed districts. Financial access points include bank branches, ATMs, mobile money agents, savings and credit cooperative organizations, microfinance institutions, and so on. Through overlaying these maps over beneficiary geocoded data, it will be possible to estimate the average distance of beneficiaries from the various access points. In addition, other due diligence such as beneficiary surveys to understand the possibility of the use of various channels and subsequent need for financial literacy training and research on types of service-level agreements and conditions included as part of MoUs with payment service providers for similar social and government payments will be undertaken.
- (b) **Capacity building for district and headquarters staff.** This activity will include (i) capacity building in the form of trainings for district- and central-level staff; (ii) visits and interactions with counterparts in other countries that are implementing e-payment



solutions; and (iii) technical capacity support to operationalize e-payments, specifically in contracts negotiation (for example, negotiations workshops). This work will include hiring payment specialists to support the Government in this work.

- (c) **Operationalize a national e-payment system.** This would include (i) establishing a multiple provider, multiple channel e-payment system through an appropriate MoU; (ii) developing financial literacy manuals and conducting training for beneficiaries, as appropriate, through both district staff and payment service providers; (iii) developing the guidelines and operations manuals that define the institutional structure and roles and responsibilities of various stakeholders involved in implementing a national e-payment solution; (iv) undertaking case management for beneficiaries to provide handholding required for beneficiaries, particularly at the early stages of rollout; (v) undertaking phase-wise scale-up of the e-payment system across the World Bank-financed districts; and (vi) supervising and monitoring the implementation of the e-payment system. Throughout the development of such a national e-payment system, there will be a concerted effort to respond to needs of women and other vulnerable communities. For example, the beneficiary training modules will need to be gender sensitive but also special emphasis will be on tackling gendered constraints faced by women towards financial inclusion, particularly as they form a large share of beneficiaries benefiting from social protection programs financed through MSSRLP.

***Subcomponent 2.3: Citizen Engagement (US\$1 million equivalent IDA grant)***

43. **This activity will focus on social accountability relying on citizen engagement, including grievance redress.** The Government seeks to build on the MASAF IV GRM to develop a harmonized GRM platform for core SSRLP interventions. The SSRLP will further seek to strengthen social accountability beyond the GRM working closely with the communities as part of continuous stakeholder consultations to empower households to voice their concerns about late payments, treatment by staff, and exclusion errors. It will focus on ensuring that those with traditionally less voice, including women and other marginalized groups, have clear mechanisms to share their concerns including on gender-based violence. More importantly, citizen engagement including the GRM platform will seek to establish a continuous feedback and responsive platform between beneficiary communities and implementing structures.

**Component 3: Capacity Building and Institutional Strengthening Support (US\$5 million equivalent IDA grant)**

44. **This component will provide capacity-building, learning, and operational support for the setting up of the institutional structure necessary for project implementation.** The project will provide the NLGFC with training and operational and management support, support capacity building for stronger government leadership of MNSSP II and for better stakeholder coordination and strengthen learning and evaluation under MNSSP II.





***Subcomponent 3.1: Learning and Evaluation (US\$0.8 million equivalent IDA grant)***

45. **The subcomponent will strengthen learning and evaluation under the new program.** The emphasis will be on the use of different evaluative approaches such as impact evaluations and qualitative/process evaluations and the use of smart technologies for real-time course corrections. This subcomponent will complement other evaluations commissioned by the Government in partnership with other DPs in Malawi. The findings from these exercises will be used to strengthen the project's ongoing implementation and adjust its design, as may be required. This subcomponent will also finance an assessment of how the project financing of the core programs has differential (intended or unintended) impact for men and women, including an assessment of the effects on gender-based violence (GBV). If the results of this analysis uncover issues and gaps, the existing project activities will be adjusted during implementation to address them.

***Subcomponent 3.2: Institutional Support (US\$3.7 million equivalent IDA grant)***

46. **The project will support operational costs of the project at the national level.** The subcomponent will contribute toward the administration costs of the implementing agency, NLGFC, and finance-selected contract staff such as project officers in the impact districts. Support will also be directed toward establishment and operationalization of appropriate governance structures within the MNSSP II setup, for smooth implementation of the project. The subcomponent will also include the design of a communication strategy and detailed plan of activities for creating awareness on project aspects at all levels of project implementation. Further support will also be provided for the review of the Nssp and the necessary steps for implementing MNSSP II. The project will provide for additional capacity development for national and stakeholder coordination and harmonization and for building a framework for sustainable financing of the safety nets.

***Subcomponent 3.3: Enhancing Accountability and Transparency (US\$0.5 million equivalent IDA grant)***

47. To reduce pilferages and misuse of project resources, internal control measures and systems will be strengthened through provision of adequate financial support to the financial compliance and internal audit units of the project implementing agent, the NLGFC. The procurement systems of the institution and local authorities will also be strengthened through various interventions. The project will continue to use the anti-fraud and anticorruption measures initiated during previous World Bank operations including working with the Anti-corruption Bureau (ACB). New initiatives will be devised and implemented in a more systematic and effective manner. These will include (a) sensitization and awareness of targeted communities to prevent misuse of project resources; (b) enhancement in the engagement of citizens and stakeholders, and (c) enforcement through investigation and prosecution.

**Component 4: Contingent Emergency Response (US\$0 million)**

48. This CERC is included under the project in accordance with Bank Policy Investment Project Financing, paragraphs 12 and 13, for situations of urgent need of assistance. This will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact. To trigger this component, the Government needs to declare an emergency or provide a statement of fact justifying the request for the activation of the use of emergency funding. To allocate funds to this component, the



Government may request the World Bank to reallocate project funds to support response and reconstruction.

49. If the World Bank Group agrees with the determination of the disaster and associated response needs, this component would draw uncommitted resources from other expenditure categories and/or allow the Government to request the World Bank to re-categorize and reallocate financing from other project components to cover emergency response and recovery costs. This component could also be used to channel additional funds should they become available because of an emergency.

50. Disbursements would be made against a positive list of critical goods or the procurement of works and consultant services required to support the immediate response and recovery needs. A specific Emergency Response Operations Manual will apply to this component, detailing FM, procurement, safeguards, and any other necessary implementation arrangements.

### Project Costs and Financing

51. The project will use a standard Investment Project Financing (IPF) instrument with a US\$125 million equivalent IDA grant for enhanced core program support, strengthening of delivery systems, and capacity building for operationalization of new system linkages. An additional US\$17 million has been received from the Global Risk Financing Facility (GRiF). The project anticipates a financing gap of US\$41 million, with the expectation to access additional contributions by the third year of project implementation. The Government is expected to continue an annual contribution for transfers, staff, and program running costs, estimated at approximately US\$5 million.

52. **The SSRLP will target the poorest and most vulnerable population in Malawi.** Over three years, the SSRLP is expected to cover approximately 147,000 ultra-poor and labor-constrained households per year in second and third year through the regular beneficiaries of the SCTP, currently covering about 126,807 households, approximately 495,981 members in 11 districts, of which 63 percent are female headed households. Although smaller than the previous MASAF IV PWP, the new climate smart EPWP, if validated, would be expected to reach up to 35,000 beneficiaries every year, where focus will be given to ensure participation of women and youths. Poor households in new districts will continue to be targeted through a combination of community-based targeting approaches and a proxy means test. Also, poor and vulnerable households will be reached with additional support based on geographical targeting of districts prone to repeated climate shocks. Table 2 shows a summary of the expected project beneficiaries by program and by year.

**Table 2. SSRLP Estimated Households Benefiting by Type of Support and by Calendar Year**

Support/Year	2020	2021	2022	2023	2024
SCTP	127,509	147,000	147,000		
<i>(share of female in beneficiary households)</i>	65%	68%	68%		
EPWP <sup>a</sup>	Up to 35,000,	Up to 35,000,	Up to 35,000,	Up to 35,000,	Up to 35,000,
<i>Of which, women</i>	54%	54%	54%	54%	54%
Livelihoods support	42,000	56,000	60,000	68,000	70,000
<i>Of which, women</i>	65%	65%	65%	65%	65%

Note: a) Depending on the EPWP evaluation results and clear accountability arrangements.



### **C. Project Beneficiaries**

**53. The project will ensure adequate and suitable targeting of interventions based on households' labor circumstances and special needs:**

- **SCTP.** Regular bimonthly cash transfers will be offered to the 10 percent ultra-poor and labor-constrained households in 11 targeted districts. The unconditional transfers will support households with limited labor to meet their basic consumption needs and ensure children's enrollment and retention in primary and secondary school.
- **EPWP.** Public works will be targeted at ultra-poor households with available labor capacity. The intervention has already started under MASAF IV by first piloting and testing of the program in 10 districts, covering approximately 10,000 beneficiaries. The main priority of the reformed climate-smart EPWP is to apply approaches for integrated watershed management and improved asset outcomes under the project, as well as focusing the timing of interventions across the seasonal cycle. A successful pilot demonstration under MASAF IV would provide the basis for the introduction of the new climate-smart enhanced public works under the SSRLP.
- **Livelihoods support.** This program will target a livelihood package of support to all beneficiary households of the other main safety nets programs (that is, the SCTP and EPWP) with labor potential to 'graduate' out of extreme poverty.
- **Scalable safety nets.** Under Subcomponent 1.2, efforts will be made to strengthen core program systems to extend coverage of the SCTP to those who have been affected by shocks but are not regular beneficiaries of the program and/or increase benefits to regular program beneficiaries (also known as horizontal and vertical expansion, respectively).

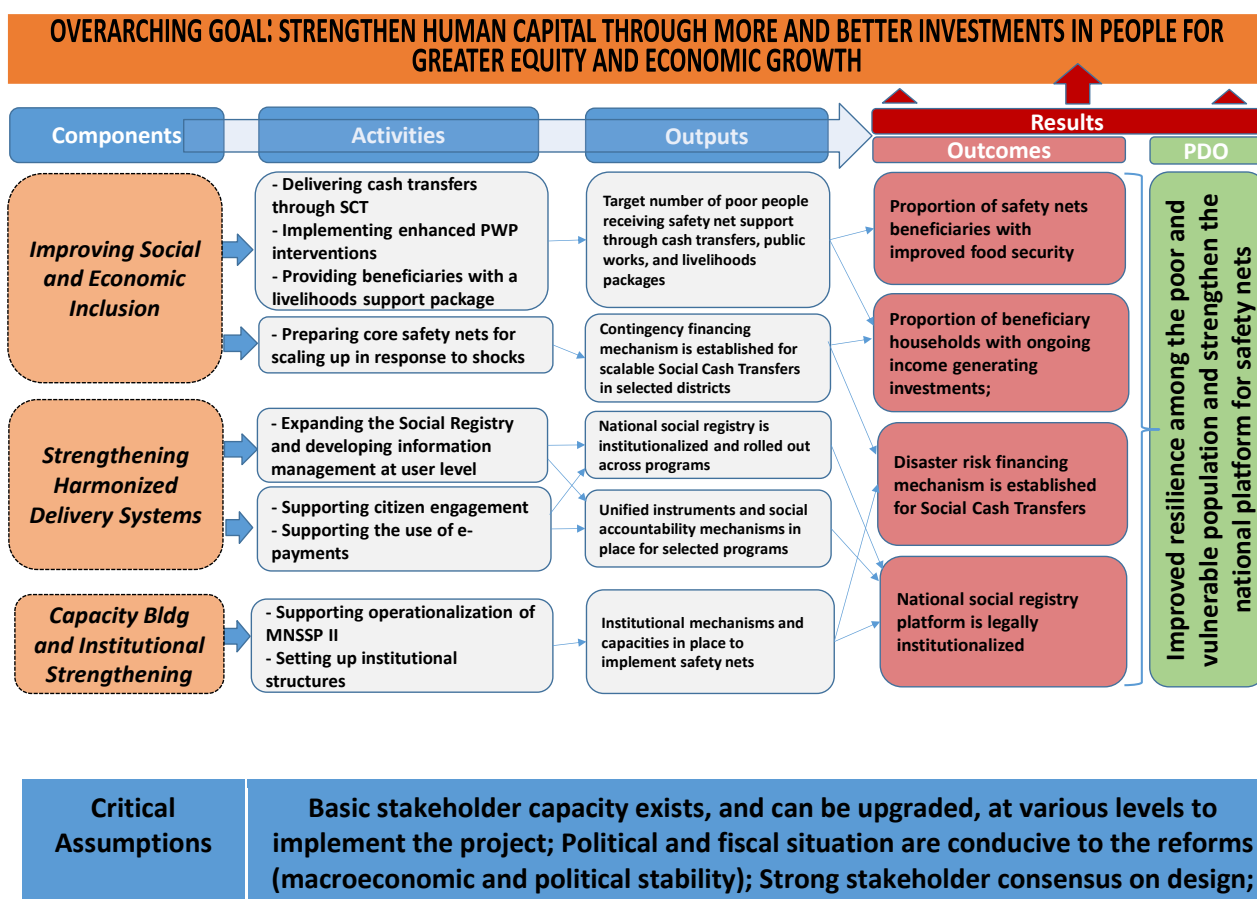
**54. The project will also benefit people with disabilities.** Overall, 21 percent of the SCTP beneficiary household heads in Malawi are those living with disabilities. Considering that the SSRLP builds on MASAF IV SCTP support, under MASAF IV at least 13 percent of the beneficiaries were those living with disabilities. The SSRLP will not only continue reaching out to these with social cash transfers but also ensure that they are the core group of beneficiaries for the SCTP linkages and referral services, EPWP, and livelihoods subcomponents. The SSRLP will therefore work through the various components and subcomponents of the operation to facilitate the availability of an appropriate mix of interventions, to promote access to services and adequate income and food security for vulnerable beneficiary groups, including those living with disabilities. Furthermore, the SSRLP core interventions will be implemented with serious consideration for specific barriers (visibility, identification, and physical access to payment centers) faced by beneficiaries living with disabilities, while exploring innovative safety nets delivery mechanisms including electronic and mobile payments enhanced case management that incorporates closer engagement with community workers and through functional linkages and referral services.

### **D. Results Chain**

**PDO: To improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.**



Figure 3. Results Chain



## E. Rationale for Bank Involvement and Role of Partners

55. **The World Bank has been providing support to Malawi through social protection interventions for close to 25 years.** The World Bank is currently among the lead partners working closely with the Government in its effort to reduce poverty and promote economic growth. Since 1995, the World Bank has been supporting poverty-focused interventions implemented through the MASAF series of projects. Currently, the World Bank is one of the main financial and technical supporters of the national safety net program with a total allocation of US\$175 million IDA lending over 2013–2019 (over 50 percent of total available budget for social safety net programs). The World Bank's support will be important because it has a technical leadership role in safety nets and broader social protection policy, and it has been successful in leveraging support and financing from other partners. The World Bank plays a key role in bringing together other DPs to provide technical and financial support to the program in a harmonized and coordinated manner. Key sector partners include the EU, KfW, and Irish Aid. Key implementation support agencies include the World Food Programme (WFP) and UNICEF. GIZ has also been catalytic in



providing technical assistance support to the clients. There is a strong commitment across agencies to improve coherence and complementarity of support going forward.

56. **The World Bank has been supporting the planning and implementation of social protection systems in Africa and around the world** and has a large pool of experts in the different areas that comprise undertakings ready to assist country clients. Relevant country experiences include Ethiopia, Kenya, Tanzania, Uganda, and so on. In the case of the ongoing MASAF IV, the World Bank support adds to the effort of other donors and brings some essential contributions to maximize the benefits to the beneficiaries and improve efficiency and accountability to the safety nets system.

57. **The World Bank also delivers important analytical work in the field of social protection in Malawi.** Over the last two years especially, the World Bank has been supporting the Government in conducting an array of analyses to support an evidence base for the design and scale-up of country operations. This includes the Malawi Economic Monitor Report on Realizing the Potential of Safety Nets<sup>23</sup>, a Public Expenditure Review, real-time assessments of the UBR, and public works activities and specific targeting analysis.

#### F. Lessons Learned and Reflected in the Project Design

58. **The project emphasizes consolidation and sustainability as part of the reform vision within the social protection sector.** Key principles underpinning the design of the proposed SSRP include (a) demonstrating value for money, considering the investment potential of cash transfers; (b) following a 'learning-by-doing' approach to enable testing and evaluation of new interventions to ensure sustainability, for example, enhanced public works and scalable financing mechanisms; (c) building on the achievements and lessons of the MASAF series; and (d) ensuring synergistic engagement across the World Bank portfolio including Governance; Health; Education; Finance, Competitiveness, and Innovation; Macroeconomics, Trade, and Investment; and Poverty Global Practices.

59. **The success of project implementation will hinge critically on building adequate capacity at different levels.** Malawi's social protection sector is characterized by institutional fragmentation and faces significant coordination challenges. A growing number of different line ministries are tasked with various aspects of implementing safety net programs. The role of the NLGFC as an implementing agency, combined with the MFEPD (as a central coordinating agency of the MNSSP), will continue to be critical under this project. An intensification of donor coordination efforts is much needed to strengthen program harmonization.

60. **There is robust evidence that safety nets are a sound investment in breaking the cycle of poverty and vulnerability in Malawi.** The SCTP has had one of the strongest and most consistent positive impacts on consumption, livelihood, earnings, and schooling outcomes of any such program implemented across the Africa region, with particularly significant impacts on women and girls<sup>24</sup>.

<sup>23</sup> Kandoole, Priscilla Flaness; Hettinger, Patrick Shawn; Andrews, Colin; Kalemba, Sunganani Violet; Zeleza, Angela Nyarai; Chilima, Efrem Zephna; Cassim, Lucius; Msowoya, Chipo; Drabek, Ivan; Paul, Boban Varghese; Han, Courtney. 2018. Malawi economic monitor : realizing safety nets' potential (English). Washington, D.C. : World Bank Group.

<sup>24</sup> Hagen-Zanker, Jessica & Pellerano, Luca & Bastagli, Francesca & Harman, Luke & Barca, Valentina & Sturge, Georgina &



Malawi's recent drought response has yielded important lessons on the need to make safety nets more sensitive to shocks. Structural reform efforts are highlighting the need to scale up targeted safety net programs to complement or replace less effective interventions such as the FISP, maize purchases, bailouts for public enterprises such as ADMARC that are inefficiently executing social functions. The need for continued learning and evaluation is recognized, especially outside of cash transfer programs.

61. **There is now nationwide recognition of the need to move beyond a primary focus on short-term consumption support to building resilience against shocks in the long run.** The frequency and intensity of weather shocks is on the rise in Malawi. Recurrent shocks, coupled with widespread chronic poverty and limited national resources to respond, have resulted in persistent food insecurity on a massive scale. In the 2016/17 lean season, following successive climatic shocks, over 40 percent of the population, approximately six million people, were in need of humanitarian assistance. In Pillar 3 of MNSSP II, the Government acknowledges the need to leverage social protection measures alongside humanitarian interventions in response to climatic shocks. Shock-responsive social protection presents a window to formalize and strengthen joint efforts to build households resiliency and to reduce Malawi's dependence on humanitarian aid. However, knowledge gaps exist around financing mechanisms, targeting processes, delivery systems, and utilization of databases.

62. **Emerging accountability efforts—especially for FM—may be a game changer for project effectiveness.** The experience of the earlier operation, MASAF IV, on the SCTP, and especially on public works, demonstrated that accountability issues could slow down and stall project implementation, jeopardizing progress toward the desired outcomes. In particular, inadequate capacity on managing procurement and FM has served as a strong driver for improvement of accountability going forward. Under MASAF IV, dedicated technical reviews and the independent engagement of the Malawi ACB have yielded actionable project reforms. Continued efforts to enhance FM practices (for example, stronger requirements for district councils, improved internal audit functions, and strengthened budget controls) now provide encouragement for the rollout of the SSRLP. The nationwide scale-up of GRM practices established under MASAF IV could have a game-changing effect on program implementation and the experience of beneficiaries under the project.

63. **Over the longer term, a national financing strategy that supports an adequate and sustainable social protection system needs to evolve.** The Government needs to establish (and meet) domestic spending targets for basic safety net interventions, which are currently almost exclusively donor financed. Expectations around a financing strategy need to be realistic given fiscal constraints. A starting point to this discussion is to consider ways by which to rechannel fiscal spending to a more progressive and effective mix of social protection programs. The SSRLP supports this vision through the progressive support on the social support fund agenda under MNSSP II. At the same time, the project will support potential financing innovations that can link safety net and humanitarian response more effectively, for example, program contingency financing. It is noted that the SSRLP faces a financing gap. In the past, this has been met through additional contributions, which as part of the original project appraisal allowed for the smooth ongoing implementation and a full scale of size and coverage of the project activities. For the SSRLP, it will also be very important to quickly identify options and sources to fill in the identified financing gap.

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Schmidt, Tanja & Laing, Calvin. (2017). The impact of cash transfers on women and girls: A summary of the evidence.





### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

64. **The overall policy guidance and supervision at the national level will be exercised by a Project Steering Committee.** The Committee will include broad representation of government stakeholders, representatives of ministries and national agencies, as well as nongovernmental organizations and donors.

65. **The NLGFC will be the main implementing agency for the SSRLP, working in close cooperation with several key implementing partners, including the MFEPD, the MGCDWS, the Ministry of Local Government and Rural Development, cooperatives and savings groups, and district authorities.** The NLGFC will be the technical nexus for project implementation, including fiduciary functions, monitoring and reporting, coordination, and overall project supervision. The NLGFC is the implementing agency for the ongoing MASAF IV project and already possesses the needed capacity for World Bank project implementation. Through an April 2018 merger, the NLGFC inherited the capacity of the LDF, which has evolved over the years from a project management unit into the GoM's key supervisory and coordinating capacity for carrying out multiple windows of support for local governance. The merger between the LDF and NLGFC further broadened the structure and mandate of the institution and confirms it as fully appropriate to serve as the main implementation unit for the overall project. Arrangements and capacities built over time by the MASAF series of projects in the NLGFC are largely adequate for the implementation of the SSRLP. Given this, institutional and implementation arrangements will be based on a similar structure of national and local implementers. The project will be managed administratively by the NLGFC, which will implement all activities related to project management, the flow of funds, central procurements, and operational support. At the national level, an institutional coordination mechanism will be established to serve as a high-level oversight body for the SSRLP.

66. **The project anticipates a range of strategic implementing partners working with the NLGFC.** The MGCDWS, jointly with the NLGFC, will implement the SCTP to be funded under the proposed project in 11 districts. The MGCDWS will have a lead role in the overall implementation on the ground and in providing methodological guidance and controls. The NLGFC will manage the administrative side, the flow of funds, and any necessary procurements. For the EPWP, the NLGFC will work with the existing Technical Task Force involving several line ministries. The livelihood and skills development activities will continue to be implemented with the participation of existing structures, including the MGCDWS and COMSIP, with NLGFC support.

**At the district level, project activities will be managed by the offices of the district commissioners.** The district commissioners will oversee all activities related to the SCTP and EPWP and will provide support to the implementation of Component 1, sub component 1.1.3, the livelihoods and economic inclusion. At the community level, the implementation process for the various SSRLP activities will be led by the Community Social Support Committee (CSSC) within the Village Development Committee (VDC).

#### B. Results Monitoring and Evaluation Arrangements



67. **The SSRLP will incorporate a strong M&E framework to provide feedback to enhance program effectiveness, improve accountability, and inform future government planning.** The project M&E framework is devised to promote timely information flows through regular evaluations, ongoing monitoring, and real-time feedback through community engagement efforts and improved spot-check processes. As relevant, monitoring will be disaggregated by gender, geography, age or other characteristics that are relevant to the measurement of gaps and their progressive closing. The project will seek to build local capacity through engagement of local academic and research institutions. While the project will finance some parts of these costs, it will continuously seek options to generate other sources of financing.

68. **A core program evaluation will be financed by the project.** As part of this, the SCTP, EPWP, and livelihoods support would be evaluated for results against the project's planned outcome and intermediate outcome indicators. The core program evaluation would be supplemented by individual-level process evaluations across each program. Beyond these evaluations, the program will explore opportunities for impact evaluations linked to the SCTP and the Livelihoods activities of sub-component 1. 1. The SCTP has an ongoing impact evaluation partnership supported by UNICEF, which could cover World Bank Group-financed districts in the future. In addition, the SCTP would be subject to two external independent technical audits during the life of the project to establish the accuracy of beneficiary lists and errors of inclusion and exclusion. Also, as noted earlier in this document, the livelihoods activity's robust evaluations would specifically be supplemented by real-time monitoring and learning to be reflected in the activity's design. There is a strong interest for impact evaluation under the Livelihoods Component given the innovation of this new work component, but funding would need to be secured.

69. **A set of real-time feedback mechanisms will be prioritized, taking advantage of innovations under Component 2 Strengthened harmonized delivery systems.** Beneficiary assessments will be undertaken to establish beneficiary characteristics, beneficiary satisfaction with the program, and beneficiary perceptions on the program design and on the program's socioeconomic impact on households. A set of technical reviews will assess the ongoing implementation of priority areas, for example, the UBR and e-payments. This approach was successfully applied under MASAF IV, yielding considerable course corrections around the public works and UBR design. Finally, it is noted that Component 2 will increase the availability of up-to-date information on beneficiaries of various programs, with the possibility of allowing more timely interaction with beneficiaries through cell phone outreach. It is expected that this component will strengthen the overall oversight and M&E mechanisms to enhance data quality and maintain its relevance over time.

### **C. Sustainability**

70. **The SSRLP would support in-country initiatives to ensure financial sustainability of social safety nets, including contributing efforts toward the establishment of a social support fund.** The World Bank Social Protection and Jobs and Finance, Competitiveness, and Innovation Global Practice are jointly exploring options to leverage grant resources to finance ongoing capacity development of the GoM on scalable safety nets, as well as the cost of the shock response mechanism from the GRiF.

71. **Sustainability of impacts at the household level.** Sustainability of household-level impacts is at the core of the design of the SSRLP. The intention of scaling up and extending the scope of the program





under the SSRLP is to ensure that extremely poor households receive support that is sufficiently comprehensive and durable to enable those who can 'graduate' in the medium to long term to do so. If the SSRLP is implemented as planned, it should enable many extremely poor households to move temporarily out of poverty and to progressively build the asset base, human capital, and resilience necessary to sustain themselves out of poverty for a longer term.

72. **Sustainability of systems and institutions.** The SSRLP will build on MASAF IV and continue to be implemented through government structures. Component 3, Capacity Building and Institutional Strengthening Support will build capacity and strengthen systems, contributing to institutional sustainability. It will also promote inter-ministerial coordination at national, subnational, and district levels, thereby contributing to the building of a sustainable social protection system, in line with MNSSP II.

#### IV. PROJECT APPRAISAL SUMMARY

##### A. Technical, Economic and Financial Analysis

###### Technical

73. **The SSRLP is designed to support the implementation of MNSSP II.** The design of the former MNSSP had informed MASAF IV with respect to the core program components; similarly, the new SSRLP will be aligned with the priority pillars of MNSSP II and its agreed institutional and delivery mechanisms. The project will also be guided by the implementation strategy of MNSSP II.

74. **The SSRLP adopts an integrated intervention model.** The design of the SSRLP integrates the delivery of project benefits and services to beneficiary households to effectively meet their short-term basic and consumption needs, promote sustainable livelihood opportunities, and invest in the human capital of children. The SSRLP will further address key poverty and vulnerability challenges in Malawi, including the challenge with climate-related shocks and stressors, aiming to further strengthen the resilience of poor and vulnerable communities.

75. **The proposed intervention model draws on evidence from international and national experience.** Implementation experience in Malawi and other African countries as well as other international experience (in middle- and low-income countries) has demonstrated that a combination of cash transfers, public works, and livelihood support can have a significant impact on the socioeconomic well-being of program beneficiaries. The selected approach also responds to recent analytical work on poverty and vulnerability in Malawi and findings of the evaluation of MASAF IV to estimate the impact of the proposed activities.

76. **The scale and scope of the program necessitates gradual rollout of some subcomponents.** The scale of the program in terms of caseload, geographic coverage, and components will make it complex, creating challenges for smooth and timely delivery on some of the proposed activities. For this reason, the design proposes a gradual rollout of the EPWP, e-payment mechanisms, graduation program, and designing and setting up of a disaster risk finance instrument for shock-sensitive or scalability mechanisms for the SCTP. Moreover, the design of the program introduces innovative and enhanced



livelihood activities to complement transfers, as well as a households' graduation aspect, an approach which is informed by evidence from graduation programs. The work done under MASAF IV also strengthened the ability of national and local structures promoting savings and livelihoods support, like that of COMSIP, to specifically target the beneficiaries of the other main safety net programs. Under the SSRLP, this work would be advanced while also looking more broadly at experiences across related sectors and the wider international context. It is anticipated that existing structures will be leveraged. The project expects to continue engaging the support of the Partnership for Economic Inclusion to guide the parameters of the livelihood package support: Finance, Competitiveness and Innovation (FCI) on e-payment and disaster risk financing instruments for the scalable SCTP.

**77. Investing in local capacity and effective delivery systems will be critical to achieving the desired outcomes.** Given that delivery of program services is highly decentralized and that the program will have national coverage, substantial investments will be required in systematic capacity building, especially at the local level, as well as in the enhancement of delivery systems. Key delivery system investments include the planned shift from the current manual payment system to e-payments, which is expected to improve the efficiency of transfer delivery to beneficiaries, while also ensuring strong accountability and reducing fiduciary risks. In addition, enhancement of the MIS will improve the effectiveness of monitoring and the systematic flow of information, thereby facilitating evidence-based decision making.

**78. There will be a strong emphasis on linkages with complementary programs and crosscutting issues.** Lessons from MASAF IV show that the program has significant potential to make strong cross-sectoral contributions and improve the impact of sectoral investments. The proposed design of the SSRLP further emphasizes the importance of sectoral linkages, especially for impacts on nutrition and early childhood development (ECD), gender and social development, and mainstreaming of climate change. This is adequately reflected in the description of the core components of the program.

### **Social Cash Transfers Program**

**79. The SCTP will be catalytic toward expansion of coverage and improvement of targeting approaches for the chronic and transitory poor.** Currently, the SCTP is constrained by district threshold levels, with targeted upper limits of 10 percent of the population. This geographical uniform cutoff point may lead to significant inclusion and exclusion errors. The program is also focused on rural areas, despite the growing needs presented in seven urban districts across the country. One of the most critical needs facing the SCTP is its responsiveness to weather-related shocks. The project seeks to leverage more effective cash transfers under the program through preparedness of the program for both vertical expansion (top-up of transfers for existing beneficiaries) and horizontal expansion (extension of transfers to new beneficiaries) as needed. This requires significant shifts in the institutional, operational, information, and financing aspects of program design and implementation.



#### Box 1. Accountability in Public Works

Catalyzed by a process of review from the ACB during 2016–2018 a number of issues related to the management of funds and the use of operational procedures under MASAF IV Productive PWP were uncovered. In some cases, national investigation authorities opened investigations and corrupt officials were charged. As a result, supervision efforts by the Government and the World Bank were strengthened, and a deep analysis of the PWP was undertaken, including full multi-aspect reviews of the PWP, stronger fiduciary focus, and enforcing of changes of design and operational procedures. These efforts led to winding down of the MASAF IV PWP and set the basis for rethinking the design and control mechanisms of a new public works approach on a smaller scale going forward.

80. **Social cash transfers will also provide a proven and important entry point to realize human capital outcomes, especially related to children’s education and health.** Reinforced by the school bonus top-up of transfers for primary and secondary education mentioned earlier, impact evaluation evidence shows increased school attendance and education-related expenditures for both primary and secondary school children. This also has important implications for addressing the needs of at-risk adolescent girls. Furthermore, evidence also shows cash transfer effectiveness in tackling structural determinants of health such as financial poverty, education, household resilience, child labor, social capital, and social cohesion. Further evidence shows that cash transfers modify intermediate determinants such as nutrition, dietary diversity, child deprivation, and health treatment-seeking behavior. Overall, evidence is overwhelming on the potential for social cash transfers to significantly promote women’s wellbeing and close gaps in income, education, or health for girls and women.

#### Enhanced Public Works Program

81. **The EPWP introduces a climate-smart design, which seeks to improve natural resource conservation, technical, and fiduciary aspects of the PWP.** The design builds on two rounds of technical assessments for the regular PWP under MASAF IV and will be adjusted during the first year of SSRP implementation, once the pilot EPWP, financed by MASAF IV, is evaluated. If the critical elements of an EPWP—including a positively evaluated pilot—do not materialize, the project will seek to reallocate the available funding to other activities with proven impact and track record.

82. **The pilot EPWP under MASAF IV is implemented in 10 districts, five micro-catchments per district, covering approximately 10,000 beneficiaries.** The main priority of the reform pilot is to test approaches for integrated watershed management and improved asset outcomes under the project, as well as focusing on the timing of interventions across the seasonal cycle. The EPWP also has a strong climate change dimension, whereby the catchment management approach<sup>25</sup> is a foundation of subproject preparation and implementation that looks at land conservation, forest restoration and sustainable development, and use of community resources. A successful pilot demonstration would provide the basis for the commencement of the new enhanced public works approach under the SSRP. The rationale for such an investment is motivated especially on the need to provide temporary employment to poor households with labor capabilities throughout the year, without adversely affecting the agricultural work.

<sup>25</sup> The catchment management approach used in the project is closely linked to the Malawi National Guidelines: Integrated Catchment Management and Rural Infrastructure, 2015.



83. **Similar to the SCTP, the envisioned EPWP would provide consumption support to poor beneficiary households.** However, the target group would be households with labor capacity, who would be provided temporary employment working on restoring catchment areas. Thus, the program would be building both household and community capacity to withstand shocks through asset creation and linkages to livelihood support interventions in the long run. The PWP has been the cornerstone of IDA financing under MASAF IV, accounting for approximately 65 percent of MASAF IV project financing. It had a permanent caseload of 450,000 beneficiary households. An impact evaluation conducted in 2012/13 found no significant improvements in the food security of beneficiaries and highlighted several challenges related to the program's design, such as poor targeting, significant rationing, the relatively small size of the transfers, and the infrequency of payments. Substantive design modifications and technical assessments have since been conducted with a view to improving program effectiveness, including a stronger focus on asset creation, enforcing multiyear employment for beneficiaries, and extending the number of working days offered each year. In 2016, investigations conducted by the Malawi ACB identified small but widespread levels of misappropriation within PWPs. Despite some progress, the MASAF IV PWP in its current form concluded in March 2019. The upcoming EPWP has incorporated into its design necessary elements to strengthen accountability, supervision, and financial controls (see box 1 for details).

#### **Livelihoods Support**

84. **Implementation and coverage of the livelihoods package would be aimed at enhancing productive impacts of the core programs.** Livelihoods and graduation packages would be complementary to the SCTP and EPWP. Priority would be given to administrative districts being supported under the project to implement the SCTP and EPWP. Utilizing the UBR, the livelihood interventions would target the extreme poor households under both the SCTP and EPWP for broader economic inclusion and narrow down to the active poor households (ultra-poor households who have been assessed and are able and willing to undertake and manage intense and comprehensive interventions and linkages demanded by graduation approach). These households would develop their skills, by creating opportunities for diversified income-generating activities and self-employment, thereby improving income and resilience at the household level.

85. **The graduation-related interventions are time bound (generally 24–36 months) to preclude long-term dependence.** However, those beneficiaries participating in the livelihood's interventions continue to receive the livelihoods support throughout the lifetime of the project. Sustained progress rests on continued income earning and asset building and effective social protection systems to build resilience and cushion against shocks. As part of the linkages, the SSRLP will closely work with another World Bank-financed project under preparation—the Financial Inclusion and Entrepreneurship Scaling (FINES) Project (P168577)—through its component on Increasing Financing available to micro, small, and medium enterprises. The aim will not be to transition savings and loan groups (SLGs, also referred to in other contexts as village savings and loans associations, or VSLAs) as a foundational block for livelihoods into formal financial services providers, but to open them to interacting with the formal financial sector so they can access additional benefits. The SSRLP will take advantage of FINES' focus on identifying existing SLGs, particularly in localities underserved by formal financial services providers, and work toward facilitating these linkages with primary financial institutions.



## Scalable Safety Nets

86. **Across the world, safety net programs and systems are increasingly being designed to ‘scale up and out’ in times of crisis.** The susceptibility of Malawi to shocks makes scalable social protection a must. Working jointly with the Finance, Competitiveness, and Innovation Global Practice, this activity’s design features will enable faster adjustment of safety nets systems primarily the SCTP to extend coverage to those that have been affected but are not regular beneficiaries of the program and/or increasing benefits to regular program clients (also known as horizontal and vertical expansion respectively). Recent experience in Malawi with leveraging IDA financing to this end has been positive. In 2016, for example, the crisis response window was used to scale up financing to MASAF IV in response to El Niño. A prior action of a Development Policy Operations (DPO) with a Catastrophe Deferred Drawdown Option (CAT DDO) (P165056) was the development of a National Disaster Risk Finance Strategy, which sets out the Government’s overarching policy priorities with respect to risk financing and envisages the establishment of scalable social protection as one mechanism to mitigate the impact of disaster shocks. The strategy specifies safety net programs as a method for disbursing contingent financing effectively after covariate shocks.

## Social Registry

87. **The Social Registry subcomponent offers a huge platform that may be helpful in social sector programming more broadly than just for social protection.** For example, the social registry or UBR, as referred to in Malawi, will include household information including demographic details, poverty status, and more on close to 70 percent of households nationally. When designing a school bursary program, it could use the UBR to identify potential households with eligible school-going children based on income. Similarly, when setting up health centers, the Ministry of Health could use geocoded location data of households from the UBR to map needs spatially. Education, health, and nutrition interventions are already exploring UBR utilization, to facilitate prioritization in the delivery of their interventions to the lowest-income quintiles. This stems from the experience that human development outcomes have consistently been poor among low-income groups.

88. **The SSRLP would further strengthen information management at the level of user programs** through enhanced beneficiary MISs linking to all programs under Component 1, Improving Social and Economic Inclusion. For example, the livelihood support program currently does not have such a system whereas the SCTP needs a strengthened information system allowing for seamless management of beneficiary information. Beyond streamlining information for program implementation tracking, this information would also be useful for managing communication with e-payment systems.

## E-Payments

89. **An e-payment system, in the context of Malawi, not only helps reduce corruption, error, and fraud in the delivery of benefits, but it also reduces the burden on district staff who are currently engaged in person-to-person delivery of benefits.** This gives district staff greater flexibility to be involved in other activities such as oversight and management of program functioning. Further, e-payments also lead to improved financial inclusion of beneficiaries and allow for timely delivery of humanitarian aid in the form of cash. The SSRLP will encourage further testing of this system and its integration into all existing social protection programs that can deliver benefits through cash. The



piloting efforts through the harmonized e-payments for both the EPWP and SCTP will advance the process of mainstreaming e-payments into social protection programs. The project would build on the existing work on financial sector and digital development also supported by the World Bank (Digital Malawi Program Phase I: Malawi Digital Foundations Project and Financial Sector Technical Assistance Project) (P160533) that is currently laying the foundations of the digital anatomy, including payment systems of Malawi. In fact, social safety nets are a crucial early adopter of this payment architecture. The scale-up of e-payments under social safety nets can help catalyze further development of payment systems as it opens a large untapped market to financial service providers.

90. **Under this component, the SSRLP will also closely work with FINES** through their component on enhancing financial infrastructure, especially the subcomponents on electronic and mobile payment systems. This is to allow the SSRLP to leverage innovative digital financial services and platforms, necessary for robust e-payment. More importantly, these close synergies are an opportunity to ensure that e-payment systems under the SSRLP are part and parcel of the broader government digital and electronic funds transfer system. This will not only support a transparent and efficient system but also catalyze financial inclusion of beneficiaries and allow for timely integration of social protection programs.

### **Citizen Engagement**

91. **This priority area will focus on citizen engagement, including grievance redress and social accountability.** Under the current MASAF IV program, a GRM is in its initial stages of implementation across all MASAF IV districts (mainly implementing public works). The Government seeks to build on the MASAF IV GRM to develop a harmonized GRM platform for core SSRLP interventions. The SSRLP will further seek to strengthen social accountability within the GRM to empower households to voice their concerns about late payments, treatment by staff, and exclusion errors. More importantly, the GRM platform will seek to establish a continuous feedback and responsive platform between beneficiary communities and implementing structures. At the same time, GRM capacity building of government staff would be undertaken to not only enhance their ability to handle a large caseload but also sensitize them on communication skills with community members. The process of registration and follow-up of complaints would be improved. While citizen engagement would be improved throughout the program cycle such as through community-based targeting of beneficiaries, the focus of GRM would be in providing the program implementers necessary continuous feedback, thus closing the feedback loop between implementers and beneficiaries. Community scorecards, citizen report cards, and social audits would be an integral part of the program's monitoring, oversight, and accountability systems. The selection of subprojects under the EPWP will build on an extensive community consultation process.

### **Contribution to Climate Change Commitments**

92. **The proposed project was screened to assess its contribution to meeting World Bank climate change commitments and anticipates several climate change co-benefits.** Adaptation co-benefits can be assigned for financing cash transfers, public works for rehabilitation of water supply, and livelihood diversification activities, because these will enhance the resilience of beneficiaries to the impacts of climate change. Land resources conservation and forest restoration bring in mitigation co-benefits, and adaptation co-benefits can be assigned for financing the social cash transfers that can be scaled up





during extreme weather events such as floods and droughts, which have been linked to impacts of climate change.

93. **The adaptive approach of the new project places climate responsiveness at its core by (a)** building resilience of the poorest and most vulnerable people to climate change before shocks occur and **(b)** preventing people from falling into poverty (or deeper poverty) aftershocks occur. Examples of adaptation include risk preparedness in both cash transfers and PWPs, strengthening the dynamic social registry approach for crisis settings, setting up a disaster risk financing mechanism, and supporting overall institutional coordination with relevant ministries and partners engaged in humanitarian and disaster response. Building on the integrated catchment management approach as a basis for the EPWP is particularly relevant for mitigation co-benefits. The project geographic and individual targeting is focused on populations with livelihoods threatened by climate change. The productive inclusion efforts (skills training and livelihood diversification) may also be considered as both adaptation and mitigation efforts, as the project is likely to finance diversification into livelihoods that are less likely to be affected by climate change impacts. There is a potential for adaptation co-benefits for the SCTP as in many cases it provides cash transfers to help beneficiaries cope with the impacts of climate change, for example, including the role of cash transfers in reducing negative 'climate change' coping mechanisms, providing financing for disaster response, and scaling up programs.

## **Gender**

94. Gender gaps in Malawi are noticeable. Poverty headcount rates of female headed households are around 5 percentage points higher, than male headed households. Female headed households tend to be poorer and have less endowments (own smaller cropland, less profitable and informal businesses, limited assets and access to infrastructure and basic services) than male headed households.

95. The SCTP and livelihoods interventions have significant potential to narrow gender gaps related to the economic and social inclusion of women in the community. By design, at least 65 percent of both COMSIP livelihood and social cash transfer recipients are women. Given that women are far more likely to exercise control over the use of their own cash than their husband's, this is an empowering feature of program design and likely to contribute to reducing gaps in poverty and resilience. Program targeting and implementation recognizes the vulnerability of female-headed households including limiting pay-points to a five-kilometer radius; include women empowerment principles of inclusivity, safety and accountability in the climate smart Enhanced PWP; e-payment and social registry.

96. Ongoing implementation of the SCTP and livelihoods interventions point also to the importance of program messaging (at the time of payments and during Village, Saving and Loan (VSL) meetings) in realizing program outcomes – often women, and female-headed households in particular - face significant constraints in realizing productive outcomes. Specific mechanisms will be devised to account for this during implementation. More generally, program design will be tailored to ensure it promotes women's empowerment and addresses the constraints faced by women.

97. As presented in table 2 above, across all three core programs- SCT, Livelihoods and Climate smart EPWP, most primary recipients of safety net benefits will be women and this focus on women as the main safety nets recipient continues from the implementation experience under MASAF IV. This is an upward revision to targets under MASAF where averaging across the core programs at least 60



percent were women. Supported by rich evidence, which shows that cash transfers in Malawi have also increased women's ownership of livestock, their ability to increase savings, their access to both formal and informal credit since the regularity of SCT payments are perceived as an increased ability to pay off debt; the increase in women beneficiary numbers are aimed at contributing towards closing gender gaps in poverty, resilience and economic empowerment<sup>26</sup>.

98. The monitoring and evaluation framework will ensure that indicators are disaggregated by gender and age, as relevant, in order to monitor the extent to which women and girls are able to fully take advantage of the core safety net programs, with a view to addressing the gender gap observed in Malawi. Two of the four project outcome indicators will be systematically disaggregated by gender and monitored: (i) Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score, of which female-headed households (percentage); and (ii) Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (percentage). A number of intermediate results indicators will also be disaggregated, as per the Results Framework (see section VII).

### Gender Based Violence

99. **To mitigate any potential Gender Based Violence (GBV) associated with the delivery of the project services, specific Environmental and Social Management Plans (ESMPs) will specify ways to address potential GBV.** It is important to note the GBV risk rating is low based on the GBV assessment tool applied to the project. With this said, given the design of the project intra-household and possible community tensions, the project will work to ensure preventative measures are in place to address any associated GBV risks (see Environmental and Social Framework below).

### Economic and Financial Analysis

100. **There has been a marked improvement in the performance of social safety nets over time in Malawi, which provides a strong economic rationale for future investment.** Overall, there has been an improvement in targeting performance for safety net programs in relation to the poor in recent years. Incidence of social safety net beneficiaries from the poorest quintile has increased steadily over time. While in 2010/11, 19.4 percent of beneficiaries of social safety net programs belonged to the poorest quintile, in 2013, it was 21.5 percent, and in 2016/17, it was 27 percent. The SCTP has one of the highest incidences of beneficiaries who are extremely poor at 38.4 percent, with almost 70 percent of beneficiaries considered poor. MASAF PWP is less pro-poor than most programs as only 54.5 percent of its beneficiaries are poor or extremely poor. Recent innovations in data collection under the UBR can be leveraged for more effective targeting and supporting the efficient delivery of additional benefits and services.

101. **Structural reform efforts have further highlighted the effectiveness of safety nets in Malawi in relation to other poverty interventions.** Malawi's safety net coverage is noticeably lower than that of its other priority poverty reduction and relief programs. In 2016, the FISP and humanitarian aid (food

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<sup>26</sup> Seidenfeld et al., 2013 ; Asfaw et al., 2014 ; Covarrubias, et al., 2012) ; (Barca et al., 2015) ; Daidone et al., 2015





security and nutrition) coverage reached 37 percent and 33 percent of the population, respectively, with an equivalent expenditure of 1 percent and 6 percent of GDP. By contrast, the targeting performance in these areas show a fluctuating trend. Between 2010 and 2013, the share of beneficiaries belonging to the poorest quintile dropped but picked up in 2016. However, the targeting performance of the FISP in 2016 was poorer than that in 2010. With the caveat that humanitarian assistance, the FISP, and safety net programs have slightly different objectives and hence targeting objectives, it is worth noting that both humanitarian assistance and the FISP do not perform as well as safety nets in terms of targeting the poorest households. Finally, there is a marked difference in the cost of delivering safety net versus humanitarian programs. Close to 35 percent of humanitarian expenditures in 2015–2016 was allocated to administrative costs, compared to an average (weighted) administrative cost of 14 percent for safety net programs.

102. **Despite strong targeting, the overall impact on poverty and inequality of social safety net programs remains negligible given their low coverage and benefit levels.** The size of the program (coverage) paired with the benefit level determines its impact on poverty and inequality. Most programs in Malawi for which the IHS survey collects monetary data report a small coverage (less than 5 percent of the total population and of the poor) and low benefit levels (less than 10 percent of the extreme poor's welfare and less than 20 percent of the poor's welfare). As a result, the reduction on poverty headcount and poverty gap from these programs is less than one percentage point reduction. However, closer examination of individual programs indicates important evaluative findings, such as the SCTP's effectiveness in increased food security, productive asset investment, curative care-seeking and reduced vulnerability to shocks, and the PWP's potential—if improved—to represent a key safety net for households. They could help determine how to appropriately prioritize, scale-up, and finance selective interventions. Further micro-simulation exercises will be undertaken to look at the likely outcomes under different future programming scenarios.

103. **There is now robust evidence which shows that cash transfers, in particular, are an effective investment in Malawi.** This is especially noticeable given the scant poverty impact of the overall set of social safety net programs. Malawi's SCTP has had the strongest and most consistently positive impact of any such program implemented across Africa. A recent review<sup>27</sup> of 55 impact evaluations of 27 social safety net programs in 14 African countries implemented since 2005, concluded that Malawi's SCTP had some of the strongest outcomes in measures related to equity, resilience, and long-term opportunities. Overall, SCTP beneficiaries increased total consumption by 24 percent and food consumption by 23 percent (figure 4). This reflects the SCTP's effective targeting of poor households. SCTP beneficiaries spent an equivalent of 179 percent of the transfer amount compared to an average of 74 percent across the region. This points to the importance of community sharing and spillover effects within the program, which stimulated demand for retail, services, and agriculture goods. Evidence indicates that beneficiary households did not spend these SCTP transfers on temptation goods such as alcohol or tobacco. Critically, these impacts have been achieved at a very modest transfer level, estimated at 18 percent of mean household consumption expenditure. SCTP transfer levels are comparatively higher than other social safety net programs in Malawi. The SCTP also helped households build up resilience to economic shocks through increased investments in productive assets, specifically livestock holdings, durable

<sup>27</sup> Ralston, Laura R.; Andrews, Colin; Hsiao, Allan Jer-Yu. 2017. The impacts of safety nets in Africa: what are we learning? Policy Research working paper, no. WPS 8255, Impact Evaluation series. Washington, D.C.: World Bank Group.



assets, and fertilizer. This can be built on further under a dedicated livelihood-supported package of interventions. Finally, evidence also showed that the SCTP has encouraged the development of human capital by incorporating soft conditions and top-up benefits to encourage increased educational attainment in the household.

**Figure 4. Total Consumption and Food Consumption Estimates**



104. **Evidence on the impacts of public works remains mixed and reinforces the reform objectives proposed under the new program.** An impact evaluation conducted in the 2012–2013 season found that households benefit from small food security gains but no overall food security improvement in villages, with evidence of detrimental spillover effects on non-recipient households.<sup>28</sup> Negative spillover effects could be caused by beneficiaries making bulk food purchases to store and consume later, squeezing overall food availability in local markets. Benefits also differed by region, with the north and central regions experiencing modest improvements in food security, and the south receiving no net impact. Beegle et al (2015) further uncovered design inefficiencies around targeting, rationing, small transfer size, and the infrequent timing and insufficient duration of PWP subprojects. Technical assessments in 2017 took stock of the most recent phase of MASAF PWP, finding that efforts to improve fiduciary implementation capacity, especially given widely reported cases of public works funds misappropriation, have improved. The assessments also documented progress in improving the value of assets created under the program, the timing of the program across the seasonal cycle, and potential linkages to other sectoral interventions. A major area of focus in the current program is to improve asset creation by linking projects to watershed catchment management initiatives, which have proved successful under Ethiopia’s Productive Safety Net Program.

105. **Finally, global evidence and experience shows that much testing of economic inclusion programming has taken place in recent years to foster the sustainable livelihoods of very poor and**

<sup>28</sup>Beegle, Kathleen G.; Galasso, Emanuela; Goldberg, Jessica Ann. 2015. Direct and indirect effects of Malawi’s public works program on food security (English). Policy Research working paper; no. WPS 7505. Washington, D.C.: World Bank Group.



**otherwise vulnerable households.** The SSRLP will therefore work to expand different models of inclusion to determine the optimal model that can be implemented and scaled up by the Government.

## **B. Fiduciary**

### **(i) Financial Management**

106. **The responsibility for project FM will rest with the NLGFC.** An FM assessment of the NLGFC was undertaken in accordance with the Directives and Policy for IPF and World Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017. The objective of the assessment was to determine if the entity would be able to ensure that (a) the funds would be used for the purposes intended in an efficient and economical manner and the entity would be capable of correctly and completely recording all transactions and balances related to the project; (b) the project's financial reports would be prepared in an accurate, reliable, and timely manner; (c) the assets acquired under the project would be safeguarded; and (d) the project would be subjected to auditing arrangements acceptable to the World Bank.

107. **The bulk of the project resources are expected to be used in district councils where FM arrangements are operating in a weak control environment, as established by past and ongoing projects.** However, significant improvements have been registered regarding use of an Integrated Financial Management Information System (IFMIS) and application of disciplinary measures for noncompliance. Most of the local councils are now using the IFMIS even though a few of them operate in an ex post manner, posting in IFMIS transactions that have been manually processed. The increased use of the IFMIS is leading to more timely and reliable bank reconciliations and reporting though this process needs to be further expanded. The prompt application of disciplinary measures is resulting in better compliance with policies and procedures, reversing the culture of impunity that existed for a long time. This will require sustained efforts to ensure that the FM control environment is sustainably improved. There are still some concerns with the capacities of the implementing agency itself and local councils. The critical concerns requiring urgent attention are (a) high vacancy rates for FM staff in most local councils; (b) poor management of district council bank accounts including poor and delayed bank reconciliations (this has improved with the increased use of IFMIS but some local councils are still experiencing delays); (c) weak internal audit function at both the NLGFC and local councils characterized by very few staff (only one at the NLGFC and 15 for all district councils) and nonfunctional/weak audit committees; (d) ineffective monitoring and supervision of local councils by NLGFC staff; and (e) serious recurring issues of control and accountability observed in both internal and external audits (this area has also seen positive developments recently, but with further improvements needed).

108. **The overall residual FM risk rating is Substantial.** The following mitigation measures are recommended to strengthen FM arrangements:

- (a) The NLGFC should enhance monitoring, supervision, and capacity building of FM in local councils and ensure timely detection of noncompliance and instituting corrective measures. The project resources should be used to capacitate the NLGFC for it to build capacity at local councils and carry out monitoring activities.



- (b) Serious and sustained managerial/supervisory accountability needs to be implemented within the local councils, including application of rewards and penalties for noncompliance. The NLGFC and Ministry of Local Government should ensure existing legislation is utilized effectively for disciplinary measures for noncompliance.
- (c) All local councils should begin to use computerized accounting systems for transaction processing and reporting as a condition for receiving funding. The NLGFC should ensure an enabling environment for continuous use of the computerized accounting system.
- (d) Key FM-related vacancies in local councils should be filled.
- (e) The internal audit function should be strengthened at the local council level by engaging the Central Internal Audit Unit (CIAU). The NLGFC should also train the Finance and Audit Committee of local council chambers to ensure their proper appreciation of financial matters for improved accountability from the secretariat.
- (f) The project will create exclusive U.S. dollar and kwacha accounts at the central bank or in a commercial bank, acceptable to the World Bank.
- (g) The anticorruption and governance arrangements would be structured to include (i) an accountability mechanism covering public reporting, (ii) the use of civil society organizations in social audits and disclosure of project information, and (iii) the use of whistle blowers to further combat corruption and other forms of fraudulent activities. The whistle blowing arrangement is already in place for the existing project managed by Deloitte under an anonymous tipoff arrangement. The proposed FM arrangements meet the requirements for FM under the Directives and Policy for IPF and, therefore, with reasonable assurance can provide accurate and timely information on the status of the project as required by IDA.

## **(ii) Procurement**

109. **Applicable procurement procedures.** Procurement activities under the proposed project will be carried out in accordance with (a) the World Bank's 'Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing: Goods, Works, Non-Consulting, and Consulting Services' dated July 2016, revised November 2017 and August 2018); (b) the World Bank's 'Guidelines on Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated July 1, 2016; and (c) other provisions stipulated in the Financing Agreement (FA).

110. **Preparation of the Project Procurement Strategy for Development (PPSD).** The borrower has prepared the PSPD identifying optimum procurement strategies for meeting the development objectives of the project, based on which the Procurement Plan for the first 18 months has been prepared, setting the selection methods to be used by the borrower in the procurement of goods, works, non-consulting services, and consulting services under the project. The Procurement Plan will be updated at least every 12 months, or as required, to reflect the actual project implementation needs. Each update shall require World Bank approval and will be publicly disclosed in accordance with the World Bank disclosure policy. The project will use the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) as a



primary tool to submit, review, and clear all Procurement Plans and conduct all procurement transactions for the project. The PPSD, a summary of which is described in annex 1, is a living document that should be regularly updated during project implementation to provide necessary justifications for procurement arrangements, Procurement Plans, and their updates.

111. **Procurement implementation arrangements.** Procurement implementation, contract management, and the related decision-making authority under the proposed project shall be carried out by the NLGFC. The World Bank carried out a Procurement Capacity and Risk Assessment of the NLGFC, rating the procurement risk as Substantial. The assessment identified major risks that would adversely affect project implementation if not mitigated. Details of the key risks and the corresponding mitigation measures are provided in annex 1.

### C. Legal Operational Policies

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

### D. Environmental and Social

112. **Environmental and social risks are rated Moderate.** The risk rating is based on the nature of the proposed works and associated environmental and social risks, the capacity of the client to manage risks and to apply the new World Bank's Environmental and Social Framework (ESF), and relevant standards. The proposed project is expected to generate positive social results for poor and vulnerable populations in Malawi through the provision of a social safety net. The implementing agency has a good record in the implementation of environmental and social safeguards under the MASAF IV project. However, the World Bank team would continue to provide support to the client on environment and social risk management, especially in the start-up phase, to mitigate some of the capacity limitations of the implementing agency in the application of the new ESF. Support will be provided to assist with the provision of proper documentation, quality control, and familiarity with the requirements of the new ESF.

113. **The rehabilitation of small rural access roads, small-scale irrigation, and drainage and water supply systems, as well as forest restoration and land resources conservation including gully reclamation may be financed under the proposed project.** These rehabilitation activities, if financed, would be done through small community-selected subprojects and would not involve the building and construction of new infrastructure. The rehabilitation activities are not likely to generate substantial adverse environmental and social risk to the environment and people as their footprint is considered localized with impacts that are site specific, low in magnitude, temporary, reversible, and/or manageable. Overall the catchment management approach is expected to result in positive environmental and social impacts. The potential environmental impacts caused by rehabilitation works and associated handling and storage of construction material may include waste production and disposal, excessive noise and dust levels, and disposal of asbestos containing material, if present. The rehabilitation works and livelihood activities would provide temporary employment to poor households



with labor capabilities, as well as create community assets. However, there may be some social impacts during community works such as construction-related health and safety concerns for both laborers/workers and surrounding local communities and temporary loss of land and access restrictions during construction. These are however considered manageable. Based on the nature and scope of activities and according to the World Bank's labor influx guidance, the operation is not expected to generate any labor influx as the public works are minor and will be rehabilitated through community-led approaches.

114. **Considering these contextual factors, the GBV risk rating is low based on the GBV assessment tool applied to the project to identify necessary mitigation measures that need to be included according to the World Bank's Good Practice Note.** However, as there may potentially be some negative effects associated with an injection of cash into poor rural households and communities including exacerbating intra-household tensions and increasing the risk of GBV, this element will still be assessed in the Environment and Social Impact Assessments (ESIAs)/Environmental and Social Management Plans (ESMPs). They will be prepared for subprojects during implementation and will incorporate the necessary mitigation measures including (a) ensuring the availability of an effective GRM with multiple channels to initiate complaints; (b) clearly defining prevention, referral, and response pathways to facilitate safe and confidential access to services with regard to GBV issues; (c) sensitizing communities about GBV risks, as part of stakeholder consultations and engagement; and (d) possibly strengthening the implementing agency's capacity to prevent and respond to GBV will be considered. The above considerations reflect an effort to ensure preventative measures are in place to address any risks related to GBV.

115. **As subprojects have neither been defined in scope nor their locations identified, the project has anticipated and will manage the potential environmental and social risks through the preparation and implementation of a suite of instruments** including an Environmental and Social Management Framework (ESMF) to provide guidance on the development of site-specific ESIAs/ ESMPs, a Resettlement Policy Framework to guide the preparation of subprojects resettlement plans, if these will be required at implementation, a stakeholder engagement plan to ensure engagement with relevant stakeholders, beneficiary communities and project-affected parties throughout the project cycle, and labor management procedures to outline the terms and conditions on which community labor will be managed. The ESMF has carried out generic screening of the potential activities and identifies potential likely environmental and social impacts and mitigation measures (including drawing on experience from similar interventions in the MASAF IV).

116. **A project GRM under the current MASAF IV is already established and is in its initial stages of implementation across all districts.** The project has outlined a GRM in the stakeholder engagement plan that will build on MASAF IV to develop a harmonized GRM platform for interventions under this project. Social accountability within the GRM will be strengthened to empower households to voice complaints, concerns, queries, and clarifications and increase awareness about the features of the program and entitlements. The GRM platform will seek to establish a continuous feedback mechanism between beneficiary communities and implementing structures. The GRM will also be used for compliance to the requirements of resettlement plans, if required, at implementation.





## **V. GRIEVANCE REDRESS SERVICES**

117. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit

<http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>.

For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## **VI. KEY RISKS**

118. **The overall risk for the SSRLP is rated Substantial.** The major anticipated risks of specific relevance to the project and the proposed mitigation measures are described in the following paragraphs.

119. **Political and governance risks are Substantial.** In the short term, the project appraisal and initial stages of implementation fall within the first year after presidential and parliamentary elections (which were conducted in May 2019). The period is characterized by some social volatility, which may affect the start of implementation. In the longer term, the persistence of entrenched political interests may impede the passage or implementation of the Government's bolder governance and public financial management/public sector reforms, as has happened many times in Malawi's history. The World Bank Group is heavily invested in macro, fiscal, and governance reforms and is attentive to the political realities of reforms. It would be unwise to underestimate the resilience of vested interests and the risks inherent in reforms that necessarily cut against those with influence. This risk can be mitigated to some extent by building broad public support for policy reforms—as public pressure to restore the credibility of government institutions is high, and there is much greater public scrutiny of government performance after the 'cash-gate' scandal in 2013. Despite an evolved social protection policy and implementation setting, the social protection sector operates in a charged political economy context. With regard to specific issues related to the project, appropriate anticorruption instruments are in effect (for example, Code of Conduct, Internal Procurement Committees, and Integrity Committees), but implementation/enforcement is weak. This risk is managed by annual audits of the project accounts, as well as spot checks at the community level. Appropriate follow-up action on audit issues is instituted regularly. The NLGFC is responsible for monitoring the use of project resources. Malawi also has an ACB that investigates and prosecutes corrupt practices in government institutions and other stakeholders.



120. **Macroeconomic risk is rated High.** Maintaining macroeconomic stability is a major source of risk, exacerbated by policy-induced shocks and climate-related natural disasters. Although the country has made recent progress with improved exchange rate stability and lower inflation, the Government's ability to contain public spending within its funding envelope is mixed, and a restoration of large-scale on-budget financing by donors is dependent on visible gains in improving the control environment. Similarly, with its reliance on a few primary exports and a relatively undiversified economy, Malawi remains vulnerable to external demands and price shocks as well as weather-related disasters. A recurrence of adverse weather events could therefore immediately reverse Malawi's recent economic gains. Another El Niño event would be likely to disrupt agricultural production and consequently have a negative impact on growth prospects and poverty reduction efforts. Furthermore, volatility in global commodity prices for Malawi's key agricultural exports and global oil prices could result in a deterioration to the country's terms of trade position, risking the destabilization of foreign exchange reserves and upward inflationary pressure. These risks are partially mitigated by continued close policy dialogue on macroeconomic and fiscal management issues by both the World Bank (through the DPO series) and the International Monetary Fund (through its program) and deepened investment in DRM and resilience.

121. **Risks related to the technical design of the project are Substantial.** The project design departs from the traditional stand-alone pattern that has been used by the World Bank for many years in the social protection sector of Malawi. The design embraces the MNSSP II document as a guiding framework and builds the frame of components around it. The design introduces new elements, like the scalable safety nets financed by a separate grant instrument and e-payments; and relies on developing and upgrading MIS and data collection systems, which are not without challenges in Malawi. The design also changes important technical details of a number of programs—most notably the PWP—and promotes integration across the programs. All these elements require strong stakeholder consensus and time and effort to start operating smoothly and coherently. These risks will be mitigated especially by the investment in capacity building and institutional strengthening. Special attention will be devoted to improving donor harmonization under the SCTP as well. Component activities will be undertaken in a carefully sequencing approach.

122. **Risks related to institutional capacity for implementation and sustainability are High.** As of April 1, 2018, the Local Development Fund and the National Local Government Finance Committee were merged into one institution under the name of the National Local Government Finance Committee (NLGFC). A number of transitional issues have already resulted in the loss of some key staff (from the areas of safeguards, procurement, accounting, and so on) and the absence of permanent establishments within the merged structure for the UBR staff and for the implementing agency's project officers in the field. Other issues from the merger included the need to reinstate a Board or Steering Committee for the institution, the need to clarify the terms of reference/conditions of service for the NLGFC staff, and the delays in advertising and filling of vacant positions (for example, safeguards and procurement). This risk is mitigated by the project continuing to temporarily support salaries for UBR staff and district project officers, while engaging the Government for their permanent recruitment. Furthermore, despite the teething problems, the merger has benefitted from enhanced budgeting, accounting, and district financial oversight capacity from the old NLGFC structure. Overall oversight will be provided by the Project Steering Committee that will be reporting to a new NLGFC board.





123. **Stakeholder-related risks are Substantial.** MASAF was the largest safety nets program in the country and was in place for two decades. Replacing MASAF with the SSRLP may generate resistance by stakeholders at the national level. Second, it is possible that the project could be politicized. To mitigate this risk, extensive stakeholder analysis, engagement, and consultations in line with the stakeholder engagement plan throughout the preparation process have been and will continue to be carried out with all stakeholders during implementation. Finally, with multiple donors and a significant part of Malawi's social protection budget coming from donor support, coordination is likely to be complex, and it will take time to put coordination mechanisms for efficient decision making in place.

124. **Fiduciary risk:** The overall fiduciary risk is assessed as High but reduced to a residual risk rating of **Substantial** in view of the articulated risk mitigation measures. Risk mitigation measures include (a) procurement: hiring of a procurement specialist consultant, training of borrower procurement staff on the World Bank Procurement Regulations for IPF Borrowers, contract management training to enhance their capacity, and establishment of a secure record management system with dedicated staff; and (b) FM: based on the rich experience from other operations, especially the SSRLP's predecessor MASAF IV, procedures and controls are being introduced to ensure that transactions have integrity and that fraud and errors are minimized. The project will be subjected to both external and internal auditing and to close supervision and support from the World Bank team. Support will also be provided in terms of government institutional building, ensuring staffing capacity is available, and training of staff in procurement and FM to strengthen internal technical capacity. Additional measures to receive early warning information on potential issues will also be introduced or are already in place, utilizing independent external capacity.

125. Risks that contributed to the initial rating of High include challenges that existed in the previous (and still ongoing) MASAF IV project both in procurement and FM. At the time of the preparation of MASAF IV, the overall project risk was considered substantial, and the risk of fraud and error was high. This was largely against a backdrop of the high-profile cash-gate scandal of 2013. Throughout recent program implementation, there have been few cases of reported fraud, error, or corruption. The exception has been under the MASAF IV Productive PWP, where specific irregularities triggered investigations from the Malawi ACB and led to reforms of some of the program implementation modalities and design features. There is also periodic speculation on issues of accountability related broadly to the poverty reduction programs in the country. To mitigate the risks of fraud, error, and corruption of the overall operating context in Malawi, proactive supervision is required. The risks to accountability and transparency also need to be addressed more robustly and systematically by strengthening platforms for improved delivery of benefits and services.

126. The following specific weaknesses were noted which could adversely affect project implementation if not mitigated. For procurement, issues included (a) high turnover of staff of the NLGFC, (b) weak capacity at the level of the Project Management Committees (PMCs) to carry out community procurement, and (c) inadequate availability of district staff to support and train PMCs in community procurement and technical requirements. The FM arrangements were also affected by some issues, including (a) high vacancy rates for FM staff in most district councils; (b) use of Excel spreadsheets for accounting and reporting (that is prone to delays and errors); (c) poor management of district councils' bank accounts, including delayed bank reconciliations; (d) weak internal audit function at district councils; (e) ineffective monitoring and supervision by project secretariat staff; and (f) weak managerial accountability. The high fiduciary risk at the level of district councils can be reduced by



supporting the NLGFC to enable it to provide the district councils with procurement and FM capacity building and monitoring. The capacity building would mitigate the fiduciary risks by (a) strengthening the internal audit function of the district councils; (b) assisting them with filling key fiduciary positions; (c) introducing computerized accounting for transaction processing and reporting; (d) enforcing the strict and objective application of disciplinary measures; and (e) creating a culture of discipline, responsibility, and competence.



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY: Malawi

Social Support for Resilient Livelihoods Project

#### Project Development Objectives(s)

The objectives of the Project are to improve resilience among the poor and vulnerable population and to strengthen the national platform for safety nets in the Republic of Malawi.

#### Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
<b>To improve resilience among the poor and vulnerable population</b>			
Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score (Percentage) (Text), of which female-headed households (percentage) (Text)		To be determined via baseline survey during the first year of implementation.	To be determined on the basis of the baseline survey during the first year of implementation.
Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (Percentage) (Text)		Baseline: 0; Only refers to beneficiaries receiving the new extended/investment package (to be defined), targeting sub-group)	29,500 of which 14,750 are women (50% of enhanced target, of which 60% women)
<b>To strengthen the national platform for safety nets</b>			
National social registry platform is institutionalized (Text)		Formal institutional mechanisms not established	Institutional mechanisms established and operational
Disaster risk financing mechanism is established for scalable Social Cash Transfers (Text)		No mechanism exists	Mechanism established and functional in selected districts.



### Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Improving Social and Economic Inclusion								
Beneficiaries of Social Cash Transfer Programs (of which female) (Text)		123,682 (63.4% female)	127,509 (65% female)	147,000 (68% female)	147,000 (68% female)			147,000 (68% female)
Proportion of children in beneficiary households aged 6-17 years enrolled in primary and secondary schools with more than 80% of attendance annually (Percentage) (Percentage)		0.00	45.00	55.00	55.00			55.00
Proportion of SCTP beneficiary Households linked to complementary services (Percentage)		3.10	8.50					10.50
Number of direct project beneficiaries of EPWP (of which female; of which youth under 35 years of age) (Number)		0.00						35,000.00
Female direct project beneficiaries of EPWPP. (Number)		0.00						19,000.00
Number of EPWP beneficiaries - youth under 35 years of age (Number)		0.00						22,750.00
Percentage of households reporting satisfaction or direct benefits from the		78.10	83.10					88.10



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
community assets created (Percentage)								
Percentage of households having at least 3 meals per day. (Text)		43.4% PWP; 32.4% SCTP;						50% PWP; 40% SCTP;
Number of livelihoods groups and cooperatives formed with approved business plan and accessing livelihood for investment (Number)		114.00	195.00					780.00
Beneficiaries HHs participating in functional Saving and Loans Groups (SLGs) (Percentage) of which Youth (25%) /female (65%) (Percentage) (Text)		from MASAF IV;32,562; (Youth: N/A );(Female 21,817)	42,000 (Youth : 10,500; Women:27,300)	56,000 (Youth: 14,000; Women:36,400)	60,000 (Youth:15,000; Women:39,000)	68,000 (Youth:17,000; Women:44,200)	70,000 (Youth: 17,500 ; Women:45,500)	70,000 (Youth: 17,500;Women:45,500 )
Adoption of triggering mechanism for SCTP scale-ups (Text)		None exists	Indices as a basis for triggering scalability designed and adopted by GoM	Handbook adopted				Handbook adopted and in use
Number of households covered by SCTP scalability mechanism (Number)		0.00						250,000.00
<b>Strengthening Harmonized Delivery Systems</b>								
UBR data coverage increased to 100 percent households in 11 districts that are at 50 percent coverage as of 2018 (Text)		50 percent coverage in 11 districts	100 percent coverage in 7 districts					100 percent coverage in 11 districts
Security and privacy protocols developed and in		None exists	Draft security and					Security and privacy



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
use (Text)			privacy protocols developed.					protocols developed and in use
E-payment system established and providing e-transfers to atleast 50 percent of beneficiaries (Text)		No beneficiaries receive electronic transfers.	25 percent of beneficiaries receive e-transfers	50 percent of beneficiaries receive e-transfers				More than 50 percent of beneficiaries
Percentage of grievances registered that are actually addressed (Text)		42.6% PWP; 48.9% SCTP;	57.6% PWP, 63.9% SCTP;	92.6% PWP, 98.9% SCTP;				100% PWP; 100% SCTP;
<b>Capacity Building and Institutional Strengthening Support</b>								
Development of an anti-corruption strategy (Text)		No strategy exists	Strategy developed					Strategy adopted

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score (Percentage) (Text), of which female-headed households (percentage)	Percentage of the population with Poor Food Consumption score - Malawi 2017 WFP study - 11.8% (comparator Zambia - 8% with poor score); indicator to measure how many of the beneficiaries have poor	Baseline, Midterm, Endline	Survey	WFP, additional survey using WFP methodology; use incremental change in WFP Malawi over the years; Use WFP score for Malawi; update with a asesment on	NLGFC



	score, and aim to reduce the % of beneficiaries with poor score;			the specific target group (under MASAF IV);	
Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (Percentage)	Beneficiaries that have recieved enhanced support for productive livelihood of which 60% women.	Annual	MIS	Regular monitoring	NLGFC
National social registry platform is institutionalized	The UBR's roles and mandates, within the MoFEPD, is clearly defined and operational. This includes clearly defining links to broader institutional frameworks and wider social protection policies, and clearly embedding the overall coordination functions of UBR within EP&D	Annual	MFEPD and UBR management	Discussions with MFEPD and UBR management	MFEPD
Disaster risk financing mechanism is established for scalable Social Cash Transfers	The design and implementation of a mechanism to scale up the SCTP and channel funds to poor and vulnerable households in case of extreme weather-related shocks. The plan will include as a minimum: the financial instruments which will be	Annual	Systems analysis	Regular monitoring	MFEPD



	used to mobilize funds and how financial instruments will be layered to ensure there are no financing gaps and basis risk will be managed; The indicator will also track the performance of the GoM in implementing this plan to fully finance scalable SCTP plan.				
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of Social Cash Transfer Programs (of which female)	Beneficiaries receiving support from World Bank-supported SCTP	Quarterly	MIS	Regular monitoring	NLGFC/MoGCDSW
Proportion of children in beneficiary households aged 6-17 years enrolled in primary and secondary schools with more than 80% of attendance annually (Percentage)	This indicator measure the effectiveness of school bonus in ensuring children are enrolled and retained in primary school as per the objective of this top-up. At appraisal, 163,721 & 12,949 children enrolled in Primary & Secondary School respectively. No data on percentage attendance, to be confirmed after verification exercise.	Quarterly	MIS	Regular monitoring	NLGFC/MoGCDSW





Proportion of SCTP beneficiary Households linked to complementary services	This indicator tracks beneficiary households linked to complementary livelihoods services provided through the project.	Quarterly	MIS	Regular Monitoring	NLFGC/MoGCDSW
Number of direct project beneficiaries of EPWP (of which female; of which youth under 35 years of age)	Beneficiaries participating in public works under the project-funded EPWP.	Quarterly	MIS	Regular monitoring	NLGFC
Female direct project beneficiaries of EPWP.	Female direct beneficiaries of EPWP funded under the project.	Quarterly	MIS	Regular monitoring	NLGFC
Number of EPWP beneficiaries - youth under 35 years of age	Number of persons under 35 years of age who are direct project beneficiaries of EPWP funded by the project.	Quarterly	MIS	Regular monitoring	NLGFC
Percentage of households reporting satisfaction or direct benefits from the community assets created	Households reporting satisfaction or direct benefits from the community assets created, as percentage of all participating households	Quarterly	MIS	Beneficiary assessment; regular monitoring.	NLGFC
Percentage of households having at least 3 meals per day.	Indicator tracks food security by program under EPWP and SCTP, and EPWP and SCTP with and without Livelihoods support).	Baseline, Midline, Endline.	Surveys	Beneficiary assessments/surveys	NLGFC
Number of livelihoods groups and cooperatives formed with approved business plan and accessing livelihood for investment	This indicator tracks the IGAs and associated business plans developed as per the design (number	Annual	MIS	Regular monitoring	NLGFC



	shows a total of groups and cooperatives)				
Beneficiaries HHs participating in functional Saving and Loans Groups (SLGs) (Percentage) of which Youth (25%) /female (65%) (Percentage)	Beneficiaries who are group members and are saving and Investing.	Quarterly	MIS	Regular monitoring (which will also provide disaggregation for youth, and for gender)	COMSIP
Adoption of triggering mechanism for SCTP scale-ups	MFEPD adopts an SCTP scalability handbook which defines the triggering mechanisms for SCTP scale-ups.	One-time	Regular monitoring	Regular monitoring	NLGFC/MoGCDSW/MFEPD
Number of households covered by SCTP scalability mechanism	Number of households that are covered by SCTP scalability mechanism for additional cash transfers in case of predefined disasters.		Annual	MIS	NLGFC/MFEPD/MoGCDSW
UBR data coverage increased to 100 percent households in 11 districts that are at 50 percent coverage as of 2018	Expanding the current scope of household coverage in the original 11 districts (those financed through WB's previous financing for SCTP)	Annual	MIS	Regular monitoring	NLGFC/MoGCDSW
Security and privacy protocols developed and in use	Security and privacy protocols define the procedures for data security and the rights of households with respect to their data stored in the UBR.	Annual	MFEPD and UBR management	Discussions with MFEPD and UBR management	MFEPD
E-payment system established and providing e-transfers to at least 50 percent	E-payments are being made to at the least 50 percent of	Annual	E-payment MIS	Reconciliation reports from SCTP MIS shows	MFEPD, NLGFC and MOG



of beneficiaries	beneficiaries across all WB financed districts of SCTP			payments made in specified number of districts.	
Percentage of grievances registered that are actually addressed	This indicator tracks grievances registered through a grievance redress system related to delivery of project benefits, which are actually addressed. Tracking percentages and targets are separate for SCTP and for EPWP programs.	Annual	MIS	Regular monitoring	NLFGC/MoGCDSW
Development of an anti-corruption strategy	An anti-corruption strategy is developed.	One-time	Government of Malawi official records	Regular monitoring	MFEPD



## ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN

### COUNTRY: Malawi

#### Malawi Social Support for Resilient Livelihoods Project

1. **The NLGFC will be the main implementing agency for the SSRLP, working in close cooperation with several key implementing partners, including the MFEPD, MGCDWS, cooperatives and savings groups, and district authorities.** The NLGFC will be the technical nexus for project implementation, including fiduciary functions, monitoring and reporting, coordination, and overall project supervision. The NLGFC is the implementing agency for the ongoing MASAF IV project and already possesses the needed capacity for World Bank project implementation. Through an April 2018 merger, the NLGFC inherited the capacity of the LDF, which has evolved over the years from a Project Management Unit into the GoM's key supervisory and coordinating capacity for carrying out multiple windows of support for local governance. The merger between the LDF and NLGFC further broadened the structure and mandate of the institution and confirms it as fully appropriate to serve as the main implementation unit for the overall project. Arrangements and capacities built over time by the MASAF series of projects in the NLGFC are judged largely adequate for the implementation of the SSRLP. Given this, institutional and implementation arrangements will be based on a similar structure of national and local implementers. The project will be managed administratively by the NLGFC, which will implement all activities related to project management, flow of funds, central procurements, and operational support. At the national level, an institutional coordination mechanism will be established to serve as a high-level oversight body for the SSRLP.
2. **The project anticipates a range of strategic implementing partners working with the NLGFC.** The MGCDWS, jointly with the NLGFC, will implement the SCTP to be funded under the proposed project in 11 districts. The MGCDWS will have a lead role in the overall implementation on the ground and in providing methodological guidance and controls. The NLGFC will manage the administrative side, the flow of funds, and any necessary procurements. For the EPWP, the NLGFC will work with the existing Technical Task Force involving several line ministries. The livelihood and skills development activities will continue to be implemented with the participation of existing structures, including COMSIP, with NLGFC support.
3. **At the district level, project activities will be managed by the offices of the district commissioners.** The district commissioners will oversee all activities related to the SCTP and EPWP and will provide support to the implementation of the livelihoods and economic inclusion. At the community level, the implementation process for the variety of SSRLP activities will be led by the CSSC within the VDC.

#### Implementation Support Plan

4. **The Implementation Support Plan (ISP) considers the nature of the program in terms of expanded and nationwide coverage,** multiple intervention components, and the focus on building a sustainable national safety net system. The ISP will be aligned with government systems and procedures and will benefit from continued harmonized support for the SSRLP from several DPs. It will prioritize



flexibility and responsiveness to emerging issues while also ensuring technical rigor and taking account of international evidence and experience.

5. **The existing support model, which involves close communication and ongoing technical and management support from the World Bank task team and other DPs to the government technical team, will continue.** The existing DP and government coordination arrangements at the sector level, as well as project-specific coordination architecture, will continue to be the key forums for follow-up on strategic and operational project issues and for regular review of progress. While the Government and its implementing agencies remain responsible for program implementation, the responsibility for effective supervision and monitoring support will be shared by all stakeholders, including the Government and DPs, to jointly review progress toward achievement of the PDO.

6. **The World Bank task team leaders with supporting staff based in Malawi will handle the day-to-day matters of the project,** which will include project implementation support, adherence to World Bank policies and procedures for funds administered through the World Bank, and representation in sector wide policy dialogue and DP coordination forums. The task team leaders will be supported by a task team including sector experts and fiduciary and safeguard staff.

7. **The support from the World Bank team and the DPs will also include** specific additional technical assistance in conducting various analytical works including impact evaluations, implementation of pilot initiatives to inform the implementation of various components of the program and facilitating of cross-country learning and experience sharing.

8. **In addition to the joint implementation support missions, a midterm review will be carried out** to assess if the project design assumptions are still valid and to determine the future direction and sustainability issues of the project beyond this phase. Missions and reviews will be complemented by external reviews that will cover the following areas: FM, procurement, M&E, and technical audits and spot checks.

**Table 1.1. Main Areas of Focus in Terms of Support to Implementation**

Time	Focus	Skills Needed	Partner Role
First 12 months	<ul style="list-style-type: none"> <li>Rollout of the plan for different components of the program</li> <li>Follow-up on the start of implementation</li> <li>Targeting and enrollment of the new beneficiaries</li> <li>Capacity building and development of core delivery system, including e-payments, scalable SCTP</li> <li>FM and procurement</li> <li>Monitoring of social and environmental safeguards</li> </ul>	<p>Senior social protection specialists</p> <p>FM and procurement specialists</p> <p>Safeguard and social development specialists</p>	Technical assistance
12–48 months	Same as above	Same as above	Technical assistance



## Skills Mix Required

**Table 1.2. Required Skills Mix**

Skills Needed	Specialization	Unit
Co- Task Team Leader (ADM responsible)	Program Manager	GSP01
Co- Task Team Leader	Senior Social Protection Specialist	GSP03
Procurement Specialist (ADM responsible)	Procurement Specialist	GGOPA
Procurement Specialist	Procurement Specialist	GGOPA
FM Specialist (ADM responsible)	Financial Management Specialist	GGOAE
Environmental Specialist (ADM responsible)	Senior Environmental Specialist	GCCCI
Social Development Specialist (ADM responsible)	Senior Social Development Specialist	GSU07
Team member	Consultant	GFCCR
Team member	Young Professional	GSP08
Team member	Social Protection Specialist	GSP01
Team member	Operations Analyst	GSP07

**Table 1.3. Partners**

Name	Institution/Country	Role
Irish Aid	Ireland	Social cash transfers; general supervision support, climate change adaptation; M&E, FM; shock-sensitive SCTP; livelihoods
KfW	Germany	Social cash transfers; general supervision support; M&E, FM; shock-sensitive SCTP; productive inclusion
EU	EU	Social cash transfers; general supervision support; M&E, FM; shock-sensitive SCTP; productive inclusion
DFID	United Kingdom	General supervision support, climate change adaptation; shock-sensitive social protection; humanitarian response; livelihoods
GIZ	Germany	General supervision and technical support: social registry; public works; e-payment; nutrition
UNICEF	UN	General supervision and technical support: SCTP technical design, e-payment, nutrition, youth and adolescence
FAO	UN	General supervision and technical support: MNSSP II; delivery systems
ILO	UN	General supervision and technical support: MNSSP II; citizen engagement
WFP	UN	General supervision support, public works; shock sensitive; humanitarian support
USAID	United States	Public works; livelihoods; nutrition

*Note:* DFID = U.K. Department for International Development; UNICEF = United Nations Children's Fund; FAO = Food and Agriculture Organization of the United Nations; ILO = International Labour Organization; USAID = U.S. Agency for International Development.

## PROCUREMENT

9. Procurement activities under the proposed project will be carried out in accordance with (a) the World Bank's 'Procurement Regulations for IPF Borrowers (Procurement in Investment Project



Financing: Goods, Works, Non-Consulting and Consulting Services', dated July 2016, revised November 2017 and August 2018); (b) the World Bank's 'Guidelines on Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated July 1, 2016; and (c) other provisions stipulated in the FA.

### **Institutional Arrangements for Procurement**

10. Procurement under this project shall be carried out by the NLGFC. The institutional arrangements for procurement build on the institutional arrangements used under the ongoing Malawi Strengthening Safety Nets Systems MASAF IV project.

11. The procurement capacity assessment of the NLGFC was conducted by the World Bank team during the project preparation on June 28, 2017. The assessment found that the NLGFC as a procuring entity has a history of implementing World Bank-funded projects. In compliance with the Public Procurement and Disposal of Assets Act, 2017, the NLGFC is a procuring entity with a Procurement and Disposal Unit (PDU) and an Internal Procurement and Disposal Committee. The PDU is headed by a qualified procurement specialist, who is supported by an assistant procurement officer. However, the current PDU staff have limited experience in the World Bank's Procurement Regulations. The capacity of the NLGFC will be enhanced through recruitment of a procurement specialist (consultant) with qualifications and experience satisfactory to the World Bank, to effectively carry out the operation. The procurement specialist consultant will build the capacity of the NLGFC procurement staff through training, mentoring, and coaching. The consultant will further assist the NLGFC to ensure that procurement under the project is carried out in accordance with the Procurement Regulations of the World Bank.

12. The abovementioned assessment rated the overall procurement risk Substantial, given the procurement scope and associated risks identified. Table 1.4 lists the procurement-related risks that could adversely influence project implementation and proposes mitigation measures.

**Table 1.4. Procurement Risk Assessment and Mitigation Action Plan**

<b>Risk</b>	<b>Mitigation Measure</b>	<b>Time Frame</b>	<b>Responsible Agency</b>
Delays in procurement processing due to limited staffing and experience in procurement of consulting services	The NLGFC will hire a procurement specialist consultant with qualifications and experience satisfactory to the World Bank.	Within 3 months from signing the FA	NLGFC
Lack of adherence to procedures including preparation of low-quality bidding documents, evaluation reports, and contracts due to inadequate understanding of the World Bank's Procurement Regulations for IPF Borrowers.	NLGFC staff involved in project implementation will receive training on the World Bank's Procurement Regulations for IPF Borrowers. The World Bank will also provide constant support to staff to ensure adherence to the Procurement Regulations.	Throughout project implementation	World Bank and NLGFC



Risk	Mitigation Measure	Time Frame	Responsible Agency
Delays and/or unsuccessful completion of contracts due to inadequate contract management capacity	Key staff who will be involved in project implementation will undergo contract management training to enhance their capacity.	Within 6 months of project effectiveness	World Bank and NLGFC
Delays in resolving complaints due to inadequate complaints handling mechanisms	Use of STEP to disclose Procurement Plans, specific procurement notices, and contract award notices	Throughout project implementation	NLFFC
Loss and/or unauthorized access to procurement records due to poor record management	The NLGFC will put in place an effective and secure record management system, with a dedicated staff to manage the records.	During project implementation	NLFFC

13. **Filing and record keeping.** The Procurement Manual (part of the Project Implementation Manual [PIM]) will set out the detailed processes for maintaining and providing readily available access to project procurement records, in compliance with the FA. The NLGFC will assign one person responsible for maintaining the records. The logbook of the contracts with unique numbering system shall be maintained.

14. **Commitment control system.** The signed contracts, as in the logbook, shall be reflected in the commitment control system of the NLGFC's accounting system or books of accounts as commitments whose payments should be updated with reference made to the payment voucher. This will put in place a complete record system where the contracts and related payments can be corroborated.

15. **PPSD.** As part of preparation of the project, the NLGFC has prepared its PPSP, using inputs taken from a market survey and analysis of potential contractors and suppliers available for the proposed procurement scope, the assessment of operational context, their institutional capacity, and procurement-related risk analysis. Through these analytical assessments, the PPSP recommended procurement arrangements under the proposed project and the associated Procurement Plan addresses how procurement activities would support the achievement of the PDO and deliver the best value for money under a risk-managed approach. The PPSP indicates the following procurement scope, which will support the achievement of the PDO:

- a. **Civil works.** Works will include contracts for minor works for maintenance of district SCTP/EPWP offices.
- b. **Goods.** Goods will include contracts for (i) procurement of 27 motor vehicles; (ii) procurement of 31 motor cycles; (iii) procurement of information, education, and communication (IEC) materials; (iv) procurement of office furniture, ICT equipment, and system upgrades; (v) procurement of materials, inputs, and tools for the EPWP; (vi) procurement of household livelihood and cooperative assets following the community-driven development (CDD) approach; (vii) procurement of interactive mobile tracking system; (viii) procurement of ICT system adaptation modules for using an MIS for the scalable SCTP; (ix) procurement of ICT system upgrades for the UBR for the scalable SCTP;





(x) procurement of ICT equipment for UBR data collection for the scalable SCTP; (xi) procurement of e-payment services (financial inclusion drive [bank accounts or mobile money registration]) for the scalable SCTP; (xii) procurement of adaptable citizen engagement/GRM to capture information specific to the scalable SCTP; and (xiii) parametric insurance coverage against drought.

**c. Consulting services.** The consulting services will include (i) carrying out annual external audits; (ii) conducting baseline, midline, and end-line surveys; (iii) performing the project MTR; (iv) developing the MNSSP Bill; (v) carrying out the evidence generation survey; (vi) supporting the scalable SCTP; (vii) providing support in legal and regulatory work in setting up the scalable SCTP; (viii) collecting data to support the SCTP; and (ix) providing insurance brokerage services.

**d. Operational costs.** Project operation costs will include motor vehicles operation and maintenance cost, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, supervision, and so on.

**16. Summary of procurement arrangements.** The World Bank has reviewed the outputs of the Procurement Strategy developed by the NLGFC and agrees with the proposed Procurement Arrangements under the project. The procurement method and review thresholds may be subject to the World Bank's review and modification throughout the project period based on the procurement performance and risk rating of the project. The World Bank will officially notify the borrower about such changes on time to ensure smooth implementation.

**Table 1.5. List of Contracts to Be Undertaken under the Proposed Project**

Activity	Estimated cost US\$	Bank Oversight	Procurement Approach/ Competition	Selection Method	Evaluation Method
Minor works for maintenance of District SCTP/EPWP offices	350,000.00	Post Review	Open, National	Request for Bids	Lowest Evaluated Cost
Procurement of 27 motor vehicles	1,800,009.00	Post Review	Open, International	Request for Bids	Lowest Evaluated Cost
Procurement of 31 motor cycles	248,000.00	Post Review	Limited, National	Request for Quotations	Lowest Evaluated Cost
Procurement of IEC Materials	1,659,750.40	Post Review	Open, International	Request for Bids	Lowest Evaluated Cost
Procurement of office furniture, ICT equipment and system upgrades	696,145.00	Post Review	Open, National	Request for Bids	Lowest Evaluated Cost
Procurement of materials, inputs and tools for Expanded Public Works Programme (EPWP)	1,388,889.00	Post Review	Open, International	Request for Bids	Lowest Evaluated Cost
Procurement of Household Livelihood and Cooperative	3,884,698.00	Post Review	CDD-Details to be elaborated in the PIM in accordance with Annex	As described in the PIM	As described in the PIM



Assets following CDD Approach			XII, paragraph 6.10 of the Procurement Regulations		
Procurement of interactive mobile tracking system	10,000.00	Post Review	Limited, National	Request for Quotation	Lowest Evaluated Cost
Procurement of ICT system adaptation Modules for using MIS for scalable SCTP	500,000.00	Post Review	Open, National	Request for Bids	Lowest Evaluated Cost
Procurement of ICT system upgrades for UBR for scalable SCTP	2,200,000.00	Prior Review	Open, International	Request for Bids	Lowest Evaluated Cost
Procurement of ICT equipment for UBR data collection for scalable SCTP	700,000.00	Post Review	Open, National	Request for Bids	Lowest Evaluated Cost
Procurement of E-payment Services ((Financial inclusion drive (bank accounts or mobile money registration)) for scalable SCTP	1,000,000.00	Post Review	Open, International	Request for Bids	Lowest Evaluated Cost
Procurement of adaptable citizens' engagement/GRM to capture information specific to the scalable SCTP	500,000.00	Post Review	Open, National	Request for Bids	Lowest Evaluated Cost
Parametric insurance coverage against drought	10,000,000.00	Prior Review	Open, International	Request for Bids	Lowest Evaluated Cost
Consulting services to carry out annual external audits	146,667.00	Post Review	Open, National	Least Cost Based Selection	Rated Criteria
Consulting services to carry out Baseline, Mid-line and End-line surveys.	320,000.00	Post Review	Open, International	Quality Cost Based Selection	Rated Criteria
Consulting services to carry out Project Mid-Term Review	40,000.00	Post Review	Open, National	Individual Consultant Selection	Rated Criteria
Consulting services to develop MNSSP Bill	140,000.00	Post Review	Limited, National	Individual Consultant Selection	Rated Criteria
Consulting services to carry out Evidence Generation Survey	89,400.00	Post Review	Open, National	Consultant's Qualification Based Selection	Rated Criteria
Consulting services to support scalable SCTP	300,000.00	Post Review	Open, International	Consultant's Qualification Based Selection	Rated Criteria
Consulting services to provide support in legal and regulatory work in setting up the scalable	100,000.00	Post Review	Open, National	Consultant's Qualification Based Selection	Rated Criteria



SCTP					
Consulting services for Data Collection to Support SCTP	1,000,000.00	Prior Review	Open, International	Quality Based Selection	Cost Rated Criteria
Consulting services for the provision of Insurance Brokerage services	1,000,000.00	Prior Review	Open, International	Consultant's Qualification Based Selection	Rated Criteria

17. **Procurement templates.** The World Bank's Standard Procurement Documents (SPDs) shall be used for procurement of goods, works, and non-consulting services under International Competitive Procurement. National Bidding Documents may be used under National Procurement Procedures subject to the exceptions stipulated in the textual part of the Procurement Plan. Similarly, selection of consultant firms shall use the World Bank's SPDs, in line with procedures described in the Procurement Regulations.

18. **National procurement procedures.** National open competitive procurement procedures may be used while approaching the national market. National open competitive procurement will observe the requirements stipulated in the Procurement Regulations for IPF Borrowers on National Procurement Procedures. Other national procurement arrangements (other than national open competitive procurement), which may be applied by the borrower (such as limited competitive bidding, Request for Quotations, direct selection), shall be consistent with the World Bank's core procurement principles and ensure that the World Bank's Anti-Corruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply. However, the Request for Bids/Request for Proposals document shall require that (a) bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights, and (b) the procurement documents include provisions, as agreed with the World Bank, intended to adequately mitigate against environmental, social (including sexual exploitation and abuse and GBV), health, and safety risks and impacts.

19. **Procurement thresholds.** Table 1.6 shows the thresholds and procurement methods to be used under the project given a risk rating of Substantial.

**Table 1.6. Procurement Thresholds Methods and Prior-review Thresholds**

Prior-review Thresholds		Thresholds for Procurement Methods							
Procurement type	Substantial risk (US\$, thousands)	Works			Goods, IT, and non-consulting services			Short list of national consultants	
Works	10,000	Open, international or ICB	Open, national or NCB (US\$, thousands)	Request for Quotation or	Open, international or ICB (US\$, thousands)	Open, national or NCB (US\$, thousands)	Request for Quotation, or	Consulting services (US\$, thousands)	Engineering and construction



Prior-review Thresholds		Thresholds for Procurement Methods							
		(US\$, thousand s)	thousand s)	national shopping (US\$, thousand s)	thousand s)	thousand s)	national shopping (US\$, thousand s)	s)	supervision (US\$, thousand s)
Goods, IT, and non-consulting services	2,000	≥	<	≤	≥	<	≤	<	≤
Consultants (firms)	1,000	7,000	7,000	200	1,000	1,000	100	200	300
Individual consultants	300								

*Note:* ICB = International Competitive Bidding; NCB = National Competitive Bidding.

These thresholds are for the initial Procurement Plan for the first 18 months and will be revised periodically.

20. **Procurement Plan.** The NLGFC has prepared a Procurement Plan based on the findings and recommendations of the PPSD. The Procurement Plan is subject to public disclosure after being reviewed by the World Bank and will be updated on an annual basis or as needed by including contracts previously awarded and to be procured. The updates or modifications of the Procurement Plan shall be subject to the World Bank's prior review and 'no objection'. The World Bank shall arrange for the publication of the Procurement Plan and any updates on the World Bank's external website directly from STEP, while the NLGFC will arrange for the publication on its project.

21. **Monitoring by STEP.** STEP will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. As part of project preparation, two NLGFC staff have already attended STEP training. Through mandatory use of STEP by the recipient, the World Bank will be able to consolidate procurement/contract data for monitoring and tracking of all procurement transactions. Using STEP, comprehensive information of all prior- and post-review contracts for goods, works, technical services, and consultants' services awarded under the whole project will be available automatically and systematically on a real-time basis whenever required, including, but not limited to, (a) the reference number as indicated in the Procurement Plan and a brief description of the contract; (b) the estimated cost; (c) the procurement method; (d) timelines of the bidding process; (e) the number of participated bidders; (f) names of rejected bidders and reasons for rejection; (g) the date of contract award; (h) the name of the awarded supplier, contractor, or consultant; (i) the final contract value; and (j) the contractual implementation period.

22. **Publication of procurement information.** The project will follow the World Bank's policies on publication of procurement information that are set forth in the World Bank's Procurement Regulations.

23. **Fiduciary oversight by the World Bank.** The World Bank shall prior review contracts as provided for in the Procurement Plan. Contracts below the prior-review thresholds shall be subject to post review according to procedures set forth in World Bank Procurement Regulations on an annual basis by the World Bank team. The rate of post review is initially set at 20 percent. This rate may be adjusted periodically based on the performance of the procuring entity. In addition, the World Bank procurement



specialist will regularly participate in implementation support missions to assist in monitoring procurement procedures and plans.

24. **Training, workshops, study tours, and conferences.** Training activities would comprise workshops and training, based on individual needs, as well as group requirements, on-the-job training, and hiring of consultants for developing training materials and conducting trainings. Selection of consultants for training services follows the requirements for selection of the abovementioned consultants. All training and workshop activities (other than consulting services) would be carried out on the basis of approved annual work plans/training plans that would identify the general framework of training activities for the year, including (a) the type of training or workshop; (b) the personnel to be trained; (c) the institutions that would conduct the training and reason for selection of this particular institution; (d) the justification for the training, focusing on how it would lead to effective performance and implementation of the project; (e) the duration of the proposed training; and (f) the cost estimate of the training. A report by the trainee(s), including completion certificate/diploma upon completion of training, shall be provided to the project coordinator and will be kept as parts of the records and will be shared with the World Bank, if required.

25. **Training plan.** A detailed plan of the training/workshop describing the nature of the training/workshop, number of trainees/participants, duration, staff months, timing, and estimated cost will be submitted to IDA for review and approval before initiating the process. The selection methods will derive from the activity requirement, schedule, and circumstance. After the training, the beneficiaries will be requested to submit a brief report indicating what skills have been acquired and how these skills will contribute to enhance their performance and attain the project objective.

26. **Operational costs.** Operational costs financed by the project would be incremental expenses, including office supplies, operation and maintenance of vehicles, maintenance of equipment, communication, rental expenses, utilities, consumables, transport and accommodation, per diem, supervision, and salaries of locally contracted support staff. Such services' needs will be procured using the procurement procedures specified in the PIM accepted and approved by the World Bank.

27. **Procurement manual.** Procurement arrangements, roles and responsibilities, methods, and requirements for carrying out procurement under the proposed project shall be elaborated in detail in the procurement manual, which will be a section of the PIM. In addition, procurement activities under Component 1: Improving Social and Economic Inclusion, which are envisaged to be implemented following the CDD approach shall further be elaborated in the PIM in line with Section 6.52 of the World Bank's Procurement Regulations to specify procurement arrangements that may be suitably adopted in a way that is acceptable to the World Bank. The PIM shall be prepared by the recipient and agreed with the World Bank before project effectiveness.

## **FM ARRANGEMENTS**

28. **Budgeting arrangements.** The NLGFC budgeting processes are deemed to be adequate. The NLGFC will prepare activity-based annual work plans and budgets guided by the PAD and based on data and information provided by all the implementing agencies concerned by the project. The collaboration and flow of information among the implementing entities will be specified in the PIM.



29. **Accounting arrangements.** The NLGFC has accounting software for transaction processing and reporting. Most of the local councils are also using local IFMIS software for accounting and reporting. However, some the local councils have been using Excel to process and report on project transactions. All local councils will now be required to use computerized accounting software for transaction processing and reporting on the project. All local councils already have a computerized IFMIS (Selenic Navigator). An accounting manual will be prepared for the project detailing policies and procedures to be followed in carrying out project transactions. The NLGFC has adequate qualified and experienced staff who are familiar with FM and disbursements for World Bank-funded operations. However, some of the local councils do not have adequately qualified accounting staff. Key staff gaps in the local councils will need to be filled. This affects both accounting and internal audit staff.

#### **Internal Control and Internal Auditing Arrangements**

30. **Internal auditing.** The NLGFC and local councils like other government agencies have weak internal audit functions with audit committees totally dormant due to which issues raised by both internal and external audit reports are not adequately addressed. The Government appointed independent audit committees for all ministries, but due to lack of funding the committees functioned only briefly, remaining dormant for more than three years. The control environment is very weak with many instances of control lapses. This type of environment requires close follow-up to ensure that controls are adhered to. The NLGFC has only one internal auditor while less than half of the 34 local councils have internal auditors. Apart from urban councils, those with an internal audit function have only an internal auditor. Given the high level of noncompliance in local councils, strengthening the internal audit function should be a priority to urgently augment the work of the NLGFC, which monitors and supervises FM in local councils. A decision will need to be made whether to increase the size of internal audit at the NLGFC or strengthen the numbers in individual councils. Strengthening the function at the NLGFC might be cheaper while making it more effective due to relative independence from local councils. Another alternative is to use the CIAU that has staff who are not fully utilized due to limited funding.

31. **Internal control systems.** The accounting manual will specify policies and procedures including internal controls required when using project resources to ensure that funds are used for their intended purpose in an economical and efficient manner. The World Bank FM team will be conducting periodic reviews based on assessed risks and following up on agreed actions meant to strengthen the project FM systems.

#### **Funds Flow and Disbursement Arrangements**

32. In the past, funds flow has been slow due to delays in liquidation from local councils. Use of computerized accounting packages by local councils is expected to improve timeliness of liquidations and consequently better flow of funds.

33. **Banking arrangements.** The NLGFC will open a Designated Account (DA) in U.S. dollars at the Reserve Bank of Malawi or a commercial bank acceptable to the World Bank and a Malawi kwacha operating account, also acceptable to the World Bank.



34. **Funds flow arrangements.** Funds flow arrangements for the project are proposed (through the abovementioned bank accounts) as follows:

- The project will prepare a six-month cash flow forecast based on agreed work plans and then submit a withdrawal application request to the World Bank (IDA) through the Ministry of Finance.
- IDA will process the withdrawal application and disburse funds to the DA in U.S. dollars.
- The Ministry of Finance will transfer funds from the DA into the project account as and when required in local currency. The ministry can also transfer counterpart funds into the project accounts.
- Project expenditure can be paid from the DA, the project account, or direct from the World Bank to suppliers.

#### *IDA Disbursement Methods*

35. **Special commitments and direct payments.** Special commitments using irrevocable letters of credit may be used as well as direct payments to suppliers for works, goods, and services upon the borrower's request.

36. **Report-based disbursements.** The project will also receive funds into the DA using the report-based disbursement method. IDA will make the initial disbursement to the project after receiving a withdrawal application with a six-month cash flow forecast. This withdrawal application should be prepared within one month after project effectiveness. Thereafter, IDA will disburse into the respective DA based on quarterly interim financial reports (IFRs), which would provide actual expenditure for the preceding quarter (three months) and cash flow projections for the next two quarters (six months). The IFR will be reviewed by the World Bank's FM specialist and approved by the task team leader before the request for disbursement is processed by the World Bank's Loan Department.

37. **Reimbursements.** These can also be made to the DA. These payments will also be reported in quarterly IFRs. The IDA Disbursement Letter will provide details about each of these disbursement arrangements.

38. **Financial reporting arrangements.** The NLGFC will produce quarterly unaudited IFRs for the DA and the related project account. The IFRs are to be produced on a quarterly basis and submitted to the World Bank within 45 days after the end of the calendar quarterly period. The NLGFC will agree with the World Bank on the format and content of the IFR. The reporting requirements will be incorporated into the accounting package to enable automatic generation of the IFRs. The IFRs submitted to the World Bank will have the following minimum information:

- Statement of sources and uses of funds by category
- Statement of uses of funds by project activity/component





- DA activity statement
- Bank statements for both the DA and project account
- Summary statement of DA expenditures for contracts subject to prior review
- Summary statement of DA expenditures not subject to prior review

The collaboration and flow of information among the implementing entities will be specified in the PIM.

39. **Auditing arrangements.** The project will procure the services of an external auditor using terms of reference to be agreed with the World Bank. The project will also prepare the annual audited accounts/financial statements which must be submitted to the World Bank within six months after the end of the accounting year, that is, not later than December 31. The audited accounts will be prepared in accordance with International Public-Sector Accounting Standards. The accounts/financial statements will consist of the following:

- (a) **A statement of sources and uses of funds/cash receipts and payments,** which recognizes all cash receipts, cash payments, and cash balances controlled by the entity and separately identifies payments by third parties on behalf of the entity.
- (b) **The accounting policies adopted and explanatory notes.** The explanatory notes should be presented in a systematic manner with items on the statement of cash receipts and payments being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets and a summary of IFR withdrawal schedule, listing individual withdrawal applications.
- (c) **A management assertion** that World Bank funds have been expended in accordance with the intended purposes as specified in the relevant World Bank Legal Agreement.

40. **Combatting fraud and corruption.** The project will have procedures and controls to ensure that transactions have integrity, and fraud and errors are minimized. The project will be subjected to both external and internal auditing which will further provide assurance about compliance with both World Bank and government policies and procedures. The World Bank team will ensure compliance with World Bank procurement and FM rules through its oversight with World Bank procurement and FM specialists' reviewing documentation; carrying out office visits, interviews, and inspections; and also be involved in the review of all documentation deemed necessary including, but not limited to, prequalification documents, requests for proposals, terms of reference, bidding documents, contract documents, and evaluation awards. In terms of government institutional building, the World Bank will ensure that training of staff in procurement and FM issues is offered to strengthen internal technical capacity. The use of whistle-blowers is proposed to further combat corruption and other forms of fraudulent activities. They are already used under the current safety net project being implemented by the NLGFC, as well as under other World Bank-funded projects, and are managed by Deloitte under an anonymous tipoff arrangement.





## ANNEX 2: LINKS TO HUMAN CAPITAL

COUNTRY: Malawi

### Malawi Social Support for Resilient Livelihoods Project

#### Opportunities in Social Protection to Jump-start the Human Capital Project for Malawi

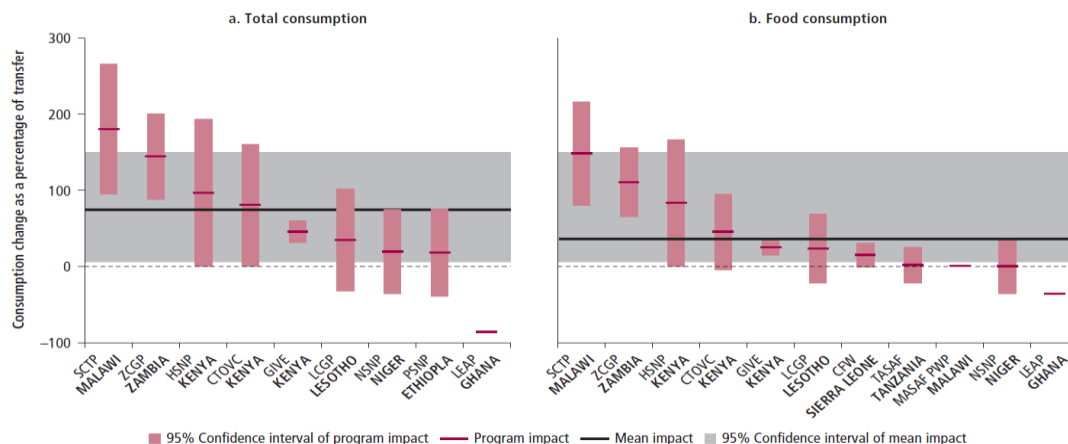
1. **Malawi has an advanced social protection framework to build upon its support of the human capital project agenda.** Malawi implements five core safety net programs including the SCTP, the School Meals Program (SMP), the Nutrition and Access to Primary Education Program, the MASAF PWP, and the WFP's Food for Assets (FFA) PWP. In addition, MNSSP II recognizes SLGs and pro-poor microfinance as equally important aspects of social protection.
2. **Social safety net programs in Malawi are extensive with universal presence across the country and covering about a quarter of the population.** This is against an average coverage of 10 percent of the population by safety net programs across the Africa region. The average expenditure on safety net programs from 2011-12 to 2016-17 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. In comparison to other pro-poor expenditures in Malawi, safety net expenditure is lower than the FISP and humanitarian aid (food security and nutrition), which in 2016-17 was an equivalent expenditure of 1 percent and 6 percent of GDP, respectively.
3. **Under MNSSP II (2018–2023), the sector is further taking new directions by moving beyond its primary focus on consumption support to include resilient livelihoods and shock-responsive social protection.** These new directions bring an additional emphasis on human capital as an opportunity for building resilient livelihoods for the poor and vulnerable. This is very important as it provides a strong entry point for building strong links between social protection and other human development sectors, especially education, health, and nutrition. In practice, these linkages with other human development sectors have already started taking off through a deliberate introduction of a referral module under the SCTP whose emphasis is on proactively linking SCTP beneficiaries with other supply-side social services, primarily education, health, and nutrition. The stronger linkages between social protection, education, health, and nutrition are also clearly manifested in the design of World Bank's pipeline Investing in Early Years (IEY) project (P164771), where social safety nets interventions and related delivery systems are propping both demand- and supply-side services in early years education, health, and nutrition to achieve better early years outcomes.
4. In view of these factors, there are five strategic opportunities that Malawi's social protection sector offers through which it can contribute to the human capital agenda:
  - (a) **Capitalizing on the role of social safety nets in providing income support to the poorest households to fight poverty and enhance household-level human capital investments.** Malawi social cash transfers buoyed by the linked educational bonus have helped beneficiary households increase school enrollment rates, school attendance, and education related expenditures for children. The income support provided by social safety nets has thus been shown to prop up the demand side of health services, for example, facilitating transportation to health centers, thereby positively changing health treatment-seeking



behavior. From a macro perspective, this is further cemented by the fourth Integrated Household Survey's poverty analysis<sup>29</sup>, which has attributed the recent reduction in ultra-poverty from 24.5 percent to 20.1 percent to social protection interventions.

- (b) **Building on the strong and consistent impacts of Malawi's safety nets on human capital results.** The SCTP has shown some of the strongest and most consistent positive impacts on consumption, livelihood, schooling, and earning outcomes across the Africa region.<sup>30</sup> Figure 2.1 shows that Malawi's SCTP has the highest impacts on the total consumption and food consumption out of 27 social safety net programs in 14 African countries, with beneficiaries spending an equivalent of 179 percent of the transfer amount, compared to an average of 74 cents per dollar regionally.<sup>31</sup> Other studies reported positive, significant outcomes in household productive benefits, including increased investments in productive agricultural assets, time spent on farm activities, and a lower likelihood of engaging in casual agricultural labor outside the home<sup>32</sup>; improvements in school enrollment, attendance, and education-related expenditure for children; and evidence of lower HIV and HSV-2 prevalence among girls<sup>33</sup>.

**Figure 2.1. Total Consumption and Food Consumption Estimates (Percentage of Transfers)**



Source: World Bank. 2018. *Malawi Economic Monitor, May 2018: Realizing Safety Nets' Potential*.

<sup>29</sup> World Bank Group. 2018. *Malawi Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction*. World Bank, Washington, DC.

<sup>30</sup> Ralston, Laura; Andrews, Colin; Hsiao, Allan. 2017. *The Impacts of Safety Nets in Africa: What Are We Learning?* Policy Research Working Paper; No. 8255. World Bank, Washington, DC.

<sup>31</sup> *ibid*

<sup>32</sup> Boone, Ryan, Katia Covarrubias, Benjamin Davis, and Paul Winters. 2013. *Cash Transfer Programs and Agricultural Production: The Case of Malawi*. *Agricultural Economics* 44 (3): 365–78; Covarrubias, Katia, Benjamin Davis, and Paul Winters. 2012. *From Protection to Production: Productive Impacts of the Malawi Social Cash Transfer Scheme*. *Journal of Development Effectiveness* 4 (1): 50–77; Zezza, Alberto, Bénédicte de la Brière, and Benjamin Davis. 2010. *The Impact of SCTs on Household Economic Decision-Making and Development in Kenya and Malawi*. Paper presented at the Fifth African Economic Conference, "Setting the Agenda for Africa's Economic Recovery and Long-Term Growth," Tunis, October 27–29.

<sup>33</sup> Baird, Sarah, Richard S Garfein, Craig T McIntosh and Berk Ozler. 2012. *Effect of a cash transfer programme for schooling on prevalence of HIV and herpes simplex type 2 in Malawi: a cluster randomized trial*. *The Lancet* Volume 379 Issue 9823: 1320-29

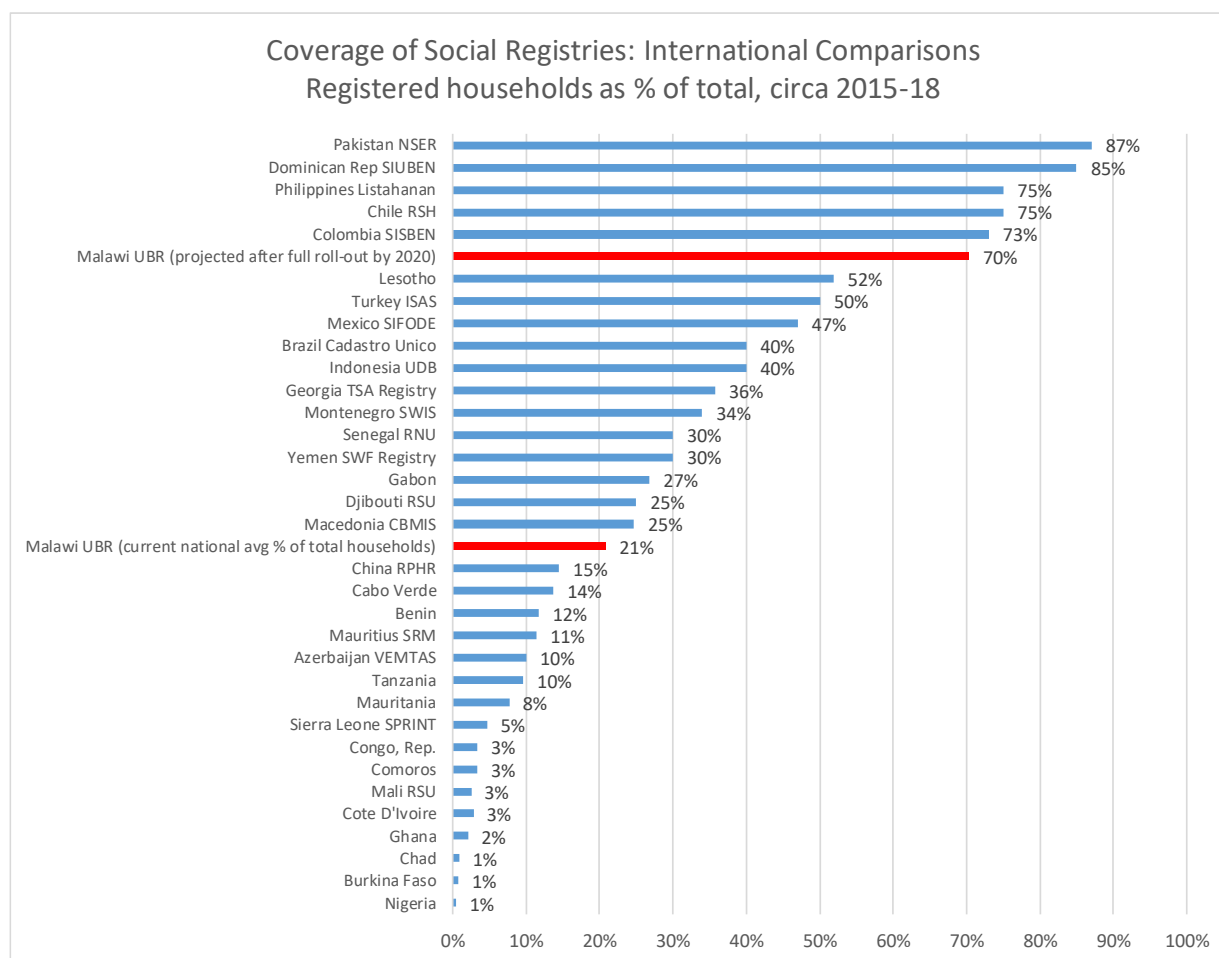


- (c) **Leveraging social protection programs' increasing ability to meet the needs of different groups across the life cycle, to promote returns to increased human capital.** For effective delivery of the human capital agenda, multisectoral approaches between social protection and other human development areas are inevitable. A dissection of major social protection interventions in Malawi has shown that social protection programs can have an increasing ability to meet the needs of the poorest and vulnerable at different stages of the life cycle. For instance, the SCTP largely covers labor-constrained female-headed (70 percent) and elderly groups (46 percent) and child-headed households with limited labor capacity, while productive working-age poor households with labor capacity mostly constitute beneficiaries of the PWP and FFA. The SMP, on the other hand, covers primary-school children usually in the age group of 6–18 years. It, therefore, becomes apparent that social protection programs are striving to cover some of the needs for the most vulnerable at different stages of the life cycle. This offers the human capital agenda an opportunity to equally reach out to people across the life cycle using existing platforms with multisectoral human development interventions such as those of the social protection sector.
- (d) **Utilizing recent advances in social protection GRM structures as an opportunity for harmonized GRM structures that the human capital project can piggyback on.** Considering that both the IEY and MASAF operations are working in decentralized settings, one of the low-hanging fruits where efforts have been made to harmonize systems or platforms is around the area of GRM. For example, the GRM for the IEY operation piggybacks on the existing GRM structure of the MASAF PWP. This will be the first time that a multisectoral social protection, education, agriculture, health, and nutrition intervention utilizes a single GRM platform built on an existing social protection operation. The potential efficiency gains cannot be overemphasized, as both operations will be served by one GRM structure. More importantly, it pioneers a harmonized platform for accountability within local government operations.
- (e) **Building some aspects of education, health, and nutrition delivery systems of existing social protection delivery systems.** The rising prominence of rich and flexible social protection delivery systems offers a huge platform that may be helpful in social sector programming more broadly than just for social protection. The evolving social protection delivery system in Malawi is envisioned to include a sophisticated set of tools, including a national social registry to assist with identification of potential beneficiaries, an e-payment system to deliver benefits, a harmonized GRM to build in a feedback loop from beneficiaries to program, and various community-level structures to encourage participation at the community level as well as frontline workers to deliver social protection programming. While these have been built with social protection programs in mind, they can easily cater to other sectors including education and health but not limited to them. For example, the social registry will include household information, including demographic details, poverty status, and more on close to 70 percent of households nationally (figure 2.2). When designing a nutrition program, the social registry could be used to identify households that need agricultural support or just households in regions that have higher prevalence of malnutrition. Similarly, a school bursary program could use the social registry to identify potential households with eligible school-going children based on income.



5. Under the pipeline IEY operation, the proposal is to utilize this social registry to facilitate prioritization in the delivery of the IEY package to the lowest income quintiles. This stems from the experience that human development outcomes have consistently been poor among low-income groups. This offers an interesting platform, mixing targeting or prioritization principles of social protection with universality principles of health and nutrition, to potentially address human capital challenges among the poorest groups. Similarly, the e-payment system could be used to transfer education bursary support cash directly to bank accounts of beneficiaries. Utilization of social protection systems to positively influence human capital interventions could be an effective platform of mutually reinforcing both social protection-specific and broader human capital objectives.

**Figure 2.2. Actual and Projected Coverage of Malawi's UBR with International Comparisons**



Sources: Lindert, Kathy A., Andrews, Colin, Msowoya, Chipso, Paul, Boban Varghese, Chirwa, Elijah and Mittal, Anita. 2018. *Rapid Social Registry Assessment: Malawi's Unified Beneficiary Registry (UBR)*. Policy Research Working Paper Series 132144, The World Bank.

## Conclusion

6. Malawi's social protection sector is on a positive trajectory in terms of programmatic improvements, delivery systems, and improved coverage. However, strengthening social protection as



part of the broader human capital collaboration and links is crucial to mutually reinforcing individual social protection outcomes as well as broader human development outcomes. The Government will need to commit more domestic resources if social protection is to sustainably and positively contribute to human capital. Malawi's safety net must take a more systematic approach to building the human capital of its beneficiaries and create livelihood opportunities for them in the context of changing demographic patterns, skill requirements, and the political environment. One of the key lessons emerging from experience elsewhere in Africa is the importance of ensuring that interventions are complementary and coordinated and that all the relevant sectors cooperate as per the foundations laid out, such as in the multisectoral IEY. For example, taking this approach to education, health, and nutrition interventions as part of the human capital agenda is likely to be much more effective than if the sectors operate independently.



## ANNEX 3: GENDER

### Country Context

1. **More than half of the Malawian population in 2018 were women (51 percent)**<sup>34</sup>. Gender gaps in health, education, agricultural productivity, access to assets, voice and agency is noticeable. As a result, gender inequality has a profound impact on a wide array of activities in Malawi; affecting agricultural productivity, opportunities in the non-farm sector, the demographic transition, and even households' resilience against shocks. Reducing gender inequality will have an impact on improving the socio-economic status of people in Malawi through growth, poverty reduction, and sustainability.

### Poverty and access to income

2. **Female headed households tend to be poorer and have less endowments – less ownership of assets and access to infrastructure – than male headed households.** Poverty headcount rates of female headed households are around 5 percentage points higher than those of male headed households for both 2004 and 2010. Fewer female headed households own a TV, telephone, transportation means (bicycle and others), or reside in properties with improved floors than male headed households<sup>35</sup>. Also, female headed households tend to own smaller crop lands and have less access to electricity and improved sanitation.

3. **Women tend to be less productive than men in both agriculture and the non-farm sector inter alia because of their limited ownership of assets and access to infrastructure and credit.** In rural Malawi, despite providing slightly above 50 percent of labor input in crop production, agricultural productivity on female managed plots has been estimated to be 25 percent lower than on male-managed plots due to limited endowments of female headed households. Furthermore, agricultural labor productivity is, on average, 44 percent lower on female-managed plots, with 34 percent of this gap explained by differences in labor market access, and 29 percent explained by differences in credit access<sup>36</sup>. Analysis shows closing the gender gap in agricultural productivity could reduce the poverty rate by an estimated 2.2 percent, lifting 238,000 people out of poverty each year<sup>37</sup>. In addition, businesses owned by women appear to be less formal, less profitable, and smaller than those owned by men.

4. **Preliminary analysis of some safety net programs – more specifically, the Public Works Program (PWP) under MASAF IV – has shown attempts to ensure gender inclusiveness but applied inconsistently.** The PWP did not implement quotas or any other specific measure to ensure inclusiveness of particular groups other than the poverty status. The ranking formula also tries to ensure the inclusion of large families with many dependent children into the program. The program tracked female participation by the key outcome indicators but did not go beyond that to exercise any special

<sup>34</sup> National Statistics Office Malawi 2018.

[http://www.nsomalawi.mw/images/stories/data\\_on\\_line/demography/census\\_2018/2018%20Malawi%20Population%20and%20Housing%20Census%20Main%20Report.pdf](http://www.nsomalawi.mw/images/stories/data_on_line/demography/census_2018/2018%20Malawi%20Population%20and%20Housing%20Census%20Main%20Report.pdf)

<sup>35</sup> World Bank 2018. Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction. Washington D.C.: World Bank

<sup>36</sup> Palacios-Lopez, Amparo; Christiaensen, Luc; Kilic, Talip. 2015. *How much of the labor in African agriculture is provided by women? (English)*. Policy Research working paper; no. WPS 7282. Washington, D.C.: World Bank Group. n

<sup>37</sup> World Bank. 2015. *The cost of the gender gap in agricultural productivity in Malawi, Tanzania, and Uganda (English)*. Washington, D.C.: World Bank Group. a



measures. The operational and implementation rules did not envisage flexible schedules or other formal measures to support women's participation. Some evidence from the beneficiary assessment conducted in 2017 also suggested that in some cases the type and amount of work are not gender –sensitive, asking women to perform too heavy work. Other anecdotal evidence also suggested that in many cases women were allowed to work fewer hours, come at different time or leave earlier, while still receiving the same pay. However, gender-sensitive application of the program seems to have been ad hoc and decided at local level.

## Human Capital

5. **Owing to a host of interrelated factors reinforced by social and cultural norms, adolescent girls are disproportionately pushed into a vicious cycle of school drop-out, early marriage and child bearing, poor health, and reduced economic opportunities.** For instance, in 2010, 51 percent of men, but only 38 percent of women in the age range 20-24 had completed primary school, showing substantial attrition, particularly among women. Furthermore, out of every 100 girls who begin Standard 1 of primary school, only three will enter secondary education. Of those three, only one will enter university<sup>38</sup>. The World Development Indicators for 2017 (WDI, 2017) also show that Malawi has one of the highest rates of adolescent fertility in the world, with 135 births per 1,000 women ages 15-19. Early marriage is widespread, with 28 percent of adolescent girls surveyed in the 2013-14 Malawi Multiple Indicator Cluster Survey (MICS) reporting that they were currently or previously married. Early marriage and childbearing in Malawi are associated with lower education and household wealth and lower decision-making power once girls become adults.

6. **Health constraints disproportionately impact women.** Women are disproportionately affected by HIV in Malawi: According to UNAIDS, of the 970 000 adults living with HIV in 2018, 580 000 (60%) were women. New HIV infections among young women aged 15–24 years were more than double those among young men. However, HIV treatment is higher among women than men, with 86% of adult women living with HIV on treatment, compared to 68% of adult men<sup>39</sup>. This has an obvious impact on women's ability to work, with the additional burden of more likely being the ones providing care to sick household members (because of norms regarding women's caring role). This significantly reduces women's time for income generating activities.

7. **Malawi has achieved gender parity in primary school enrolment and completion, but women generally fare worse than their male counterparts with regards to access to higher education and educational achievement.** Over the years, Malawi has narrowed gender disparity in secondary and tertiary school enrolment. Despite this improvement, Malawi is still left with a Gender Parity Index<sup>40</sup> of 0.91 for secondary school and 0.64 for tertiary school in 2014. Girls do not perform as well as boys as indicated by the latest The Southern and Eastern Africa Consortium for Monitoring Educational Quality

<sup>38</sup> National Statistics Office Malawi 2017. 2015-16 Malawi Demographic and Health Survey.

<sup>39</sup> <https://www.unaids.org/en/regionscountries/countries/malawi>

<sup>40</sup> The Gender Parity Index (GPI) is a socioeconomic index usually designed to measure the relative access to education of males and females. It is the ratio of female to male values of a given indicator. GPI equal to 1 indicates parity between females and males. In general, a value less than 1 indicates a disparity in favor of boys and a value greater than 1 indicates a disparity in favor of girls. However, the interpretation should be in the other way round for indicators that should ideally approach 0% (e.g. repetition, dropout, illiteracy rates, etc.). In these cases, a GPI of less than 1 indicates a disparity in favor of girls and a value greater than 1 indicates a disparity in favor of boys.





SACMEQ data, and female literacy rates (59 percent) remains significantly lower than male rates (73 percent) (WDI, 2017). Furthermore, the proportion of female-headed households with at least one member of their household having completed primary or secondary school is lower than that of their male counterparts<sup>41</sup>.

8. **Inequality in access to education at higher levels contributes to the female disadvantage in productivity.** While more females than males excel in the secondary school examination (46 percent males and 58 percent for females in 2015) there is only one female for every 10 males with tertiary education, which indicates that significant barriers exist which limit opportunities for females to pursue and attain higher education in Malawi. This is worsened by the fact that at present Malawi has no gender driven policy to reduce the gender gap in tertiary education.

### Voice and Agency

9. **Malawian women encounter discrimination due to discriminatory customary practices.** While the Constitution recognizes equal rights for men and women, enforces equal parental responsibility for husbands and wives, and prohibits polygamy, while in addition the Deceased Estates Act (voted in 2011) gave female spouses and children the right to inherit the marital estate in case of the death of a husband, the implementation of the legislation is still limited due to gender norms and cultural barriers. This leads to women's inability to own, dispose of, and inherit property, which, in turn, creates economic dependence on men, and entraps women in polygyny and abusive relations where they are less empowered to protect themselves from HIV infection or seek treatment<sup>42</sup>.

10. **Female representation in key political positions has stagnated at very low levels.** Since 2014, the number of female ministers has averaged at three in a Cabinet of twenty. Similarly, the number of female parliamentarians declined from 22.2 percent in 2009 to 16.7 percent in the 2014 general elections. This representation is lower than both the global average (20.6 percent), and the average for countries with the same income levels as Malawi (21.5 percent). The percentage of ward councilors is even lower, at 56 women out of 457 (12.25 percent). Literature shows that women's representation in the community leadership alleviates the negative effects of heterogeneity on collective capacity to provide public goods; and in turn boosts community-level agricultural productivity and welfare<sup>43</sup>.

### Gender Activities in Project

11. **The SSRP puts a strong focus on addressing the gender gaps identified.** Corroborating earlier points, the Africa Region Gender Action Plan FY18–22 identifies gender gaps in schooling, agricultural productivity, and access to work between men and women in Sub-Saharan Africa. The project will analyze the issues in Malawi and use its tools to narrow specific gaps. Considering the gaps between men and women, the social and cultural barriers that women face in the communities, it is critical to

<sup>41</sup> World Bank 2016. *Malawi Poverty Assessment*. Washington D.C.: World Bank

<sup>42</sup> World Bank 2018. *Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction*. Washington D.C.: World Bank

<sup>43</sup> McCarthy, Nancy; Kilic, Talip. 2014. *The Nexus between Gender, Collective Action for Public Goods, and Agriculture: Evidence from Malawi*. Policy Research Working Paper; No. 6806. World Bank, Washington, DC.





ensure that women continue to be appropriately targeted with safety net interventions and are beneficiaries of this project.

12. **The SSRLP has included a plan to analyze gender gaps and GBV issues.** Specifically, the project would also finance an assessment of how the project financing of the core programs has differential (intended or unintended) impact for men and women, including an assessment of the effects on gender-based violence (GBV). If the results of this analysis uncover issues and gaps, the existing project activities could be used or adjusted during implementation to address the identified gender gaps.

13. **The project focuses on closing the gender gap through a series of specific activities, inter alia:**

- a. An average target across all three core programs of at least 60 percent female beneficiaries for SCTP; Climate smart EPWP and Livelihoods,
- b. Female-friendly climate smart Enhanced Public works program activities, where inclusiveness would be institutionalized through clear rules and recommendations in the operational procedures, including (i) defining transparent mechanisms to deal with the excess demand for work; (ii) establishing a minimum quota for women (for which there already is a target); (iii) establishing flexible work modalities for women; (iv) setting up adequate information campaigns and registration process to avoid discretionary application of targeting and eligibility rules.
- c. Mind-set change training for livelihoods beneficiaries that build women beneficiaries' self-esteem and empower women in addressing specific challenges. These include training on: financial literacy, WASH, entrepreneurship, savings mobilization, starting businesses, complemented by coaching and mentoring.
- d. Establishment and facilitation of joint skills groups for young women who may need a peer support and mentorship mechanism as they transition to economic independence, and
- e. Strong messaging and Information about women's rights, GBV in the community and households will be provided to men and women at pay-points, as well as part of the mind set change training for beneficiaries.

#### **Monitoring gender activities**

14. These activities will be monitored in the Results Framework through the gender disaggregation of beneficiaries in various components as well as conducting gender-sensitive outreach campaigns. Specific indicators are:

- f. PDO level:
  - i. Proportion of Social Cash Transfers project beneficiary households with an improved food consumption score (Percentage), of which female-headed households (percentage).



- ii. Eligible project beneficiary households with ongoing income generating investments one year after receipt of the livelihood support package (percentage) of which female (percentage).
    - iii.
  - g. Intermediate level:
    - i. Beneficiaries of Social Cash Transfer Programs (of which female),
    - ii. Number of direct project beneficiaries of EPWP (of which female; of which youth under 35 years of age),
    - iii. Beneficiaries HHs participating in functional Saving and Loans Groups (SLGs) (Percentage) of which youth and female (Percentage),
15. **A combined potential effect of both deliberate design considerations to prioritize women and other complementary measures across all three core programs-SCTP, Climate smart EPWP and Livelihoods, will position the SSRLP to contribute to closing some of the gender gaps at the household and community- levels.** This will also involve active engagement of men in those beneficiary households and male community leaders to minimize risks of GBV.