## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>P169198</td>
<td>Malawi Social Support for Resilient Livelihoods Project</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>The Republic of Malawi</td>
<td>Malawi National Local Government Finance Committee</td>
</tr>
</tbody>
</table>

### Proposed Development Objective(s)

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

### Components

- Improving Social and Economic Inclusion
- Strengthening Harmonized Delivery Systems
- Capacity Building and Institutional Strengthening Support

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>187.00</td>
</tr>
<tr>
<td>Total Financing</td>
<td>146.00</td>
</tr>
<tr>
<td>of which IBRD/IDA</td>
<td>125.00</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>41.00</td>
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</table>

### DETAILS

**World Bank Group Financing**

<table>
<thead>
<tr>
<th>International Development Association (IDA)</th>
<th>Amount (US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>125.00</td>
</tr>
</tbody>
</table>
Other Decision (as needed)

B. Introduction and Context

Country Context

Malawi, a land-locked country, is one of the world's poorest countries trapped in a low income and low productivity equilibrium. Malawi's per capita Gross National Income (GNI) was US$360 in 2018 and around 70 percent of the population lives below the international poverty line of US$1.90 per day – 95 percent of whom live in rural locations. The GNI grew at an annual average of around 1.5 percent between 1995 and 2014, which is below the average of 2.8 percent in non-resource African economies during the last twenty years. Agriculture contributes 28 percent of Malawi’s Gross Domestic Product (GDP), over 80 percent of the national export earnings and absorbs 64 percent of the country’s workforce but its productivity is undermined by weather-related shocks and limited crop diversity. In 2017, 50 percent of the export earnings were from tobacco (28 percent), sugar (8 percent), tea (8 percent) and edible nuts (6 percent). Malawi’s Growth and Development Strategy III is focused on breaking the cycle of the persistently low agricultural productivity, limited opportunities for non-farm self-employment and stagnant poverty.

There have been recent improvements in extreme poverty and inequality, although geographic disparities remain. Consumption growth of the bottom 40 percent of Malawians is now increasing on average by 1.7 percent since 2010. The proportion of the population living in extreme poverty (below the food poverty line) has reduced from 24.5 percent prior to 2010/11 to 20.1 percent by 2016/17. Inequality has also declined with the GINI coefficient reducing from 45 percent to 42 percent over the same period.

1 World Bank, 2017.
In rural areas, inequality has substantially reduced from 38 percent to 32 percent (IHS4 2016/17). However, urban inequality has increased marginally over the years. In terms of regional disparities, inequality in the Northern and Central regions of Malawi has decreased, while in the Southern region it has increased. This correlates with poverty trends which are highest in the poorest five districts (Phalombe, Nsanje, Chitipa, Machinga, and Mulanje) and ranges from 66 to 83 percent.

In the last two decades Malawi has made impressive efforts in improving human capital outcomes. Significant progress has been made in key outcomes for maternal, child health, nutrition, education, and water and sanitation services, with the aim of meeting the increasing demand brought about by population growth. However, with a 2017 Human Capital Index (HCl) 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. Overall Malawi ranks 125 out of 15 countries on the recently developed Human Capital Index. In particular, early childbearing, early marriages, and high fertility among female adolescents contribute to poor health and nutrition outcomes. This is reinforced by low average levels of educational attainment, and a cycle of intergenerational poverty across lowest income groups.

Sectoral and Institutional Context

The second Malawi National Social Support Program (MNSSP II) has created an opportunity to transform Malawi’s social safety nets between now and 2023. Based on experiences from the first MNSSP, MNSSP II shifts focus from individual social safety net programs to ensuring coherence, integration, and harmonization between systems of interrelated interventions. The Malawi National Social Support Program (MNSSP II) prioritizes five thematic areas of support including: (i) consumption support (ii) support for resilient livelihoods (iii) shock-responsive social protection (iv) links between safety nets and other programs (cross cutting); and (v) strengthening safety net systems (cross cutting). The MNSSP II is the main vehicle for achieving Target 1.3 of the UN Sustainable Development Goals, which focuses on the implementation of a nationally appropriate social safety net system by 2030.

There is considerable ambition and challenge in realizing the Government’s commitment to reform under the 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. While these are encouraging trends, safety net programs still exclude a sizable portion of the population especially children and youth cohorts. Moreover, the adequacy of safety net benefit levels is also a concern, driven in part by inadequate financing to the sector. The average expenditure on safety net programs from 2011-2016 in Malawi was equivalent to 0.6 percent of GDP, a strikingly low amount compared to the 1.2 percent average across the Africa region.

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2The 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.”
C. Proposed Development Objective(s)

Development Objective(s) (From PAD)
To improve resilience among the poor and vulnerable population and strengthen the national platform for safety nets in Malawi.

Key Results
D. Project Description

The proposed five-year project will support the MNSSP II as the overarching and formal platform in social protection, led by Government with coordinated donor engagement. The proposed Social Support for Resilient Livelihoods Project (SSRLP) project is entirely devised around the MNSSP II Strategy and Implementation Plan, reflecting strong Government ownership and leadership. In this context, the project will contribute to the MNSSP II in two ways, as reflected in the PDO. The first part of the PDO highlights the importance of improving resilience, which is understood as the ability of households to improve initial levels of welfare in the face of chronic stress, as well as maintaining welfare in the face of shocks. In this regard the project emphasizes safety net programs which boost economic and social inclusion. The project also creates interlinkages between the various programs, through which each of the programs’ effect are taken further by synergies with the other programs. The core programs like social cash transfers and public works would be connected to the livelihoods support, whereas beneficiaries would follow individual paths of receiving the best possible support from the most appropriate mix of interventions. The resilience of these programs will be further strengthened by the delivery systems and institutional strengthening investments under the project. The second part of the PDO highlights the need to more strongly support the effectiveness of a national system for social safety nets under the MNSSP II framework. The project places emphasis on this through efforts to support delivery systems (for social registry, management information systems, e-payments, and citizens engagement), as well as efforts to strengthen overall capacity and harmonization in the sector.

The project emphasizes consolidation and sustainability within the social protection sector. Key principles underpinning the design of the proposed SSRLP include: (i) demonstration of value for money, taking into account the investment potential of safety nets; (ii) a ‘learning-by-doing’ approach to enable testing and evaluation of new interventions to ensure sustainability; (iii) building on the achievements and lessons of the Malawi Social Action Fund (MASAF) series; (iv) ensuring synergistic engagement across the Bank portfolio including Governance, Health, Education, Finance, Competitiveness and Innovation, Macroeconomic, Trade and Investment, and Poverty Global Practices; and (v) promoting strong linkages within and outside of the social protection sector.

In particular, the project is based on a strong vision of reform, working towards a Government led platform with improved donor coordination. In this respect, there is widespread recognition on the need for improved donor harmonization and coherence. The World Bank has been a longstanding partner in the sector, supporting the Malawi Social Action Fund series since 1996. Key sector partners include the European Union, KFW and Irish Aid. Key implementation support agencies include WFP and UNICEF. GIZ have also been catalytic in providing technical assistance support to the client. There is a strong commitment across agencies to improve coherence and complementarity of support going forward.

Activities under SSRLP will be structured in three mutually reinforcing components. 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. Most innovatively, the project will test opportunities for the rapid scale up of the SCTP in response to drought and floods. The project will also support a reform effort around public works, but at
a significantly scaled down level of coverage compared to the MASAF IV project. 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 grievance redress mechanisms. Given the ambitious nature of the project Component 3 will prioritize capacity building and institutional support. Project beneficiaries 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, etc. The poorest and labor-constrained households in 11 World Bank-financed 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. Poor households with labor capacities, in ten districts, would be given the opportunity to participate in public works. Finally, all beneficiaries of both social cash transfers and public works would have the opportunity to receive various forms of sustainable livelihoods support. The project emphasizes the complementarity across different components, with attention on the need for sequencing interventions during the project lifecycle.

<table>
<thead>
<tr>
<th>Legal Operational Policies</th>
<th>Triggered?</th>
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<tbody>
<tr>
<td>Projects on International Waterways OP 7.50</td>
<td>No</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP 7.60</td>
<td>No</td>
</tr>
</tbody>
</table>

Summary of Assessment of Environmental and Social Risks and Impacts

Project subprojects have neither been defined in scope nor identified, however screening of potential environmental and social impacts has been undertaken on similar interventions in the existing MASAF IV project. Possible social risks and impacts that are likely to arise from the public works program and livelihood activities include construction related health and safety risks to both community labour and surrounding local communities; land acquisition, most likely of a temporary nature, leading possible loss of assets, land, livelihoods and some access restrictions. The potential environmental impacts caused by rehabilitation works and associated handling and storage of construction material includes waste production, excessive noise and dust levels, and disposal of asbestos containing material, if present, deforestation, overgrazing, poor watershed management, soil salinity, soil acidity, communicable and non-communicable diseases, water logging, vegetation and associated fauna, soil disturbance and erosion.

E. Implementation
Institutional and Implementation Arrangements

The overall policy guidance and supervision at national level will be exercised by a Project Steering Committee (PSC). The PSC will include broad representation of government stakeholders, including members of the statutory NLGFC Board, but also representatives of ministries and national agencies, as well as non-governmental organizations and donors.

The National Local Government Finance Committee (NLGFC) will be the main implementing agency for the SSRLP, working in close cooperation with several key implementing partners, including MFEPD, Ministry of Gender, Children and Social Welfare (MGCSW), Ministry of Community Development, Culture and Civic Education, Ministry of Local Government and Rural Development, cooperatives and savings groups, and district authorities. NLGFC will be the technical nexus for project implementation, including fiduciary functions, monitoring and reporting, coordination and overall project supervision. NLGFC is the implementing agency for the ongoing MASAF IV project and, as such, is already considered as possessing the needed capacity for Bank project implementation. Through an April 2018 merger, NLGFC inherited the capacity of the Local Development Fund (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 LDF and National Local Government Finance Committee 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 NLGFC are judged largely adequate for the implementation of 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 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 SSRLP.

The project anticipates a range of strategic implementing partners working with the NLGFC. The Ministry of Gender, Children, Disability and Social Welfare, jointly with NLGFC, will implement the SCTP to be funded under the proposed project in 11 districts. MGCDSW will have a lead role in the overall implementation on the ground and in providing methodological guidance and controls. NLGFC will manage the administrative side, the flow of funds, and any necessary procurements. For EPWP, NLGFC will work with the existing Technical Task Force for EPWP involving several line ministries. The livelihood and skills development activities will continue to be implemented with the participation of existing structures, including Ministry of Community Development, Culture and Civic Education, 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 SCTP and EPWP and will provide support to the implementation of the livelihoods and economic inclusion. At community level, the implementation
The project development process will be led by the Community Social Support Committee (CSSC) within the Village Development Committee (VDC).

The project development process was jointly led by the World Bank and the government’s cross-ministerial project preparation team. This team worked with the World Bank to undertake all necessary bureaucratic and technical steps to move ahead with the project. The World Bank undertook an Identification Mission in the period September 24-28, 2018, a preparation mission January 13-18, 2019 and a pre-appraisal mission March 25-April 4, 2019. During these missions, the World Bank and the Government teams worked jointly to identify the scope and objectives of future support and to set the design, implementation, financing implications, and a timeframe for moving forward.

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