1. Country and Sector Background
Malawi is currently facing a severe food crisis. Production of the key
food staple, maize during the 2001/2002 growing season estimated at 1.6
million metric tons, approximately 600,000 tons short of estimated
domestic disposition. The economic cost of the crop failure to the
economy in aggregate is between US$150 million and US$180 million when the
grain is valued at landed replacement cost. The incidence of the shock
falls in most concentrated measure on Malawi’s small-holder farmers, who
are among the country’s poorest citizens. The impact of the shortage on
human health and nutrition is expected to increase in severity during the
coming eight months prior to the next harvest.

2. This year’s shortage follows the prior year’s reduced harvest. As a
result of two successive years of reduced incomes and poor access to
food, coping mechanisms, including casual labor and distress sales of
household assets have been eroded. Deaths from hunger-related diseases are
increasing. Children who are generally vulnerable to malnutrition –
Malawi’s chronic malnutrition rate is 49 percent - are particularly at
risk of long-term consequences. In addition, women, the elderly, and
adolescent-headed households are particularly food insecure. Other
vulnerable groups include those affected by the HIV/AIDS pandemic,
smallholder farmers, tenants, and pregnant and lactating mothers.

3. Overall, it is estimated that about 3.9 million people will require
humanitarian assistance for varying periods of time until June 2003. Maize
prices are expected to rise substantially as shortages increase. To avert famine, the Government and other donors are taking immediate action to ensure adequate supplies of grain to the country and timely delivery of food aid and/or income support to the most vulnerable Malawians. Approximately 30% of the most vulnerable will receive humanitarian assistance from the 208,000 tons of donations in cash and kind anticipated from the donor community. Approximately 150,000 tons of the shortfall is expected to be met by the private sector and by increased winter production. Hence donations and private sales will cover almost US$100 million of the cost of the shock, and will address the needs of 60% of the population (those at the higher end of the income distribution through private sales, and at the lower end through humanitarian relief). The Government is importing 250,000 tons at an estimated cost of US$75 million to augment available supply and to address the needs primarily of the 40% of the population who will require some assistance but will not receive humanitarian aid. Additional support is needed for recovery of crop production, prevention of resort to coping strategies that undermine recovery and longer term growth, and maintenance and rebuilding of productive assets.

2. Objectives
The objectives of the proposed Emergency Drought Recovery Project are: (a) to allow the Government to maintain key commitments to economic priorities and investments consistent with the PRSP process while at the same time fulfilling its immediate obligations to avert famine; (b) to help restore the productive capability of the populations; and (c) to support longer term disaster management by the Government. The operation does not directly finance food for purposes of relief, because the Government and other donors are undertaking this effort. In line with the Bank's guidelines for emergency operations, activities financed under the project will complement relief efforts, contribute to recovery, facilitate continued progress on key economic priorities and investments consistent with longer term reduction of poverty, and address the needs of vulnerable groups during this difficult period of crisis.

3. Rationale for Bank’s Involvement
The World Bank has contributed toward assessment of the situation, and is contributing to recovery, protection of the vulnerable during the crisis, and to measures to reduce vulnerability to food crises in the future. The medium and longer term strategy of assistance is reflected in the discussions of the CAS presently under way. In the medium-term, the Bank will assist Malawi in five areas relevant to the present emergency: (a) improving the statistical basis for crop estimates; (b) addressing issues relating to access to land, agricultural services, and better agricultural technology in order to promote improvement in agricultural productivity; (c) providing technical assistance for review of the Government's food security policy; (d) possibly improving transportation along the Nacala corridor (the Bank has supported railway and port reform along the corridor in both Malawi and Mozambique, and may support additional improvements); and (e) scaling-up of safety net programs through MASAF (including MASAF 3, which is now under preparation), and orienting the public works components toward activities that improve access to rural areas and reduce vulnerability to drought and flood.

4. Description
The proposed operation will include the following components: (a) a quick-disbursing assistance to support critical imports through a positive list of import requirements linked to the drought and assist the Government in drought recovery efforts. The Government seeks the emergency credit to help rebuild productive capacity, and to avoid a situation whereby the additional cost of the drought undermines developmental goals, particularly for health and education. An amount of US$40 million would be available under this component; (b) support for expansion of public works programs and essential social investments and services to vulnerable groups through MASAF, which has developed substantial expertise in the field, for an amount of US$8.0 million; and (c) support for implementation, technical assistance, and studies for a total amount of US$2.0 million.

5. Financing
   
   Total (US$m)
   
   BORROWER $10.00
   IBRD
   IDA $50.00
   INTERNATIONAL MONETARY FUND $22.00
   Total Project Cost $82.00

6. Implementation
   
   The operation will be implemented by two entities - a small and temporary Project Coordination Unit (PCU) and MASAF. The PCU will be staffed with experienced and qualified professionals, including a national coordinator, a financial professional, a procurement specialist, a logistics officer and support staff. It will be responsible for the overall coordination of all activities of the project and will work very closely with the Reserve Bank of Malawi in managing the quick-disbursing component of the operation. The coordinator will be responsible, inter alia, for the day-to-day management of the operation, dialogue with government agencies, development partners and other stakeholders, securing procurement, collecting information and monitoring activities in the field, and establishing quarterly progress and financial reports. He or she will report to the Principal Secretary of MOAI. MASAF will be responsible for the public works programs (PWP) and social investments component, for which it developed extensive ability over the past several years of implementation of IDA-financed projects. The operation will be implemented over a period of two years, from November 2002 to November 2004. It will be processed under OP 8.50.

7. Sustainability
   
   The project focuses simultaneously on short-term measures to tackle the current disaster and on medium- and long-term measures to prevent the recurrence and to facilitate improved agricultural performance. In both the short and longer run, the project approach supports provision of social protection through scaling up of public works and social programs to benefit the poor and vulnerable groups.

8. Lessons learned from past operations in the country/sector
   
   Lessons learned from previous emergency operations have been taken into account in the design of the project. The project preparation/appraisal team also drew on advice from staff involved in responding to similar emergencies in other countries. Key lessons noted may be summarized as
follows: (a) commitment and ownership of the Borrower are critical for the successful implementation of emergency recovery operations; (b) speed in preparation, appraisal and implementation are also critical elements for success; (c) emergency operations must be simple, rapidly executable and not burdened with conditionality; (d) disaster management and mitigation measures should be included; (e) community involvement and participation are critical to the success of the delivery of social investments and protection; (f) the operation should focus on the sector immediately affected, and not undertake too broad an agenda of cross-cutting issues; and (g) the longer term agenda to reduce the likelihood of recurrence cannot be neglected.

9. Environment Aspects (including any public consultation)

Issues: The operation is not expected to have any major environmental impact as it is largely a quick-disbursing instrument to provide financing on the basis of a positive list of import requirements. A limited portion of about 16 percent will support public work activities through MASAF project which is classified under environmental category B. None of the project activities is expected to lead to or involve involuntary resettlement. However, a Resettlement Policy Framework will be prepared, approved and submitted during project implementation to guide any potential resettlement/compensation issues. Safeguard measures including environmental and social screening, assessment and mitigation will be applied during project implementation through MASAF’s environmental and social management mechanism. The operation will prepare its own EA. The operation is classified as Category B.

10. Contact Point:

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

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