



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 13-Nov-2017 | Report No: PIDISDSC23219



BASIC INFORMATION

A. Basic Project Data

| | | | |
|--|--|--|--|
| Country Malawi | Project ID P164961 | Parent Project ID (if any) | Project Name Malawi Public Administration Modernization Project (P164961) |
| Region AFRICA | Estimated Appraisal Date Oct 01, 2018 | Estimated Board Date Dec 14, 2018 | Practice Area (Lead) Governance |
| Financing Instrument Investment Project Financing | Borrower(s) Ministry of Finance | Implementing Agency Ministry of Finance | |

Proposed Development Objective(s)

To improve access to and quality of administrative services delivery and enhance public financial management systems and processes.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

| | |
|---------------------------|-------|
| Total Project Cost | 50.00 |
| Total Financing | 50.00 |
| of which IBRD/IDA | 50.00 |
| Financing Gap | 0.00 |

DETAILS

World Bank Group Financing

| | |
|---|-------|
| International Development Association (IDA) | 50.00 |
| IDA Credit | 50.00 |

Environmental Assessment Category

Concept Review Decision



C - Not Required

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Malawi is a small, landlocked country in southern Africa with an estimated population of 17.2 million and an economy primarily dependent on rain-fed agriculture.** Over the past two decades, Malawi has achieved notable progress on reducing child mortality and providing free primary education. However, it has lagged behind its neighbors on poverty reduction and growth. Malawi ranks as the sixth poorest country in the world with a per capita GDP of just US\$372 in 2015 (WDI, 2017) and more than 70 percent of the population below the international poverty line of US\$1.90 per day (PovcalNet, 2017). Economic growth has been historically more volatile and lower than the rest of SSA; real per capita GDP has grown at an average of around 1.5 percent between 1995 and 2015.¹

2. **Malawi's poor growth performance has been attributed to both external shocks and, often domestically generated policy-induced, macroeconomic instability.**² As an agriculture-based economy with significant reliance on international aid, Malawi is particularly vulnerable to external shocks and natural disasters. Shocks affecting terms of trade and extreme climate events causing both flooding and drought have had significant impacts on food security and inflation. These impacts are exacerbated by weak economic management and inefficient spending on key government programs. The 2013 “cash gate” scandal revealed deeply entrenched corruption and the fundamental weaknesses in the country’s public financial management (PFM) systems, which eroded trust in Government. Consequentially, Malawi’s fiscal situation deteriorated rapidly which also affected private sector confidence and the country’s reputation globally. This was followed by significantly large budget deficits, high-cost domestic borrowing and resurgent inflation, hampering macroeconomic gains and its beneficial contributions to poverty reduction.

3. **While the past five years have been largely focused on crisis management, with inflation under control and a favorable weather cycle, the Government has made a strong political commitment to undertake the reforms needed to effectively respond to Malawi’s development needs.** In order to overcome the legacy of the 2013 “cash gate” scandal, which exposed embedded corruption and eroded trust in Government, the current Government has embarked on a wide range of public sector reforms. These include the re-launching of its Public Financial Management Reform Programme and a large-scale public service reform program (PSRP) known as “Making Malawi Work”, which outlines a number of reforms to improve public service delivery. Decentralized service delivery is also being prioritized with an increase in inter-governmental transfers and devolution of human resources. These reforms aim to improve PFM capacities and to improve public service delivery including through a deepening of decentralization.

¹ 2017 Country Economic Memorandum

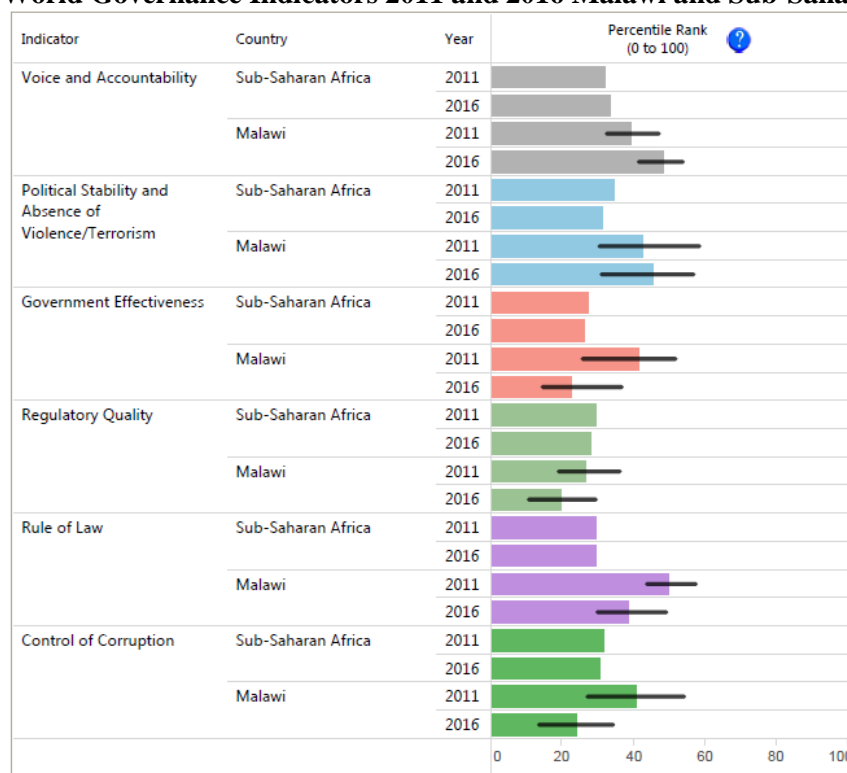
² 2017 Country Economic Memorandum



Sectoral and Institutional Context

4. **Malawi’s focus on crisis management has put a strain on the public sector, and its weakening performance is reflected in declining trends on key governance indicators.** The Government has faced challenges in providing key public services, effectively implement policies and programs, and to create a conducive environment for other sectors to contribute to growth.³ The Worldwide Governance Indicators (WGI) show declines in government effectiveness, regulatory quality, rule of law, and control of corruption between 2011 and 2016. See Chart 1. Likewise, Transparency International’s Corruption Perceptions Index notes a steady decline in Malawi’s performance from 37 to 31 between 2012 and 2016. This decline represents one of the largest deteriorations in corruption perception scores in Eastern and Southern African countries over the period, and puts Malawi significantly below regional comparators such as South Africa, Botswana, and Zambia and just above Tanzania, Uganda, and Kenya.

Chart 1: World Governance Indicators 2011 and 2016 Malawi and Sub-Saharan Africa



5. **Weak governance, controls, and oversight also constrain institutional performance.** A 2015 Irish Aid and GIZ PFEM Malawi political economy analysis report⁴ noted the weak governance, weak institutional oversight and lack of proper funding and the independence of integrity institutions and Parliamentary Oversight Committees for Malawi. The report reveals financial and political constraints, which also limit checks and balances. Oversight institutions like the National Audit Office and the Anti-Corruption Bureau are also constrained in impact, limited funding, political interference and lack of political will to implement audit recommendations or sanctions. The continued weak internal controls impact the integrated financial management

³ Malawi Policy Note Series: Improving Civil Service Performance, World Bank 2014.

⁴ Political Economy Analysis of Malawi by Irish Aid Malawi & GiZ Malawi



information system (IFMIS), commitment control, internal control, and auditing. The 2015 IMF report⁵ notes the need for improved revenue mobilization for Malawi to be able to respond to the increasing demand for public services from its rapidly growing population. There is the need for the GoM to accelerate public financial management reforms to restore trust and confidence in the budget process and foster donor re-engagement. The new Administration launched the reforms to restore PFM controls and to address the dysfunctionality of public service. The PFM and public service reforms are ‘home-grown’, which, if well implemented offers the possibility of positive change.

6. **Lessons from previous reform efforts highlight the need to go beyond technical reforms to tackle the fundamental functions of commitment, cooperation and coordination (WDR 2017).** Malawi has been held up as an example of ‘isomorphic mimicry’, adopting good laws and regulations for accountability and public resource management, while implementation gaps remain wide.⁶ In the absence of other productive sectors, Malawi’s political system of competitive clientelism uses the public sector as a fundamental instrument of political patronage.⁷ Research shows that in such environments reforms that focus on solving concrete problems by incentivizing desirable behavior and increasing demand side governance are more likely to succeed than system wide reforms.

7. **The Government of Malawi (GoM) has identified a number of challenges that inhibit the provision of administrative public services, including limited access points, incomplete information, and absence of standards for service delivery.**⁸ Administrative services are offered in few locations, requiring citizens to travel long distances (see Table 1). Focus group discussions with Malawian citizens held in 2016 validated these barriers to access, and revealed the most important obstacle to obtaining services is often lack of information.⁹ Other challenges identified by citizens included: distance to service centers, high travel costs, long waiting times, too many forms and documents, and the need for informal payments to get services. Citizens noted that informal payments were commonly made to reduce the time for delivery and avoid queuing in overcrowded offices.¹⁰

Table 1. Current Provision of Administrative Services by Region

| Region | Districts | Population | Office Serving | Services Provided in Full ¹¹ |
|---------|-----------------------------------|------------|----------------|---|
| Eastern | Zomba, Machinga, Mangochi, Balaka | 2,910,713 | Zomba | Driver’s license |

⁵ IMF Country Report No. 15/345: 2015 Article IV Consultation Press Release; Staff Report; and Statement by the Executive Director for Malawi

⁶ Bridges, K. and Woolcock M. 2016. “How (Not) to Fix Problems that Matter: Assessing and Responding to Malawi’s History of Institutional Reform”. Policy research working paper, prepared as background paper for the Malawi Country Economic Memorandum 2017. Washington D.C.: World Bank.

⁷ Cammack, D. 2017. “Malawi’s Political Settlement: Crafting Poverty and Peace, 1994-2014.” Journal of International Development, 29: 661-677.

⁸ Concept Paper for the Establishment of Integrated Public Service Delivery Centers, March, 2015, Public Sector Reforms Management Unit, Office of the Vice President.

⁹ World Bank (2016), “Transforming Service Delivery in Malawi through Citizen Service Centers: Operational Guidance for Implementation Success”

¹⁰ Ibid

¹¹ Services are included only if the entire set of steps can be taken in the regional offices.



| | | | | |
|-----------------|--|-----------|----------|---|
| Northern | Chitipa, Karonga, Rumphu, Nkhata Bay, Mzimba, Likoma | 2,235,351 | Mzuzu | Driver’s license, passport, birth and death certificates ¹² , land registration |
| Central | Kasungu, Ntchisi, Dowa, Michingi, Lilongwe, Dedza, Ntcheu, Salima, Nkhotakota | 7,315,591 | Lilongwe | Driver’s license, vehicle registration, road traffic, passports, birth and death certificates, business registration, land registration |
| Southern | Blantyre, Mwanza, Neno, Chickwawa, Nsanje, Thyolo, Mulanje, Phalombe, Chiradzulu | 4,371,253 | Blantyre | Driver’s license, vehicle registration, passports, birth and death certificates, business registration, land registration |

Source: Population: National Statistics Office, 2016 population projections

8. **To address these challenges, the GoM is piloting a one-stop shop model of integrated service delivery through renovated post offices rebranded as Mlambe Centers.** The GoM has launched two Mlambe Centers in post offices in Lilongwe and Mangochi, as a means to bring services closer to citizens and ameliorate the current barriers to service access. The GoM chose post offices to house the Mlambe Centers as they are familiar to citizens, have internet connections, and already facilitate financial transactions. During the pilot phase, a limited selection of services is being offered by five ministries, departments and agencies (MDAs), including the Registrar General, Road Traffic Authority, Malawi Revenue Authority, the Department of Immigration, and the Malawi Post Corporation (MPC). With post offices located throughout the country, it provides the opportunity to expand the network of Mlambe Centers to additional areas such as: Blantyre, Salima, Mzuzu, Mzimba, Karonga, Kasungu, Mwanza and Mulanje to increase access and widen the scope of services available.¹³

9. **The primary objective of the reform is to improve “access to quality, timely and adequate public services by all Malawians.”**¹⁴ Through the Mlambe initiative, the GoM aims to achieve “a people-centered, transparent and accountable public service that responds to public needs and provides public services that meet global standards and best practice.”¹⁵ Other objectives are to: (i) provide information on public services to the citizenry; (ii) harness citizens’ voices in the performance of government; and (iii) promote the accountable use of public resources. Citizens are expected to benefit from direct access to services and enhanced convenience; improved customer service; and increased efficiency of service delivery.¹⁶ The initiative is overseen by the Public Sector Reforms Management Unit (PSRMU) under the Office of the President and Cabinet (OPC).

10. **The GoM has made several efforts to improve PFM systems with mixed results.** Following the 2013 ‘Cashgate’ scandal the GoM launched a series of reforms including PFM, with the objective to sanitize its PFM

¹² Death certificates can be issued by health centers and hospitals, birth certificates for new births are issued in hospitals.

¹³ Selection of sites is based on criteria including service demand, economic activities, geographic distribution, demographic composition, and population.

¹⁴ Concept Paper for the Establishment of Integrated Public Service Delivery Centres, March, 2015, Public Sector Reforms Management Unit, Office of the Vice President.

¹⁵ Ibid

¹⁶ CSCs can additionally serve as information centers on public services in education (scholarships or examinations), health campaigns, and agriculture extension services.



environment and the civil service. With support from the Financial Reporting and Oversight Improvement Project (FROIP) multi-donor trust fund, the GoM has achieved tangible results. Achievements at the central level include activation of the IFMIS payroll interface and the production and audit of the consolidated financial statements for three consecutive years up to 2016. At the local level, the GoM has activated the Local Government IFMIS and supported Local Councils audit up to the year 2013/14. The GoM is continuing efforts to deepen PFM reforms with its “Rolling Plan” (2017-2022). The Rolling Plan highlights five pillars focusing on planning and budgeting, budget execution, monitoring and reporting, budget oversight and the institutional framework to ensure smooth coordination on the PFM reform agenda.

11. The GoM has also accelerated the decentralization process to improve the accountability of local service delivery by devolving fiscal and human resource management for core sector services to local councils. In December 2016, the Ministry of Local Government and Rural Development issued Establishment Warrants to district councils, marking the formal devolution of tens of thousands of civil servants, including teachers, health workers and agricultural extension staff, from central government ministries to councils. As of January 2017, human resource functions including recruitment, payroll and performance management for these cadre are handled at the local level. Implementation is significantly challenged by inadequate capacities and resources for payroll processing, including concerns about incompatibility between the IFMIS and HRMIS systems, as well as the need to rationalize staffing across levels of government.¹⁷

12. The proposed operation will support the Government to implement priority elements of its reform agenda with emphasis on solving functional problems to enable improved administrative service delivery and financial management in select areas. The project will support the reform by financing the transformation of post offices to Citizen Service Centers (CSCs) to increase citizens’ access to administrative services. Other activities target quality of service delivery focusing on “back end” process improvements through business process re-engineering (BPR) and development of service standards. The second pillar of the project supports implementation of the IFMIS at the central and local levels and key priorities under the Rolling Plan. The project will also support capacity building on monitoring and evaluation to ensure results are measured. The approach planned is results-based, aiming at ameliorating functional problems.

13. The proposed project aims to strategically address key areas identified by the Government and will be supported by a number of parallel reform initiatives with donor partners. The UK Department for International Development (DfID) is supporting public sector reforms including a new Public Service Act. The UNDP has also provided technical assistance (TA) to help the Government draw up a Public Service Reform roadmap, and support to the rollout of the National Registration and Identification System (NRIS). The United States Agency for International Development (USAID) is also providing targeted TA to the Department of Human Resource Management and Development (DHRMD) to develop a reform action plan.

14. The rollout of the new National ID Cards¹⁸ can potentially catalyze transformational change in service delivery through the new CSCs. As of October 2017, over 7.9 million residents have registered for the

¹⁷ Report on the Capacity Assessment of the Ministry of Local Government and Rural Development (District Councils) in Light of the New Establishment Warrant. (USAID LGAP 2017).

¹⁸ The National Registration Act of 2009 that makes it mandatory for all Malawians aged 16 years of age and above to be registered in the NRI was brought into force in August 2015. The National Registration and Identification System (NRIS) project is being supported by other donors including UNDP and DfID.



national ID cards.¹⁹ From 2018, the National Registration Bureau (NRB) estimates 500,000 new ID cards to be issued annually through District Commissions offices and 218 post offices. The introduction of unique ID numbers creates opportunities to broaden the scope of services available through the Mlambe Centers, for example, pension payments and other social benefits. The rollout of the IDs will also allow for tracking of unique users accessing the center in the future. Further, the 2016-2020 National e-Post Strategy of the MPC lists additional services to be made available at post offices, including accepting utility payments, banking services, microloans, and payments for pay for work projects under the Local Development Fund. These new services are planned to be offered through the CSCs, increasing citizen access to a greater number and scope of services, increasing the value and benefits of the centers.

Relationship to CPF

15. The project is aligned with the Malawi Country Assistance Strategy (CAS) FY13–16, which prioritizes World Bank Group support around three themes. These include: (i) promoting sustainable, diversified, and inclusive growth; (ii) enhancing human capital and reducing vulnerabilities; and (iii) mainstreaming governance for enhanced development effectiveness. Through its focus on improving administrative service delivery and modernizing PFM systems, the proposed project responds most fully to the third pillar of the CAS, as well as four out of six CAS results areas, including: (i) a business environment that promotes competitiveness and enhances productivity; (ii) improved delivery of public services; (iii) improved public sector management systems; and (iv) strengthened social accountability for service provision. It also aligns with the findings emerging from the draft Systematic Country Diagnostic on the cross cutting importance of improving public sector performance and trust through an adaptive, incremental and opportunity-driven approach to functional reform.

16. The proposed project supports the Malawi Growth and Development Strategy (MGSP) III (2017-22), the PSRP “Making Malawi Work”, the PFM Rolling Plan and other national strategies. The draft MGSP III focuses on good governance, specifically public sector management; financial management reforms and transparency, accountability and institutional strengthening in order to improve management and better service delivery²⁰. The MGSP III recognizes the need to improve PFM systems to address revenue enhancing and expenditure management controls that would have significant implications for resource management. The draft PFM Rolling Plan 2017-2022 provides a common framework for coordination, management and monitoring of PFM systems across Government including at local level. The overall objective of the Rolling Plan is to ensure a PFM system that promotes transparency, accountability, and fiscal discipline in the management and use of public resources for improved service delivery and economic development. This complements the key objective of the PSRP to improve the efficiency and effectiveness of the public service to deliver high quality public services to the public.²¹ Further, Malawi’s Open Government Partnership (OGP) National Action Plan (2016-2018) identifies public service reform and public service delivery as the fourth commitment, highlighting their importance to the sustainable economic development of Malawi.²²

¹⁹ UNDP, and reported in Nyasa Times <https://www.nyasatimes.com/malawi-national-ids-7-9-million-registered-minister-chiumia-says-no-one-will-left/>

²⁰ Draft MGSP 2017-22.

²¹ “Making Malawi Work”, Public Service Reform Commission Final Report, Public Service Reform Project, 2015, Public Sector Reforms Management Unit, Office of the Vice President. p. 5.

²² Malawi Open Government Partnership Action Plan 2016-2018, p. 9.



17. **The project builds on successes of the FROIP project and complements a larger World Bank operation (Digital Malawi) that broadens internet connectivity and supports prerequisites for online service delivery in the future.** FROIP yielded a number of key achievements noted above. The World Bank's Digital Malawi project aims to increase broadband connectivity, foster an enabling regulatory environment and provide needed infrastructure. While the proposed project will not specifically target automation of services, it will provide financing for business process re-engineering (BPR) to support planning and migration to electronic services in the future. However, in a country context such as Malawi where the majority of citizens may not have easy access to the internet and prefer face-to-face engagement, having a physical center where they can obtain services is critical to bridge the analog/digital divide.

18. **The proposed project also seeks to support the World Bank's twin goals of reducing poverty and boosting shared prosperity.** Weak financial management and public sector performance have contributed to the environment that enabled 'cash gate' to take place and lead to poor service delivery and low levels of citizen expectations and trust, which in turn sustain a low-level equilibrium. The operation will support tractable and tangible changes to rebuild trust and strengthen the social contract. Specifically, the operation will support efforts toward poverty reduction by bringing services closer to citizens, reducing administrative costs and inefficiencies, and lowering the travel time and transaction costs of service users. The proposed project aims to provide a more equitable distribution of access points to government services, which will reduce the burden of service access (specifically in time and transport costs) for the poorest segments of the population and those in the most remote areas of the country. The operation will also strengthen controls to reduce opportunities for abuse of public finances, increasing confidence of citizens, donors, the private sector and investors, and maximizing the developmental impact of Malawi's limited fiscal space.

C. Proposed Development Objective(s)

To improve access to and quality of administrative services delivery and enhance public financial management systems and processes.

Key Results (From PCN)

19. The following results indicators will track progress towards achievement of the Project Development Objective (PDO):

- **Access to selected administrative services through CSCs** (as measured as the number of CSCs made fully operational²³)
- **Improved quality of administrative service delivery** (as measured by the percentage of services delivered within the stipulated service standards.)
- **Enhanced integrated revenue management system** (as measured by a functional revenue module in the new IFMIS)
- **Timely submission of audited reports to the Parliament** (as measured by months from receipt of financial reports from Accountant General to submission of the audit report by the Auditor General)

²³ Fully operational CSCs are defined as equipped centers with adequately trained staff that function at least 6 hours on all working days.



D. Concept Description

20. **The preliminary project structure centers on three mutually reinforcing pillars to support the modernization of the Malawian public administration.** The first pillar focuses on administrative service delivery through support and operationalization of additional Mlambe Centers and related reforms. The second pillar focuses on modernizing public financial management at the central and local levels. The pillars are joined by the common objective of improving service delivery: the first pillar through access and quality of services, the second pillar through efficiency and accountability of financial management. The third pillar supports project implementation and will include a flexible just in time allocation to provide technical and advisory assistance for emerging needs.

21. **The first pillar comprises three core components to support a new public service delivery model.** The GoM has launched two pilot CSCs in Lilongwe and Mangochi in the summer of 2017. The GoM encountered a number of challenges during the process of establishing the pilots. These include an action plan for development and rollout; a framework for institutional coordination; and technical and operational design including staffing, IT, payment systems, and plans for monitoring and evaluation. This pillar will support the GoM to overcome these challenges and provide necessary financing to ensure consistency across the CSCs and the citizen experience. Component 1 supports the refurbishment and operationalization of CSCs at selected post offices. Component 2 supports BPR and change management. Component 3 supports strengthening of performance monitoring and collecting and incorporating citizen feedback.

Component 1.1: Creating and Refurbishing Integrated Citizen Service Centers (CSCs)

22. **The first component supports the refurbishment and operationalization of CSCs to improve citizen's access to selected administrative services.** The objective of this component is to bring services closer to the citizens by converting up to ten post offices into CSCs. This component aligns to phase I of the CSC reform outlined in the PSRP. The project will support physical improvements to the buildings, procurement of necessary infrastructure such as IT equipment, furniture, queuing systems, and cosmetic upgrades and branding. The results to be achieved through this component include: (i) improved access to selected administrative services; and (ii) improved provision of information on selected administrative services to the citizenry.

Component 1.2: Business Process Re-engineering and Change Management

23. **This component will provide TA to streamline administrative and approval procedures for services offered through the CSCs and support accountability and change management.** While the CSCs target service access, this component focuses on efficiency through reforming the services themselves. The PSRP highlights BPR as part of the second phase of the CSC reform. Activities supported under this component include: (i) BPR of selected administrative services; (ii) development of service standards for services offered through the CSCs for improved accountability; (iii) creation of a human resource (HR) Framework for CSC staff to guide operations; and (iv) capacity building for CSC staff and managers on customer service, ethics and accountability, and leadership and change management. The design of the capacity building component will align to the new framework for capacity building in Africa. The trainings will be coordinated with the Malawi Institute of Management (MIM) and the Staff Development Institute (SDI) for sustainability. The key outcomes to be achieved include: (i) improved timeliness of service delivery; (ii) improved quality of service delivery through application and monitoring of service standards; and (iii) enhanced capacity to deliver quality services through training programs on customer service orientation and ethics and accountability of public servants.



Component 1.3: Citizen Engagement and Performance Monitoring

24. **This component aims to strengthen performance monitoring of the CSCs, collect and incorporate citizen feedback, and promote use of service delivery data for decision-making.** Activities supported under this component include: (i) development of a system of citizen feedback mechanisms such as Point of Service (POS) surveys, text based messaging, or citizen scorecards to gather data on the quality of services; (ii) establishment of an informational call center; (iii) citizen communication and outreach; (iv) creation and evaluation of district-level performance contracts; and (v) capacity building and on performance monitoring and reporting, including development of performance frameworks. Results to be achieved under this component include: (i) increased citizen voice through feedback mechanisms; (ii) increased citizen awareness of the CSCs and availability of services; (iii) expanded citizen access to information on services; and (iv) strengthened capacity for monitoring and evaluation (M&E) of service delivery.

25. **The second pillar comprises two components aligning to the PFM Rolling Plan that focus on strengthening PFM systems, oversight, and accountability at the central and local levels.** The Rolling Plan highlights activities to strengthen centralized and decentralized systems of core public financial management to support accountable and efficient service delivery. The activities will support the enhancement of information systems and capacity while also increasing a broader culture of accountability and results orientation through multiple oversight functions. The components include: (i) strengthening budget, finance, revenue and procurement systems; and (ii) improving PFM oversight and accountability.

Component 2.1: Strengthening budget, finance, revenue and procurement systems

26. **This component aims to strengthen core systems of revenue management and budget execution through modernized IT systems and capacity building.** The current PFM systems are fragmented, and there is a need to integrate revenue systems with overall PFM. As noted, one key challenge is the interoperability between the IFMIS and HRMIS systems, which supports recruitment and payment processing of service providers and civil servants at the local level. Strengthening the IFMIS system can support the service delivery agenda by providing a means to track and monitor payments collected through the CSCs and directed to the relevant MDAs. The activities complement efforts aimed at improving the efficiency and integrity of revenue administration by establishing comprehensive budget coverage and strengthening fiscal policy and budget management at all levels of government. This component has four subcomponents: (i) IFMIS, accounting and reporting systems; (ii) budget planning and execution at central and local levels including intergovernmental transfer management; (iii) revenue management systems; and (iv) public procurement systems. Each subcomponent will comprise activities based on the reform initiative. The activities to be supported under this component include (i) the procurement of the new IFMIS; (ii) strengthening of the district/regional treasuries; (iii) harmonization and strengthening revenue transfers from the District/Councils level to the Malawi Revenue Authority (MRA); and (iv) capacity building for MDA and District Treasuries/Councils on IFMIS. The expected outcomes for this component include: (i) improved public financial management information systems and processes; (ii) improved public financial management at the local level; and (iii) enhanced efficiency and integrity of revenue administration by integrating the revenue management system through IFMIS.

Component 2.2: Improving PFM oversight and accountability



27. **The objective of this component is to improve transparency and accountability in PFM through strengthening oversight functions assigned under the Malawi Constitution and the PFM Act.** The component has two subcomponents: (i) strengthening internal and external audit and oversight; and (ii) support for civil society budget monitoring and social accountability. The activities supported under this component include: (i) establishment of a Public Accounts Committee (PAC) Secretariat; (ii) strengthening the capacity of internal and external auditors through workshops and relevant professional trainings, (iii) public hearings by the PAC of the Parliament, and (iv) capacity strengthening of CSAs to be able to effectively monitor budget execution. The key results include: improved effectiveness, independence and the internal audit function; (ii) enhanced capacity to implement audit recommendations; and (iii) increased access to financial and budgetary information; and (iv) increased participation of citizens and civil society in budget matters.

28. **The third pillar aims to support capacity building and institutional strengthening related to achievement of key results.** Activities supported under this component include: (i) Establishment of a Project Management Unit (PMU) and operating costs; (ii) TA to support project management and implementation (including project M&E, BPR and ICT); and (iii) a just-in-time TA allocation to respond to emerging needs during project implementation. Resources will also be used to support communication activities, including workshops, conferences, study visits, and communication through different media to reach internal and external audiences. The key result of this pillar is enhanced capacity for project management and institutional coordination to achieve project results.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented in ten districts, starting with pilots in Lilongwe, Mangochi, and to be rolled out to Blantyre, Salima, Mzuzu, Mzimba, Karonga, Kasungu, Mwanza and Mulanje districts. The project will finance the creation, refurbishment and operationalization of one-stop shop citizen service centers at 10 existing post offices in the districts mentioned above. The post office premises usually have trees around but will not be affected by this project since it will be implemented in existing structures.

B. Borrower's Institutional Capacity for Safeguard Policies

As noted by other the recent projects (e.g. Malawi Flood Emergency Recovery - P154803, Skills Development Project - P131660, etc.), the Government of Malawi has established an effective safeguard implementation unit which spearheads the implementation of environmental and social safeguards. Furthermore, as of 2015, it has been noted that the Environmental Affairs a Department (District Environmental officers) has the technical expertise to prepare detailed environmental and social management plans for sub-projects.

Likewise, safeguards capacity has improved at the district level as key technical staff includes Environmental District Officer, District Environmental Inspectors and District Lands Officers who have been trained in environmental management issues. Also, at district level, there is a District Environmental Sub Committee (DESCO) which coordinates natural resources management including



environmental and social safeguards at the local level. Recently, government has recruited Environmental Inspectors to strengthen the environmental inspectorate and advisory management services in all parts of the country.

Additional technical capacity will be provided by the project to further strengthen the technical safeguards capacity of all key stakeholders.

C. Environmental and Social Safeguards Specialists on the Team

Mary C.K. Bitekerezo, Social Safeguards Specialist
Mercy Chimpokosera-Mseu, Environmental Safeguards Specialist
Violette Mwikali Wambua, Social Safeguards Specialist

D. Policies that might apply

| Safeguard Policies | Triggered? | Explanation (Optional) |
|--|------------|---|
| Environmental Assessment OP/BP 4.01 | Yes | <p>This project will support the refurbishment and operationalization of up to ten CSCs. The Government has rolled out pilot CSCs in Lilongwe and Mangochi, and additional post offices will be refurbished in locations which may include Blantyre, Salima, Mzuzu, and Mzimba.</p> <p>The refurbishment of the post office facilities will include demolition of old counters and brick walls partitions, remove existing floor tiles, removal of existing ceilings, removing existing doors and window openings reinstate concrete slab, two coats plaster to walls Lay Floor tiles, fit counters, suspended ceiling, painting. These activities may result in the creation of solid waste, minor congestion due to the use of vehicles, and noise/air pollution caused by the rehabilitation works. Learning from the pilots, there has not been use of asbestos-containing materials. Therefore, a generic ESMP that will cover environmental and social issues in all sites will be prepared. Workers code of conduct and labor influx issues will be addressed in the ESMP. The ESMP will be consulted on and disclosed prior to Appraisal.</p> |
| Performance Standards for Private Sector Activities OP/BP 4.03 | No | |
| Natural Habitats OP/BP 4.04 | No | The sub projects will be implemented within existing post office premises hence policy is not triggered |
| Forests OP/BP 4.36 | No | Since the activities are confined within existing institutions, policy is not triggered. |
| Pest Management OP 4.09 | No | The policy is not applicable to this project |



| | | |
|--|----|---|
| Physical Cultural Resources OP/BP 4.11 | No | The works will be carried out within all post offices existing footprints and will not excavate new areas. |
| Indigenous Peoples OP/BP 4.10 | No | The policy is not applicable to this project |
| Involuntary Resettlement OP/BP 4.12 | No | The works will be carried out within all post offices existing footprints and there is no opening of new areas. |
| Safety of Dams OP/BP 4.37 | No | The policy is not applicable to this project |
| Projects on International Waterways OP/BP 7.50 | No | The policy is not applicable to this project |
| Projects in Disputed Areas OP/BP 7.60 | No | The policy is not applicable to this project |

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jan 17, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The ESMP as required will be conducted and published before the Appraisal Meeting.

CONTACT POINT

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Implementing Agencies



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