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Report No: PAD1291

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL IDA GRANT  
IN THE AMOUNT OF SDR48.4 MILLION  
(US\$68.2 MILLION EQUIVALENT)

AND A PROPOSED ADDITIONAL IDA CREDIT  
IN THE AMOUNT OF SDR4.8 MILLION  
(US\$6.8 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALAWI

FOR A

STRENGTHENING SAFETY NETS SYSTEMS PROJECT –  
FOURTH MALAWI SOCIAL ACTION FUND ADDITIONAL FINANCING

March 5, 2015

Social Protection and Labor Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective February 26, 2015)

Currency Unit = Malawi Kwacha  
US\$1 = MWK 460  
US\$ = SDR 0.70932047

FISCAL YEAR  
July 1 – June 30

## ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CDD	Community Driven Development
COMSIP	Community Savings and Investment Promotion
CPs	Cooperation Partners
DA	Designated Accounts
DL	Disbursement Letter
ESMF	Environmental and Social Framework
EU	European Union
FAO	Food and Agricultural Organization
FISP	Farm Input Subsidy Program
FROIP	Financial Reporting and Oversight Improvement Project
GDP	Gross Domestic Product
GoM	Government of Malawi
IFMIS	Integrated Financial Management Information System
IDA	International Development Association
IPF	Investment Project Financing
KfW	Kreditanstalt für Wiederaufbau,
LDF	Local Development Fund Mechanism
LDF-TST	Local Development Fund-Technical Support Team
MASAF	Malawi Social Action Fund
MDGS	Malawi Growth and Development Strategy
MFEPD	Ministry of Finance, Economic Planning and Development
M&E	Monitoring and Evaluation
MIS	Management Information System
MNSSP	Malawi National Social Support Program
NSSP	National Social Support Policy
MoLGRD	Ministry of Local Government and Rural Development
NLGFC	National Local Government Finance Committee
NSC	National Steering Committee
NSSSC	National Social Support Steering Committee
NSSTC	Social Support Technical Committee

PAD	Project Appraisal Document
PIM	Project Implementation Manual
PMP	Pest Management Plan
PMT	Proxy Means Targeting
PWs	Public Works
PWP	Public Works Program
RPF	Resettlement Policy Framework
SCT	Social Cash Transfer
SOE	Statement of Expenditure
SORT	Systematic Operations Risk-Rating Tool
SP	Social Protection
UNICEF	United Nations Children’s Education Fund.

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	Country Manager:	Laura Kullenberg
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	Practice Manager:	Manuel Salazar
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# MALAWI

## Strengthening Safety Nets Systems Project – Fourth Malawi Social Action Fund (MASAF IV)

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## ADDITIONAL FINANCING DATA SHEET

*Malawi*

*MASAF IV Strengthening of Safety Net Systems Additional Finance ( P148617 )*

*AFRICA*

*GSPDR*

Basic Information – Parent									
Parent Project ID:	P133620	Original EA Category: B - Partial Assessment							
Current Closing Date:	30-Jun-2018								
Basic Information – Additional Financing (AF)									
Project ID:	P148617	Additional Financing Type (from AUS): Scale Up and Restructuring							
Regional Vice President:	Makhtar Diop	Proposed EA Category: B - Partial Assessment							
Country Director:	Kundhavi Kadiresan	Expected Effectiveness Date: 30-Oct-2015							
Senior Global Practice Director:	Arup Banerji	Expected Closing Date: 30-Jun-2018							
Practice Manager/Manager:	Manuel Salazar	Report No: PAD1291							
Team Leader(s):	Peter Ivanov Pojarski,Ivan Drabek								
Borrower									
Organization Name	Contact	Title	Telephone	Email					
Government of Malawi	Goodall Gondwe	Minister of Finance	265-1789355	finance@finance.gov.mw					
Project Financing Data–Parent ( Strengthening Safety Nets Systems - MASAF IV-P133620 )									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P133620	IDA-53430	Effective	18-Dec-2013	13-Aug-2014	16-Sep-2014	30-Jun-2018	30-Jun-2018		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P133620	IDA-53430	Effective	XDR	21.40	21.40	0.00	3.36	18.04	15.70

<b>Project Financing Data –Additional Financing MASAF IV Strengthening of Safety Nets Systems Additional Finance ( P148617 )</b>				
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input checked="" type="checkbox"/> IDA Grant
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/> Other
Total Project Cost:	75.0	Total Bank Financing:	75.0	
Financing Gap:	0.0			
<b>Financing Source – Additional Financing (AF)</b>				<b>Amount</b>
BORROWER/RECIPIENT				0.0
International Development Association (IDA)				6.8
IDA Grant				68.2
Financing Gap				0.0
Total				75.0
<b>Policy Waivers</b>				
Does the project depart from the CAS in content or in other significant respects?				No
Explanation				
Does the project require any policy waiver(s)?				No
Explanation				
<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
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Ivan Drabek	Team Leader	Senior Operations Officer	Team Leader, Social Safety Net Systems, PWs and CD	GSPDR
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Trust Chamukuwa Chimaliro	Financial Management Specialist	Financial Management Specialist	Financial Management	GGODR
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Boyenge Isasi Dieng	Team Member	Consultant	Social Safeguards	GSURR

Cheikh A. T. Sagna	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSURR
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Maniza B. Naqvi	Team Member	Sr Social Protection Specialist	Social Safety Net Systems, PWs and CDD	GSPDR
Ruma Tavorath	Safeguards Specialist	Senior Environmental Specialist	Environmental Safeguards	GENDR
Stephen Mugendi Mukaindo	Counsel	Counsel	Legal Counsel	LEGAM

#### Extended Team

Name	Title	Location

#### Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Malawi		Northern Region			
Malawi		Central Region			
Malawi		Southern Region			

#### Institutional Data

Parent ( Strengthening Safety Nets Systems - MASAF IV-P133620 )

#### Practice Area (Lead)

Social Protection & Labor

#### Contributing Practice Areas

#### Cross Cutting Topics

[ ] Climate Change



<input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership					
<b>Sectors / Climate Change</b>					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation benefits %	Co-
Health and other social services	Other social services	75	64		
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	20	93		
Education	Primary education	5			
Total		100			
<b>Themes</b>					
Theme (Maximum 5 and total % must equal 100)					
Major theme	Theme	%			
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	80			
Human development	Nutrition and food security	10			
Social protection and risk management	Natural disaster management	5			
Social protection and risk management	Social Protection and Labor Policy & Systems	5			
Total		100			
<b>Additional Financing MASAF IV Strengthening of Safety Nets Systems Additional Finance ( P148617 )</b>					
<b>Practice Area (Lead)</b>					
Social Protection & Labor					
<b>Contributing Practice Areas</b>					
<b>Cross Cutting Topics</b>					
<input checked="" type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence					

Gender  
 Jobs  
 Public Private Partnership

**Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation benefits %	Co-
Health and other social services	Other social services	50			
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	30			
Agriculture, fishing, and forestry	Irrigation and drainage	15			
Industry and trade	Agro-industry, marketing, and trade	5			

Total 100

**Themes**

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	50
Social protection and risk management	Social Protection and Labor Policy & Systems	50

Total 100

**Consultants (Will be disclosed in the Monthly Operational Summary)**

Consulting services to be determined



## **I. INTRODUCTION**

1. This Project Paper seeks the approval of the Executive Directors to provide a grant in an amount of SDR48.4 million (US\$68.2 million equivalent) and a credit in an amount of SDR4.8 million (US\$6.8 million equivalent) for an Additional Financing to the Malawi Strengthening Safety Nets Systems Project – Fourth Malawi Social Action Fund (MASAF IV) (P133620) (Cr. 5343-MW).

2. The purpose of the Additional Financing is to fill the financing gap already identified at the time of appraisal and negotiations of the MASAF IV original project as a prerequisite for the achievement of the project development objectives. Given the full amount of IDA financing required for MASAF IV was not available at the time of MASAF IV negotiations, the Government of Malawi (GoM) requested and the World Bank agreed that an Additional Financing would be secured soon after MASAF IV effectiveness in order to ensure that the project activities could be achieved and development objectives met. This request is recorded in the PAD for MASAF IV. The PAD for MASAF IV reflects the originally estimated financing needs of the project in the amount of US\$107.0 million and the financing gap of US\$74.2 million to be covered by this Additional Financing.

3. The proposed Additional Financing would maintain the development objective for the MASAF IV to strengthen Malawi's social safety net delivery systems and coordination across programs. It would be achieved through the strengthening of a social safety nets system, which would increase productive assets and reduce the impact of shocks and vulnerability of the poor in Malawi and improve coverage of targeted benefits.

4. The main credit funds are sufficient for financing the project activities in the first year of implementation, while the Additional Financing would provide funding for the additional three years of implementation. It would primarily finance the activities under the first project component (Productive Safety Nets) which focuses on three productive safety nets programs: (i) Productive Community Driven Public Works; (ii) Livelihoods and Skills Development; and (iii) Social Cash Transfers. In addition, it would also support the Systems and Capacity Building component, which would finance investments, capacity building, technical assistance, training, staff and equipment for the social safety nets system, as well as support the policy dialogue in this area. Finally, the proposed Additional Financing would also finance the project management costs, primarily by funding the operations of the Local Development Fund – Technical Support Team (LDF-TST). Proposed Additional Financing for the MASAF IV would provide continued support to strengthening Malawi's safety nets system and would enable reaching the expected MASAF IV project outcomes.

## **II. BACKGROUND AND RATIONALE**

### **A. Country Context**

5. The FY13-16 Malawi Country Assistance Strategy (CAS) was prepared in the aftermath of a destabilizing governance crisis and a period of sustained macroeconomic imbalances which came close to triggering a policy induced recession. In the CAS, the Bank aimed to support a

series of structural and macroeconomic reforms necessary to restore internal and external balances, and put the country back onto a stable economic pathway. Earlier reforms, including liberalization of the exchange rate and fuel price regimes as well as stronger planning and budgeting, helped restore confidence and contributed towards positive rates of economic growth. However, the large-scale theft of public resources by a group of individuals working both inside and outside of government exploited weaknesses in the public financial management systems and again placed Malawi in a vulnerable position. Known locally as the “cashgate” scandal, the net effect has been a substantial reduction in Official Development Assistance provided to the Government, including the suspension of critical external budget support. This has in turn put the fiscal accounts and effects to consolidate expenditures under significant stress. This has further triggered a significantly enlarged budget deficit, high cost domestic borrowing and resurgent inflation, erasing earlier gains in terms of macroeconomic management. Inflation is quite high, undermining investor confidence and eroding the purchasing power of the poor. More recently, the kwacha has come under sustained pressure with the effects of the end of the tobacco marketing season exacerbated by depressed expectations for budget support. Hence, the CAS outcome of improved macroeconomic management is considered to be off-track at this time.

6. Despite significant pressures, the Government has indicated its commitment to prudent macroeconomic policies, including a market based exchange rate and fuel price policies. The FY14/15 budget is being implemented during a period of significant uncertainty with key risks on the containment of public spending, Government’s domestic revenue performance, and on the likelihood of budget support being resumed. Malawi is unlikely to see the return of substantial budget support until donors are convinced of the improvement of the integrity of public financial management systems.

7. The broad objectives set out in the CAS, however, remain highly relevant and the need for improved macroeconomic policies and the maintenance of internal and external balances is of continued importance. Malawi continues to suffer from persistent volatility in terms of macroeconomic policy and performance, with a stop-go cycle that has damaged private sector investment and job creation and hampered efforts to diversify the economy. In the short-term at least there are likely to be growth consequences resulting from fiscal consolidation and/or monetary tightening, as Government is forced to undertake adjustments within a tight fiscal framework. Improving macroeconomic management is an essential pre-requisite if Malawi is to succeed in meeting the twin goals of ending extreme poverty and boosting shared prosperity. The Bank Group’s program in Malawi on macroeconomics and fiscal management issues thus remains of critical importance. During the remainder of the CAS, this will include scaled up policy dialogue on issues associated with macroeconomic management, as well as a possible new development policy lending series that will shift the focus from economic recovery to one of public policy reform, with a strong focus on improving the integrity of public financial management systems and undertaking the structural reforms necessary to achieve sustained spells of economic growth and poverty reduction.

8. For almost two decades the Government of Malawi’s (GoM’s) efforts to reduce poverty have focused on its flagship safety nets program of cash transfers through MASAF-LDF public works to 1.6 million of the poor. In addition, MASAF public works beneficiaries have been organized into savings groups under the MASAF supported Community Savings and Investment

Promotion. More recently, a Social Cash Transfers program supported by a number of Cooperating Partners (CPs) has targeted the most vulnerable and labor constrained households. These key programs had worked in isolation of each other and the delivery of safety nets remained fragmented and inadequate.

9. The MASAF IV has been designed as a second generation safety net system that builds a Safety Net platform to harmonize, coordinate and deliver safety nets based on the 17 year experience of the Local Development Fund Mechanism (LDF) and more recent approaches underway in the country on a unified registry system. It supports productive community driven public works through MASAF, the Community Savings and Investment Promotion (COMSIP), and the more recent Social Cash Transfers program. It also strengthens, coordinates and harmonizes the establishment of a system for unified registries and the targeting of the poorest and most vulnerable in the country. The MASAF IV harmonizes and coordinates the approaches, targeting, and systems of these programs. It therefore supports a second generation safety nets system through the Safety Net platform, which is based on improving the existing safety net programs in the country. MASAF IV is in line with the National Social Support Policy (NSSP) while also working within the water, agriculture, environment and climate resilience and disaster risk management sectors to reduce poverty and vulnerability.

## **B. Sector Context.**

10. The Government of Malawi (GoM) approved its social protection framework through the National Social Support Policy (NSSP) in June 2012, followed by the Malawi National Social Support Program (MNSSP) approved in April 2013. The NSSP outlines the need for better coordination, targeting and a rebalancing of expenditures to make way for a more effective Social Protection (SP) system that has a goal to reduce poverty and enable poor households to move out of poverty and vulnerability. The high levels of vulnerability of the poor to shocks has been further exposed by the emergency flooding situation in many parts of Malawi due to incessant rains in January 2015. Over 600,000 people are estimated to have been affected by the flooding in some of the poorest parts of the country. The Bank is responding strongly to the flood emergency through four means: provision of additional IDA resources, reallocation of funding from ongoing projects, frontloading of some activities in ongoing projects for the affected districts, and provision of Technical Assistance to support the Government and short-term and more medium-term efforts (please also see paragraph 56 below).

11. The Government of Malawi has prioritized social protection by including it as the third theme in the second Malawi Growth and Development Strategy (MDGS II) (2011-2016). A range of policies and programs exist for protection of the elderly, the disabled and children.

### ***Coordination***

12. The Coordination is under the Ministry of Finance, Economic Planning and Development within its Directorate of Poverty Reduction and Social Protection. The Ministry has the structure in place for coordinating the many interventions in place in the country through the National Social Support Steering Committee (NSSSC). The NSSSC is a high level committee comprising of Principal Secretaries and development partners. The NSSSC is supported by the National

Social Support Technical Committee (NSSTC) which has various technical subcommittees which include the one on public works, village savings and loans, and the one on cash transfers. Coordination among programs is improving following the frequent meetings that take place amongst the various technical committees with implementing agencies and feeding into the NSSSC for approvals and guidance; however, it will take some time to reach a stage where all programs are effectively coordinated.

**Coverage**

13. The National Social Support Program categorizes the poor as the ultra-poor labor constrained households, ultra-poor with labor and the poor. To these categories the appropriate interventions have been mapped e.g. cash transfers for the ultra-poor and public works for those not labor constrained etc. Table 1 below provides estimated coverage of social support programs in Malawi. However, not all the households are covered by the interventions due to resource limitations and inefficiencies following poor targeting. There are large gaps in coverage including leakages and duplication in some program interventions particularly the Farm Input Subsidy Program (FISP) according to the Expenditure Review findings. The Government is considering policy directions which would focus on improving targeting and delivering appropriate productive safety nets and appropriate agriculture inputs and interventions for the most vulnerable rural poor who are dependent on agriculture for their on farm and off farm livelihoods. The Malawi Strengthening Safety Nets Project (MASAF IV) which became effective in September 2014 would establish a systematic approach to productive safety nets and would include support to productive public works, cash transfers, training and grants for livelihoods and income generation. MASAF IV supports the development of a unified registry of beneficiaries which would be used by all social protection providers.

**Table 1: Estimated Coverage of Social Support Programs<sup>1</sup>**

<b>Program</b>	<b>No of households requiring the program</b>	<b>Provider</b>	<b>Current Coverage (households)</b>	<b>Gap (Households)</b>	<b>Planned Coverage MASAF IV</b>
Public Works	370,000	MASAF 4	240,000	110, 460	376,121
		RIDP	12,641		
		WFP	6,899		
Social Cash Transfer	255,000	Malawi Government/ Donors (9 districts)	55,729	111,259	21,000
		MASAF 4	21,000		
		EU Funding (7 additional districts)	67,012		
Livelihoods and Skills Dev./ Village Savings and Loans/ COMSIP	600,000	COMSIP	99,694	461,851	134,701
		CARE Malawi	38,455		
School Meals	1,600,000 pupils		1,800,000 pupils	Target being reassessed, as underestimated.	0

<sup>1</sup> World Bank estimate based on the official documents

### ***Monitoring & Evaluation Systems***

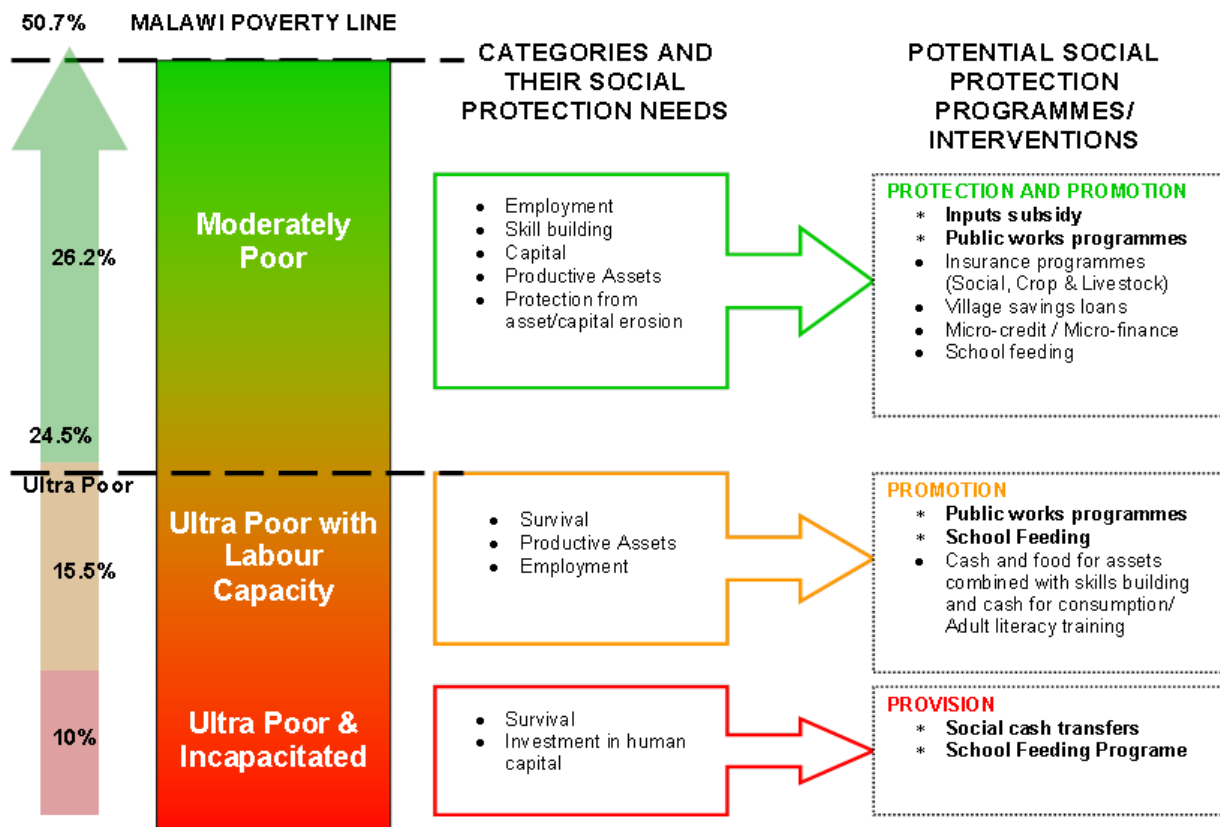
14. The Government has a central Monitoring and Evaluation (M&E) Division in the Ministry of Finance, Economic Planning and Development which captures information from the district level where the programs are implemented. However, there are capacity gaps at the district level due to few M&E staff and their low skill level, currently being enhanced through the Local Development Fund. Tracking of beneficiaries by project appears to be easier than tracking of budgets. The main Government programs which are also donor funded have impact evaluation as part of their design e.g. MASAF 3 APL II, MASAF 4, the Social Cash Transfer - instituted one which informed the Government decision to scale up. Many others are ongoing which provide an evidence base for moving forward. While the central M&E exists, the M&E for the Social Protection (SP) sector per se is not yet in place; however the Government with support from UNICEF is working on it.

### ***Social safety net programs***

15. The Government has identified five social support instruments for the National Social Support Program. They include: i) public works; ii) social cash transfers; iii) school meals; iv) micro-finance; and v) village savings and loans programs. These were identified after analyzing the 50.7 percent population living below the poverty line in the country consisting of: the moderately poor needing employment, skills building, capital, productive assets, and protection from capital/assets depletion; the ultra-poor with labor needing survival, employment and productive assets; and the ultra-poor in need of survival and human capital development and protection. MASAF IV is a new design that transitions from the MASAF III Social Fund approach to a Safety Nets Systems approach focused on reducing vulnerability. MASAF IV follows the example of successful safety net programs in the region and is designed as a second generation safety net, which would improve and finance existing key safety net programs and support the establishment of the building blocks for a coordinated and systematic approach to safety nets. MASAF IV is designed to reduced poverty through cash transfers and income generating productive assets to households through three key channels: (i) productive community driven public works which increase the income and food security of households and communities; (ii) livelihoods and savings programs; and (iii) social cash transfers to labor constrained households. It would support the productive public works, Social Cash Transfers, savings and livelihood groups, and the capacities of implementing agencies and ministries to support the key building blocks of a safety net system.



**Figure 1: Malawi's Poverty Profiles and Targeted Social Protection Program**



\* To be funded out of the Government of Malawi Pool Fund for Social Support

16. The above figure provides a scheme that shows how the individual objectives of the separate social assistance interventions tie up well under the common framework of building an integrated social safety nets system that provides coverage to all strata of the poor.

17. Because the design of MASAF IV is embedded in the poverty reduction strategy, the results of MASAF IV would be similar to those in similar programs in the region where poverty has been reduced significantly due to a safety net approach. Extreme poverty and vulnerability is a serious and persistent problem in rural Malawi, and it has increased from 20 percent to 24 percent between 2005 and 2011. The inability of private markets to address this problem brings up the need for public sector intervention. The resources spent by the Government of Malawi (GoM) on Safety Nets in recent years are far less than what would be needed to effectively reduce extreme poverty and vulnerability. The introduction of the productive community driven public works program aims to have an impact on extreme poverty. Ultra-poverty is estimated at 28.1 percent in rural Malawi, which represents roughly 752,000 households (approximately 3.4 million people). If the program were to have perfect targeting of the poorest beneficiaries, reductions in poverty would average 8.6 percentage points (about 230,000 households getting out of extreme poverty). The effects would be variable across districts, ranging from 2.5 to 17.6

percentage points. The poverty gap (depth) that shows how far below the poverty line households are on average, i.e., average of the ratio of the ultra-poverty gap to the ultra-poverty line (currently at 7.9 percent) would fall dramatically by 4.4 percentage points. Consistent with these results, overall inequality would be expected to fall. These results suggest that, even though perfect targeting is never attained, this program has an important potential to reduce extreme poverty in rural Malawi. The Social Cash Transfers (SCT) program in the districts has an impact on extreme poverty and has already been evaluated by the Food and Agricultural Organization (FAO) and others for this impact. FAO results for Malawi show that each cent transferred to a household as a cash transfer has the multiplier impact of growing by 50 percent in the community. Assuming that the program achieves perfect targeting of the most vulnerable of the poorest beneficiaries, in the two districts supported under MASAF IV for the SCT program, then reductions in ultra-poverty would average 10 percentage points in Nkhata Bay and 7.1 percentage points in Dedza. These results underscore the gains that can be achieved by improving the targeting effectiveness in the program. Livelihoods and skills development, through Community Savings and Investment Promotion Groups (COMSIP), has a high potential to boost the effects of the safety nets program. Evidence from MASAF III suggests sizable benefits. Accounting for further improvements under MASAF IV, it is expected that this component constitutes a strong complement to the effects anticipated with the Public Works (PW) and SCT programs. Graduation of participants in those programs will be more likely with a successful intervention in the COMSIP front, which will help, therefore, ensure a long term sustainability of the Safety Nets Systems.

18. The programs that reach out to the poor nationwide are the cash for Public Works Programs of which MASAF is the largest and the Social Cash Transfer program which is being scaled up in phases and now covers 16 out of the 28 districts in the country. The school feeding program covers just over one third of the Districts; and Farm Subsidy Input Program (FISP) which provides voucher subsidies for farm inputs in all districts.

19. The Government's response to poverty and vulnerability has primarily been through the FISP which has remained a main feature of support to households each growing season even though there is growing understanding that it is not benefiting the majority of poor who are vulnerable, landless and dependent on agriculture. In addition, the MASAF is evolving to be a permanent and predictable support to poor households through productive safety nets which directs cash, grants and productive public works with the objective of reducing vulnerability and increasing incomes for the poorest labor able and labor disabled households. The Government has a pilot program in one district on Home Grown School Feeding Program – basically it is a community driven model. If the pilot becomes successful, it will replace the conventional modes of having food centrally procured and distributed to the schools.

20. A public expenditure review underlined the imbalance in the GoM expenditures between expenditures on the Farm Input Subsidies Program and a recent study on Effective Targeting Mechanism in all other expenditures. Expenditures on Safety Nets and Social Protection were dwarfed by this expenditure. The Expenditure Review (2013) stated that the FISP is not a social protection intervention *per se*, and that the design and targeting needs to be revisited to make it efficient in terms of targeting farmers who need such an intervention with more appropriate productive safety nets focused packages. The MASAF IV appraisal found that most programs

use some targeting mechanism, particularly the community based targeting. The Social Cash Transfers implemented through the Government is the only large program using the proxy means testing in addition to the community based targeting. However, in general, in most programs there are leakages to non-poor and exclusion of the poor who should be targeted.

21. Malawi has good social policy environment on social protection. The National Social Support Program is biased towards safety nets. However, within the coordinating Ministry there is already realization of the need for close collaboration with the Ministry of Labor.

22. Monitoring of the existing social assistance exists in the respective programs to track the numbers, beneficiaries by gender and budgets. The Government is making an effort to consolidate the monitoring system. The consultancy to develop the M&E system that was commissioned in 2012 has not yet been completed to inform this assessment on the progress. Evaluations are sporadic and are project specific.

23. The proposed Additional Financing is aligned with the current CAS for Malawi (approved on January 29, 2013) as per the description in the PAD for the original project. The operation would support Malawi to move to a second generation of safety nets within the GoM's decentralization agenda, focused on strengthening and coordinating productive social safety nets for poor and vulnerable Malawian citizens. The CAS aims to contribute to Malawi's efforts towards more diversified, competitive, shock-resilient socio-economic growth, through a program with the following three thematic areas: 1) Promoting Sustainable, Diversified, and Inclusive Growth; 2) Enhancing Human Capital and Reducing Vulnerabilities; and 3) Mainstreaming Governance for Enhanced Development Effectiveness. The operation primarily focuses on Outcome 2.4 of Theme 2 of the CAS: Improved social safety nets systems through improving effectiveness, better targeting mechanisms, appropriate interventions for reducing vulnerability and improved efficiency through cost effective delivery and using district level delivery systems.

### **C. Project Background and Rationale for an Additional Financing.**

24. The MASAF IV was approved by the World Bank's Board of Executive Directors on December 18, 2013 in the amount of SDR21.4 million (US\$32.8 million equivalent). Initial expectations were that the project would become effective in February-March 2014. However, procedures related to the authorization to borrow took longer than expected due to the elections cycle, and the Financing Agreement was signed in August 2014 and the project became effective on September 16, 2014. The project has already disbursed 15 percent and is expected to bring the total estimated disbursement to 30 percent by the time of approval of the Additional Financing. The original credit is expected to fully disburse by October-November 2015, by which time the funds under the proposed Additional Financing are expected to become available. In order to avoid delays in the effectiveness of the AF, the Government of Malawi has committed to a tight timeline of processing the operation after its approval by the World Bank Board of Executive Directors.

25. The project is implemented as an Investment Project Financing (IPF) over a four-year period, with a project closing date of June 30, 2018. The AF is expected to have the same closing

date as the original project. The project financing requirements have been estimated at US\$107.0 million over 4 years. The original IDA Credit of US\$32.8 million has been provided to meet immediate requirements of the GoM for financing its productive safety nets in the first year of implementation. The full amount of the required financing was not available at the time of the approval of the original project because of the limited availability of IDA funds, and the proposed additional financing of US\$75 million would fill the financing gap and provide the remainder of the needed funds for successful project implementation. The MASAF IV results framework is designed for four years of implementation, of which the original financing only covers one year, therefore the proposed Additional Financing is a necessary prerequisite for meeting the original project's development objectives.

26. The overarching goal of MASAF IV is to reduce vulnerability by providing support to the poor and vulnerable households for the purpose of improving incomes resilience, productive assets and the ability to manage risks and shocks. To this end, the project supports the existing Social Safety Nets Platform as defined under the National Social Support Program. The Social Safety Nets Platform is coordinated through MASAF IV under the LDF-TST mechanism with the objective to reduce vulnerability and extreme poverty and improve livelihoods, resilience and quality-of-life for the poor. The Platform focus is on safeguarding people and the environment on which their livelihood depends, through linkages between agriculture, food security, water, irrigation, social welfare, vulnerability, poverty, children and gender issues. The program is designed on the basis of the following principles: (i) fair and transparent client selection; (ii) timely; predictable transfers; (iii) gender equity; (iv) participatory planning; and (v) environmental protection. The MASAF IV approach is in line with and follows the in-country initiative and guidelines for area and watershed management and development for building food security, livelihoods, and resilience against natural disasters through community identified and managed PWs, livelihood programs and social cash transfers.

27. Project performance is currently rated Satisfactory for likelihood of meeting development objectives and Moderately Satisfactory for implementation progress due to the delay in signing of the Financing Agreement caused by national elections that took place in 2014. A project launch workshop was successfully held in early October 2014 with active participation of all the project stakeholders. Good progress has been recorded since effectiveness in initiating the project activities in all the project components and the implementation progress is expected to be upgraded to Satisfactory. There is substantial compliance with all credit covenants. However, some technical covenants are understandably postponed because of the delayed effectiveness of the original financing, and have been renegotiated. The status of these covenants, together with the new covenants for this AF, are presented in Section III on Proposed Changes and Appraisal Summary.

28. The three main components of MASAF IV are: Component I, Productive Safety Nets, focusing on three safety nets programs and has three sub-components; Component II, covering Systems and Capacity Building to finance technical assistance, training, staff and equipment; and Component III, Project Management. The safety net programs supported under Component I are:

- (i) **Productive Community Driven Public Works** finances public works and multiple community driven assets through investments in productive community driven public works and temporary employment. Community driven productive public works create assets and provide temporary employment in the same communities for multiple years. The program is designed to increase impact on household level incomes and food security and reduce households' exposure to risks associated with climate change and other disasters.
- (ii) **Livelihoods and Skills Development** finances livelihoods and skills development by providing grants for increasing household level incomes and assets through savings and investments in livelihood opportunities (Community Savings and Investment Promotion (COMSIP) groups). The grants promote investments which would increase incomes and assets of households and reduce risks of food insecurity and promote better nutrition and health. The sub-component also finances training in nutrition, health and income generating enterprises. This program has been implemented successfully in Malawi for some time with non-Bank financing, and the Bank is joining the successful model.
- (iii) **Social Cash Transfers:** This sub component finances support to capacity building, technical assistance and cash transfers targeted to the poorest, and most vulnerable labor-constrained households. The program was piloted in Malawi in 2006 with the view to become a nationwide program. It has increased its coverage to 16 districts with donor financing, notably from the European Union (EU) and Kreditanstalt für Wiederaufbau, (KfW), with the GoM and Irish Aid also covering one district each, for a total of 16 covered districts. The Bank has joined this successful program<sup>2</sup> to cover 2 more districts.

29. With regard to the Productive Community Driven Public Works, the original plan was to have initially three cycles planned on the basis of MASAF III caseload. Each of these cycles was to be of 12 days of work and would cost a total of US\$8 million. However, the implementation plan had been modified to adjust for the delays in the effectiveness and the increased daily wages. The preparatory phase for the first cycle had been completed several months after MASAF IV effectiveness and the first round was successfully carried out in January/February 2015 using the MASAF III caseload of participants. The second cycle would run in March/April 2015 for 240,000 participants, and the third cycle in June 2015 would cover the same number of participants as the second cycle. MASAF IV has been designed to focus on the same beneficiary households over a period of 3-4 years in order to achieve meaningful impact. Therefore the substantial number of beneficiaries should remain the same per cycle of public works.

30. The MASAF IV has a new design that transitions from the MASAF III Social Fund approach to a Safety Nets Systems approach focused on poverty reduction. The MASAF III

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<sup>2</sup> A recent Food and Agricultural Organization (FAO) study of the program pointed to the productive outcomes of the cash transfers and concluded that "Investments in non-farm small businesses were widespread, particularly in well-connected areas; Households were able to hire labor for their own farms; Social cash transfers represent an important source of income particular for the elderly; The Social Cash Transfer program has reduced negative risk-coping strategies, such as the withdrawal of children from school and absenteeism; Education represented a major expenditure; Beneficiaries have become better integrated into networks."

generated community-level infrastructure and built capacity of districts, but had less effect on poverty reduction. The MASAF IV follows the example of successful safety net programs in the region and is designed as a second generation safety net, which would improve and finance existing key programs and support the establishment of the building blocks for a coordinated and systematic approach to safety nets. MASAF IV is designed to reduce poverty through cash transfers and income generating productive assets to households using three key channels: (i) productive community driven public works which increase the income and food security of households and communities; (ii) livelihoods and savings programs; and (iii) social cash transfers to labor disabled households. It supports productive public works, the social cash transfers, community savings and investment promotion and livelihood groups and the capacities of implementing agencies and ministries to support the key building blocks of a safety net system.

31. The MASAF IV model that would be supplemented by this AF has already modified the MASAF design in ways that would respond to challenges and issues raised in a recent yet incomplete research<sup>3</sup> on the outcomes of the Public Works Program (PWP) under MASAF III. The preliminary analysis of MASAF III, which had a different approach to the PWP, indicates that some of the effects may pose questions as to how the program influenced the food security and the use of agricultural inputs by the participating and non-participating communities. The studies also indicate that the number of days of work and the amounts of cash transferred may have been too small to have an influence. MASAF IV increases the focus on an integrated Social Protection System, increases the number of days worked, adds in social cash transfers to targeted poor, finances community support and investment groups and modifies the PWP to make it more focused and targeted for better effects on the most vulnerable to enable them to graduate out of poverty.

32. MASAF IV focuses on improving the targeting aspects that were shown to be problematic in MASAF III. The analysis shows that while the MASAF III public works program did not affect use of fertilizer or improve the food security of treated households, it was established that untreated households had experienced large reductions in food security. This finding is important to understand the relationship of how targeting occurs at the community level and who is chosen to work on public works and who benefits from the transfer. In order to address this issue, MASAF IV's key design feature became its systems-based targeting processes, which should eliminate large errors of inclusion and exclusion. This work, however, would need further continuing analysis during implementation.

33. MASAF IV design also addresses the weaknesses in MASAF III of the choices for the menu of public works and their impact on food insecurity; the choice of type of community contributions in MASAF III and food insecurity; the relationship of the ultra-poor and extreme poor in Malawi to land and its usage and ownership; the relationship of agriculture and forest land degradation and poverty. MASAF IV poverty targeting simulations suggest that this program's design for targeting and a systematic approach for productive public works, social cash transfers, and livelihoods has a potential to reduce extreme poverty in rural Malawi. The

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<sup>3</sup> Draft report by the Development Economics Research Group under a working title "The design of Public Works and the Competing Goals of Investment and Food Security"

Social Cash Transfers program in the districts has a proven impact on extreme poverty as shown in the FAO impact results report.

34. The DEC analysis in fact strengthens the rationale for the MASAF IV design which addresses the primary concern of increased food and income insecurity and builds on the following lessons learned from the experience of Malawi, the region as well as globally on productive safety nets systems. The MASAF IV design therefore addresses these concerns through Primacy of Transfers, Community Participation in the selection, planning, implementation and monitoring and evaluation of sub-projects, and Proximity to the beneficiary communities of Productive Community Driven Public Works for a higher impact.

35. Programs and Works will follow existing sectoral planning approaches for community development activities planned according to the existing community based planning approaches of the relevant Ministries by ensuring complementarity and linkages of activities in a given area and incorporate mitigation measures for activities which may create environmental risks. Natural resource related Public Work activities will follow Community Based Participatory Watershed Management approaches and guidelines. Productive Community Driven Public Works will be designed to enable women to participate, and priority should be given to works, which reduce women's regular work burden. The creation of productive community assets will be one of the important objectives of the public works program, and for that the MASAF will strengthen the quality control and ensure that sufficient investment funds are available to buy tools and to pay for necessary capital investments that guarantee sustainability of the assets. Targeting in the programs is to be based on a combination of community based targeting and district-level verification completed by Proxy Means Testing (PMT). The Program would refine the lists of beneficiaries based on continuous monitoring of the beneficiary registry. Beneficiaries will remain in the program for a number of years in order for the program to realize impact on substantively reducing vulnerability. While repeating beneficiaries would allow for a substantive impact on poverty outcomes, there have been concerns raised in the country about the coverage and that everyone in the country who is classified as poor should be reached. However, the outcomes expected on overall reduction of poverty through a focused approach of repeat beneficiaries outweigh these concerns.

36. Voluntary savings by individuals and households would be encouraged through the other component of MASAF IV as an asset building and risk diversification, risk insurance and investment promotion opportunity through savings group formation. Skills development would promote life-cycle skills. Skills development would include promotion of risk diversification and risk management planning in addition to enhancing income generation opportunities as well as to build resilience in case of crisis and shocks through a diversification strategy for income for households. Skills development would also promote a diversification in cropping and food intake to improve nutrition content and food security.

### III. PROPOSED CHANGES AND APPRAISAL SUMMARY

<b>SUMMARY OF PROPOSED CHANGES</b>	
The PDO will remain unchanged, and is “to strengthen Malawi’s social safety net delivery systems and coordination across programs.” The Project components and activities will remain the same as described in the PAD for the original project. The Results Framework is modified to reduce the number of indicators and to update the targets for some intermediate results indicators.	
Change in Implementing Agency	Yes [ ] No [ X ]
Change in Project's Development Objectives	Yes [ ] No [ X ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ X ] No [ ]
Change in Loan Closing Date(s)	Yes [ ] No [ X ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ ] No [ X ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ ] No [ X ]
Change in Financial Management	Yes [ X ] No [ ]
Change in Procurement	Yes [ ] No [ X ]
Change in Implementation Schedule	Yes [ X ] No [ ]
Other Change(s)	Yes [ ] No [ X ]
<b>Development Objective/Results</b>	
<b>Project’s Development Objectives</b>	
Original PDO	
The Project Development Objective of the proposed project is to strengthen Malawi’s social safety net delivery systems and coordination across programs.	
<b>Change in Results Framework</b>	
Explanation:	
Some results (targets) are adjusted to reflect the changed implementation timing and available data.	
<b>Compliance</b>	
<b>Covenants - Additional Financing ( MASAF IV Strengthening of Safety Nets Systems Additional</b>	



<b>Finance - P148617 )</b>							
<b>Source of Funds</b>	<b>Finance Agreement Reference</b>	<b>Description of Covenants</b>	<b>Date Due</b>	<b>Recurrent</b>	<b>Frequency</b>	<b>Action</b>	
IDAT		The Recipient shall not later than November 30, 2015, engage an independent expert to verify the list of Social Cash Transfer Beneficiaries for the purpose of Part A.3 (a) of the Project in accordance with the provisions of Section III of this Schedule, whose terms of reference, qualifications and experience and terms and conditions of employment shall be satisfactory to the Association.	30-Nov-2015	<input type="checkbox"/>		New	
IDAT		The Recipient shall not later than June 30, 2016, submit to the Association a technical audit report satisfactory to the Association relating to the Social Cash Transfers made for the period following the Effective Date of the Project, and Thereafter, submit to the Association not later than June 30 in each year, a technical audit report relating to the Social Cash Transfers made in the said year.		<input checked="" type="checkbox"/>		New	
<b>Covenants - Parent ( Strengthening Safety Nets Systems - MASAF IV - P133620 )</b>							
<b>Ln/Cr/TF</b>	<b>Finance Agreement Reference</b>	<b>Description of Covenants</b>	<b>Date Due</b>	<b>Status</b>	<b>Recurrent</b>	<b>Frequency</b>	<b>Action</b>
IDA-53430	Project Steering	Schedule 2 A. 1. (b) The Project Steering		Complied with	<input checked="" type="checkbox"/>	Continuous	No Change

	Committee	Committee shall meet at least semi-annually and shall be responsible for Project oversight, including inter alia: (i) reviewing the proposed Annual Work Plans and Budgets for the Project; (ii) providing overall Project oversight, guidance, coordination and harmonization with the Recipient's relevant policies and (iii) identifying necessary project adjustment					
IDA-53430	Annual Work Plans	Schedule 2 D 1. Not later than May 31 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association: (i) a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of project implementation		Expected soon	<input checked="" type="checkbox"/>	Yearly	No Change
IDA-53430	Cash Transfers	Schedule 2 H. 1. The Recipient shall not later than June 30, 2014, engage an independent expert to verify the list of Cash Transfer Beneficiaries for the purpose of Part A.3(a) of the Project in accordance with the provisions of Section III of this Schedule, whose terms of reference, qualifications and experience and terms	30-Jun-2014	Not yet due	<input type="checkbox"/>		Revised

		and conditions of employment shall be satisfactory to the Association.					
IDA-53430	Cash Transfers	Revised as the new AF Covenant 1 above: "The Recipient shall engage an independent expert to verify the list of Cash Transfer Beneficiaries of the Project."	30-Nov-2015	Not yet due	<input type="checkbox"/>		Proposed
IDA-53430	Cash Transfers	Schedule 2 H. 2. The Recipient shall not later than October 31, 2014, submit to the Association the technical audit report satisfactory to the Association referred to in Section II.B.4 of this Schedule related to the use of the proceeds of the Cash Transfer for the first three months of the Project and, thereafter, submit to the Association not later than January 31, 2015, the technical audit report.	31-Oct-2014	Not yet due	<input type="checkbox"/>		Revised
IDA-53430	Cash Transfers	Revised as IDAT Covenant 2 above: " The Recipient shall not later than June 30, 2016, submit to the Association a technical audit report satisfactory to the Association relating to the Social Cash Transfers made for the period following the Effective Date of the Project, and Thereafter, submit to the Association not later than June 30 in each year, a technical audit report relating to the Social Cash Transfers made in the said year."			<input checked="" type="checkbox"/>		Proposed

IDA-53430	Project Monitoring, Reporting and Evaluation	Schedule 2 II A. 1 The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than forty-five (45) days		Not yet due	<input checked="" type="checkbox"/>	Continuous	No Change
IDA-53430	Project Monitoring, Reporting and Evaluation	Schedule 2. Section II B 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish(or cause to be prepared and furnished) to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association		Not yet due	<input checked="" type="checkbox"/>	Quarterly	No Change
IDA-53430	Project Monitoring, Reporting and Evaluation	Schedule 2. Section II B 3 The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial		Not yet due	<input checked="" type="checkbox"/>	Yearly	No Change

		Statements for each such period shall be furnished to the Association not later than six months after the end of the year					
IDA-53430	Project Monitoring, Reporting and Evaluation	Schedule 2. Section II B 4 The Recipient shall have a technical audit of the delivery of funds for each Cash Transfer installment under Part A.3(a) of the Project carried out by auditors acceptable to the Association and according to terms and reference satisfactory to the Association as set forth in the Project Implementation Manual.		Not yet due	<input checked="" type="checkbox"/>	Yearly	No Change

**Conditions**

Source Of Fund	Name	Type

**Description of Condition**


**Risk**

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Substantial
9. Other	Moderate
OVERALL	Substantial

**Finance**

**Loan Closing Date - Additional Financing ( MASAF IV Strengthening of Safety Nets Systems**

<b>Additional Finance - P148617 )</b>										
<b>Source of Funds</b>						<b>Proposed Additional Financing Loan Closing Date</b>				
IDA recommitted as a Credit						30-Jun-2018				
IDA Grant						30-Jun-2018				
<b>Change in Disbursement Estimates (including all sources of Financing)</b>										
Explanation: The original project became effective 6-8 months later than initially expected.										
<b>Expected Disbursements (in US\$ Million)(including all Sources of Financing)</b>										
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual	0.00	28.00	25.00	22.00	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	0.00	28.00	53.00	75.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Allocations - Additional Financing ( MASAF IV Strengthening of Safety Nets Systems Additional Finance - P148617 )</b>										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement % (Type Total)			
			Proposed				Proposed			
IDA	XDR		4,800,000.00				100.00			
			<b>Total:</b>				4,800,000.00			
IDAT	XDR		48,400,000.00				100.00			
			<b>Total:</b>				48,400,000.00			
<b>Components</b>										
<b>Change to Components and Cost</b>										
Explanation: Components description and substance do not change. The new component costs are described below, and include the final total costs from the original and the additional financings (for more details refer to Table 2 of the PP: Project Costs by Component). There are no major component costs changes from the estimates in the original PAD.										
Current Component Name	Proposed Component Name					Current Cost (US\$M)	Proposed Cost (US\$M)	Action		
Productive Safety Nets	Productive Safety Nets					28.80	93.80	Revised		
Systems and Capacity Building	Systems and Capacity Building					2.00	5.00	Revised		
Project Management	Project Management					2.00	9.00	Revised		
	<b>Total:</b>					32.80	107.80			

<b>Other Change(s)</b>			
<b>Implementing Agency Name</b>	<b>Type</b>	<b>Action</b>	
MALAWI THIRD SOCIAL ACTION FUND	Implementing Agency	No Change	
<b>Change in Financial Management</b>			
<p>Explanation:</p> <p>Since the introduction of additional financing for MASAF III, disbursement has been Statement of Expenditure (SOE) based, including under MASAF IV. Report based disbursement was used before additional financing for MASAF III and the change was due to deteriorating FM arrangements at the LDF and the districts. There have been substantial improvements in the FM arrangements as explained above necessitating recommendation to change disbursement to report based as was the case in previous years. This method is much more flexible and suitable for the program given varying resource demands of project activities. The report based disbursement will require reporting of expenses based on liquidation reports from districts and not taking advances as expenditure. In the past there have been delays in liquidation of funds by districts. In order to ensure adequate flow of funds, LDF will need to work closely with National Local Government Finance Committee (NLGFC) to ensure timely liquidation of funds from districts. It is also recommended that the original credit under MASAF IV should also use report based disbursement.</p>			
<b>Change in Implementation Schedule</b>			
<p>Explanation:</p> <p>The MASAF IV was approved by the World Bank's Board of Executive Directors on December 18, 2013 in the amount of SDR21.4 million (US\$32.8 million equivalent). Initial expectations were that the project would become effective in February-March 2014. However, procedures related to the authorization to borrow took longer than expected due to the elections cycle, and the financing agreement was signed in August 2014 and the project became effective on September 16, 2014. The project has already disbursed 15 percent and is expected to bring the total estimated disbursement to 30 percent by the time of approval of the Additional Financing. The original credit is expected to fully disburse by October-November 2015, by which time the funds under the proposed Additional Financing are expected to become available.</p>			
<b>Appraisal Summary</b>			
<b>Economic and Financial Analysis</b>			
<p>Explanation:</p> <p>The original project appraisal conducted an extensive economic analysis, reflected in Annex 8 of the PAD for MASAF IV. The appraisal of the additional financing largely confirmed the conclusion of that analysis. Extreme poverty and vulnerability is a serious and persistent problem in rural Malawi, with extreme poverty increasing from 22.3% to 24.5% between 2005 and 2011. The inability of private markets to address this problem brings up the need for public sector intervention. The resources spent by the Government of Malawi (GoM) on Safety Nets in recent years are far less than what would be needed to effectively reduce extreme poverty and vulnerability. The introduction of the productive community driven public works program aims to have an impact on extreme poverty. Ultra-poverty is estimated at 28.1% in rural Malawi, which represents roughly 752,000 households (approximately 3.4 million people). If the program were to have perfect targeting of the poorest beneficiaries, reductions in poverty would average 8.6 percentage points (about 230,000 households getting out of extreme poverty). The effects would be variable across districts, ranging from 2.5 to</p>			

17.6 percentage points. The poverty gap (depth) that shows how far below the poverty line households are on average, i.e., average of the ratio of the ultrapoverty gap to the ultra-poverty line (currently at 7.9%) would fall dramatically by 4.4 percentage points. Consistent with these results, overall inequality would be expected to fall. These results suggest that, even though perfect targeting is never attained, this program has an important potential to reduce extreme poverty in rural Malawi.

The Social Cash Transfers program has an impact on extreme poverty. Assuming that the program achieves perfect targeting of the most vulnerable of the poorest beneficiaries, in the two districts supported under MASAF IV for the SCT program, then reductions in ultra-poverty would average 12.4 percentage points in Nkhata Bay and 10.9 percentage points in Dedza. These results underscore the gains that can be achieved by improving the targeting effectiveness in the program. Livelihoods and skills development, through Community Savings and Investment Promotion Groups (COMSIP), has a high potential to boost the effects of the safety nets program. Evidence from MASAF III suggests sizable benefits with per capita savings among poor people averaging US\$21.55. Evidence further shows that 79% of COMSIP group members reported to have generated income above 50% of the initial wages received from PWP. The assessments of savings and investment activities also found evidence of profits and asset accumulation such as livestock, low cost houses and farm implements. Accounting for further improvements under MASAF IV, it is expected that this component constitutes a strong complement to the effects anticipated with the PW and SCT programs. Graduation of participants in those programs will be more likely with a successful intervention in the COMSIP front, which will help, therefore, ensure a long term sustainability of the Safety Nets Systems.

Economic efficiency is substantial, as MASAF's CDD approach delivers basic infrastructure at a lower cost than comparators following international guidelines for cost-efficiency. The average cost of delivering the public works program is estimated at 5 percent or US\$3.6 per capita.

## **Technical Analysis**

### **Explanation:**

The task team expects no major differences from the technical analysis carried out at appraisal of the ongoing MASAF IV. The proposed Additional Financing would cover the financing gap for the ongoing project activities and the following are some technical issues which relate to the scaling up and covering the financing gap for the activities under the proposed Additional Financing.

Productive Community Driven Public Works would continue to follow a selection criteria and principles which select labor intensive works focused on increasing the livelihood and resilience opportunities of households and communities. However, the communities would be given more flexibility to implement more capital intensive public works with a higher capital/administrative expenditure ceiling (up to 60%) if they are identified by the communities as a priority, and it would primarily apply to the construction of bridges, health posts and school blocks. To ensure that MASAF IV is still on course in terms of the income transfer to the poor, average labor content at district level would have to remain 60%. This way, if some communities choose more capital –intensive public works, the lower labor content in these productive public works would be compensated (averaged) by higher labor content in other public works. The approach for productive community driven public works would continue to be based on area, watershed and catchment management approach. Targeting and identification of beneficiaries would continue to use the PMT and community verification methods. Communities priorities would include those related to water supply and irrigation, bridges, storage facilities for maize and other grains, maize mills, oil mills, afforestation, nurseries for seedling cultivation, soil and water conservation through check dams for gully transformation, solar stoves, fish ponds, solar panels, mobile bicycle ambulances, health posts and small education infrastructure (e.g. small school blocks, toilets, etc).



Social Cash Transfers would continue to be targeted to the labor constrained households and would use the PMT and community verification which has been developed by the program. The MASAF IV will finance the implementation of the Social Cash Transfer Program in two districts (Dedza and Nkhata-Bay), which brings the total number of districts covered by the program to 18 (other districts have been covered by other donors and GoM). The MASAF IV, including the proposed Additional Financing, would also support the overall improvement of the targeting, registry, MIS and payment system for all districts. The certification of eligible beneficiaries in two districts has been successfully completed under the original credit and transfers are expected to commence in April 2015. The proposed Additional Financing would provide continuous funding for social cash transfers in Dedza and Nkhata-Bay districts until the end of the project.

Livelihood and Skills Development activity would continue to provide support to COMSIP Cooperative Union, which is the implementing agency for the savings and investment activities. The COMSIP as an institution is a member-owned savings and investment institution created to provide financial services, especially savings mobilization and investment promotion to the un-served and underserved peri-urban and rural communities. It would continue financing investment grants for savings groups and for their skills development.

Project Implementation Manual (PIM). The project implementation manual detailing the technical, operational and management aspects of the program for each project component has been developed, discussed with project stakeholders and approved by the World Bank. The PIM was updated for the purposes of the proposed Additional Financing and was reviewed by the World Bank and the implementing agency before negotiations. The updated PIM reflects the changes in the requirements for labor and capital content of the public works to allow for higher capital expenditure ceiling for select public works project and introduces minimum average labor intensity of 60 percent at district level.

Unified National Registry, Targeting, MIS and M&E Systems for MASAF IV would continue to be supported under the proposed Additional Financing to improve and consolidate targeting and payments for cash transfers for public works, social cash transfers and other safety nets programs. The system would create a unified registry for public works beneficiaries and social cash transfers beneficiaries – i.e. labor able and labor constrained poor and vulnerable households. The proposed Additional Financing would support moving these approaches more clearly towards a national safety nets platform which would have a systematic approach to effective safety nets delivery based on the Malawi's National Social Support Policy and Program. A combination of safety net delivery instruments such as the development of unified national registry system, targeting system, MIS and M&E systems will be supported.

## **Social Analysis**

### **Explanation:**

#### **Social Analysis**

Under MASAF IV, two social safeguard policies were triggered: Physical Cultural Resources (OP 4.11) and Involuntary Resettlement (OP 4.12). A Resettlement Policy Framework (RPF) was prepared covering Involuntary Resettlement. MASAF IV fully integrates social safeguards considerations into its design. Activities include consideration of social issues as part of the updated and re-disclosed Environmental and Social Management Framework and Resettlement Policy Framework for the overall Project.

Appropriate management of social risks in the Social Cash Transfer, construction of Productive Community-Driven Public Works, Livelihood and Skills Development, and Capacity Building subprojects will be incorporated into Environmental and Social Management Plans and Resettlement Action Plans. Communities will actively take part in the selection and implementation of the subprojects themselves.

The responsibility for safeguards implementation was transferred to the district level during MASAF III. However, issues of capacity at district level to include safeguards as part of regular planning and implementation processes arose. In response, LDF TST allocated funds for overall support to safeguards implementation and monitoring, and this resulted in improved Environmental and Social Framework (ESMF) and ESMP screening and implementation under the oversight from the Ministry of Environmental Affairs and Climate Change, which is now undertaking quarterly monitoring missions.

COMSIP has also made significant progress to develop and ensure implementation of ESMPs. While staff turnover is a challenge, there have been developments within the GoM's structure that have the potential to strengthen environmental and social safeguards implementation during the project cycle.

Staff shortage at the district level remains an issue but there are ongoing efforts to strengthen staffing at this level, and training has also been revised and improved over time based on the 2012 Environmental and Social Audit Report, which recommended continued and increased emphasis on the activity.

### **Environmental Analysis**

#### **Explanation:**

Under MASAF IV, three environment-related World Bank operational policies were triggered, including: environmental assessment (OP 4.01), Pest Management (OP 4.09), and Forest Management (OP 4.36). An ESMF and Pest Management Plan were prepared covering the four operational policies. The ESMF, PMP and RPF were publically disclosed in October, 2013.

The environmental analysis for MASAF IV AF follows the general directions of the parent program, MASAF IV, and the lessons of experience from the predecessor programs. The safeguards that were triggered under the parent program continue to be applicable to the AF. As the responsibility for safeguards implementation has been transferred to the district level, the issue of capacity development remains of significant importance given that successful environmental management under the program has to be a community-level responsibility. Budget allocations to strengthen environmental capacity will continue to increase with further support for the program, as well as cross-support from other associated donor funded programs, such as ASwap and ESwap. While there has been greater awareness and environmental sensitivity among stakeholders, training efforts need to be strengthened, with responsibility for safeguards assigned to dedicated staff. To that end, a safeguards officer is being engaged by LDF who will oversee and monitor all safeguards-related activities at corporate, district and community levels that are led by LDF. The Ministry of Environmental Affairs and Climate Change currently undertakes quarterly monitoring missions to assess the quality and effectiveness of ESMPs. In the oversight of environmental issues in its livelihood activities, COMSIP relies on its Enterprise Projects Toolkit as a screening toolkit, but is in the process of revising it to make it more appropriate to the small scale of its activities. COMSIP has stressed that it, too, needs to have staff dedicated to environmental and social oversight as shared responsibilities do not allow for adequate supervision or capacity development.

The ESMF for MASAF IV AF has minor revisions to clarify terminology, and recognize that in being small and with localized and largely reversible impacts, subprojects need focused and readily understood screening checklists that are local-community friendly. The primary objective is to ensure that communities are aware of environmental issues, apply that understanding in their selection of subprojects, and look to wider dissemination of that knowledge. This is the approach that LDF is taking in ensuring that environmental sustainability is more effectively integrated into the program. The ESMF was re-disclosed before the end of Appraisal.

### **Risk**

Explanation:

The Risk framework of the original project has been updated using the new Systematic Operations Risk-Rating Tool (SORT). The overall risk rating for the operation is Substantial (see Annex 2). In a recent incident, which was fully covered in the original PAD, large-scale fraud had been committed through collusion by Government staff and potentially others, and by tampering with the Integrated Financial Management Systems (IFMIS). The new Government that came to office in May 2014 is resolved to follow up on the case. Discussions are ongoing between GoM and development partners on developing a credible set of immediate and medium-term actions to strengthen the fiduciary and financial management systems in Malawi. This confirms the known control weaknesses in and around IFMIS at the national level. Investigation is in progress to take legal actions against the perpetrators.

Agreement has been reached with the GoM to deploy additional technical and functional resources as well as to enhance information system security. Support is being provided under the Financial Reporting and Oversight Improvement Project (FROIP) and implementation of agreed actions will be monitored by the Bank team. The LDF MASAF IV Project is not affected by the national level IFMIS. Local councils use a different IFMIS platform called Serengeti Navigator. A consultant is being recruited under funding from EU to check the security of the local council IFMIS and ensure measures are taken to address identified weaknesses. However most of the local councils do not use this IFMIS to process MASAF transactions and produce reports: instead, they use excel spreadsheets. LDF has been requested to work with NLGFC to ensure that all local councils start using IFMIS to process transactions and produce reports. This will ensure timely production of reports required for disbursement and project monitoring. The Bank will continue to play an active role in ensuring that the overall fiduciary environment is strengthened in Malawi and risks are highlighted and discussed with the authorities on an ongoing basis.

In accordance with IDA17 policy commitments, the project was screened for short- and long-term climate change and disaster risk. Elements of responsiveness are being built in the operational level implementation mechanisms (see paragraph 56 below).

#### IV. ADDITIONAL APPRAISAL INFORMATION

##### A. Financing

37. The project components to receive financing from the proposed Additional Financing would be the same as for the original credit and would include: (1) Productive Safety Nets: (a) Productive Community Driven Public Works designed to provide transfers to poor households through participation in community-driven public works; (b) Livelihoods and Skills Development designed to finance grants for increasing household level incomes and assets through Community Savings and Investment Promotion (COMSIP) groups; (c) Social Cash Transfers to finance cash transfers targeted to the poorest labor constrained households, as well as activities for capacity building and technical assistance; (2) Systems and Capacity Building; and (3) Project Management. The distribution of funds among components and subcomponents would be slightly adjusted from what had already been proposed in the PAD for the original project. As shown in the table below, the proposed allocations for systems and capacity building and project management components would be increased by US\$1 million each to US\$3 million and US\$7 million respectively, while the proposed allocation for the productive public works subcomponent would be reduced by US\$1.2 million. The proposed allocations for the livelihoods and skills development and social cash transfer subcomponents would remain unchanged.

**Table 2: Project Costs by Component**

<b>Project Components</b>	<b>Project cost (US\$ m)</b>	<b>IDA Financing (US\$ m)</b>	<b>Financing Gap as per Original PAD (US\$ m)</b>	<b>% Total Financing as per Original PAD</b>	<b>Financing Gap for Additional Financing (US\$ m)</b>	<b>% Total Financing for Additional Financing</b>
<b>1. Productive Safety Nets</b>	<b>95</b>	<b>28.8</b>	<b>66.2</b>	<b>87.8</b>	<b>65</b>	<b>88.0%</b>
(i) Productive Community Driven Public Works	75	24.8	50.2	75.6	49	65.3%
(ii) Livelihoods and Skills Development	10	2	8	6.1	8	10.7%
(iii) Social Cash Transfers	10	2	8	6.1	8	10.7%
<b>2. Systems and Capacity Building</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>6.1</b>	<b>3</b>	<b>4.0%</b>
<b>3. Project Management</b>	<b>8</b>	<b>2</b>	<b>6</b>	<b>6.1</b>	<b>7</b>	<b>9.3%</b>
<i>Total baseline costs</i>						
<b>Unallocated</b>						
<b>Total</b>	<b>107</b>	<b>32.8</b>	<b>74.2</b>	<b>100</b>	<b>75</b>	<b>100.0%</b>

## **B. Implementation Arrangements**

38. The proposed Additional Financing would use the same implementation arrangements that had already been set up for the implementation of the parent project. The MASAF IV would support the existing Social Protection (SP) and Safety Nets Platform as defined under the NSSP within 18 months of project effectiveness. The Platform lays out a number of safety net programs focused on communities and households. This approach could serve as a national, integrated and coordinated multi-sectoral safety nets platform. LDF will supervise, coordinate, integrate and channel financing, knowledge and technical assistance to each subprogram. Such a structure would then allow the GoM to coordinate Cooperating Partners (CPs) support for safety nets in a rationalized, coherent, predictable and integrated manner to achieve impact on vulnerability as articulated in the National Social Support Policy and the Program.

39. District Councils would be responsible for the implementation of the social protection programs. Following the program principles, Districts would also be responsible for supporting communities to identify Productive Community Driven Public Works, Social Cash Transfers and livelihood activities. The Implementation Manual was revised before Negotiations to clarify the role of the newly-elected district councils in the procedures for the PWP. The LDF mechanism itself is operationally under the Ministry of Local Government and Rural Development (MoLGRD) and would also have oversight from Ministry of Finance, Economic Planning and Development (MFEPD). MFEPD was recently constructed to unite two previously existing ministries – the Ministry of Finance, and the Ministry of Economic Planning and Development. Under MASAF IV the MFEPD would play a key role in providing policy direction for safety nets. The structural change of the unification of the two ministries does not materially affect the implementation arrangements, and would actually be in keeping with the concept of a unified policy and supervision platform for improving the coordination of the relevant stakeholders.

## **C. Procurement**

40. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014), the “ Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014), and the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

41. Procurement arrangements for MASAF IV and the proposed additional financing have been assessed as satisfactory and risk is low as there is a Procurement Specialist in place and oversight functions for procurements at central level has been provided by management headed by an Executive Director.

42. The World Bank procurement guidelines and those from the Office of Director of Public Procurement including their regulations and desk instructions will be used in the proposed Additional Financing as previously done under MASAF IV subject to agreed thresholds. Bank thresholds as currently applicable under MASAF IV will be applicable as well under the

Additional Financing. MASAF Internal Procurement Committee will be responsible for award of contracts.

43. All goods, non- consulting services and consulting services which are above agreed prior thresholds will be subject to IDA review in accordance with Appendix 1 of the Procurement Guidelines and the approved Procurement Plan. Every year MASAF LDF shall prepare an annual procurement plan which will be reviewed and agreed with the World Bank and only goods and services which are in the approved Procurement Plan shall be procured using project resources. Contracts not subject to prior review would be selectively reviewed by the Bank or an independent procurement auditor.

44. Procurement below prior review thresholds will be carried out through national competitive procedures in accordance with the Malawi Public Procurement Act of 2003 with exceptions to Regulation 80.3 (b) (ii) of the Public Procurement Regulations permitting the consideration of unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, in the evaluation of bids shall not apply; (b) Regulation 80.4 of the Public Procurement Regulations permitting domestic preference shall not apply; (c) Regulations 164 (i) and (j) of the Public Procurement Regulations permitting the division of contracts into small lots and the restriction of contracts to small enterprises, respectively, for purposes of promotion of the participation of small enterprises, shall not apply; and (d) bidding documents and contracts shall include the following provisions: (i) pursuant to paragraph 1.14 (e) of the Procurement Guidelines, bidders, suppliers, and contractors are required to permit the Association to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Association; and (ii) pursuant to paragraph 1.14 (a) (v) (bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Association's said inspection and audit rights are considered to be an obstructive practice within the meaning of paragraph 1.14 of the Procurement Guidelines.

45. Under Community Driven Development Projects Malawi Public Procurement Act 2003, its regulations and desk instructions from Office of Director of Public Procurement should be used for procurement of goods and services for projects being undertaken by local communities, District Councils and MASAF LDF. Agreed procurement thresholds should be used deciding which implementing with the lowest thresholds being undertaken by local communities, second tier projects by District Councils and higher thresholds by MASAF LDF. The Bank should undertake annual reviews on selective projects to verify if contracting procedures and processes were followed, review physical completion and price competitiveness of each contract and review and comment on contract management, review capacity of implementing agencies in handling procurement efficiently and identify improvements in procurement processes.

46. Capacity building would be undertaken for new local level communities as well as District and MASAF LDF in undertaking procurement. Mitigation against misprocurement will be guided by use of agreed Procurement Plan, Bank Guidelines and Malawi Public Procurement Act 2003, and use of committees in selecting projects and award of contracts.

## **D. Financial Management and Disbursement Arrangements**

47. The Financial Management arrangements for LDF and district councils have been assessed as satisfactory for the purposes of implementing MASAF IV including the proposed additional finance. The Financial Management risk has been assessed as substantial. The details of the assessment are summarized further below.

48. Accounting and Reporting. The LDF has a computerized accounting system used for the project's transaction processing and reporting. The system is only installed at the secretariat. The system has been in operation for more than two years and has enabled LDF to process transactions and prepare reports accurately and timely. Transactions from districts are posted in the system using liquidation reports. All the districts have computerized IFMIS but only a few process project transactions and produce reports using the computerized system. They use excel based spreadsheets. The districts should be encouraged to use computerized IFMIS to process and report on MASAF transactions. This will ensure accurate and timely reports from districts. Transactions from districts are a major component of reports that LDF uses for disbursements and quarterly reporting to World Bank. LDF is current on all reporting requirements covering both audited financial statements and quarterly interim reports. LDF and district councils were not directly affected by the massive theft that took place at the central government during the year 2013. However NLGFC has requested development partners to fund a consultancy expected to review the security of local council IFMIS aimed at determining the level of vulnerability and other risk exposures.

49. Staffing. The LDF has adequate, qualified and experienced staff for the proper management of an FM system. Most of the staff has been with the organization for several years. The staff in the districts has recently been increased to acceptable levels and with training and mentoring by LDF and NLGFC, they should be able to provide strong FM arrangements in the districts.

50. Funds Flow. Funds for use by communities are transferred from LDF account to NLGFC, then to district accounts and finally to community Bank accounts. This process takes two weeks to one month and sometimes longer. The proposal is to shorten this process and transfer funds to communities more directly and therefore faster. The first proposal is to transfer funds from LDF to districts and then communities and the second more preferred option is to transfer funds from LDF to communities. In either case NLGFC will be accordingly involved and informed about the movement of funds.

51. Internal controls. The internal and external audit reports show a number of control and accountability issues that need addressing in order to further improve the FM arrangement at both the LDF and districts but more seriously at district level. Most of the issues in these audits are common control matters that can easily be rectified. LDF and NLGFC are strongly urged to deal with control and accountability issues reported in audits.

52. Fraud and corruption. LDF has put in place fraud and anticorruption measures including subscription to anonymous whistleblowing arrangement run by Deloitte. Fraud and corruption

cases involving MASAF activities have been reported in the past and some of them have been credible. These arrangements are continuing under MASAF IV including the proposed additional finance. One recent case of possible fraud and corruption happened in three districts where advances have not been accounted and related funds are not in the districts' accounts. The case is under investigation.

53. Disbursement Arrangements. Since the introduction of additional financing for MASAF III, disbursement has been Statement of Expenditure (SOE) based, including under MASAF IV. Report based disbursement was used before additional financing for MASAF III and the change was due to deteriorating FM arrangements at the LDF and the districts. There have been substantial improvements in the FM arrangements as explained above necessitating recommendation to change disbursement to report based as was the case in previous years. This method is much more flexible and suitable for the program given varying resource demands of project activities. In the past there have been delays in liquidation of funds by districts. In order to ensure adequate flow of funds, LDF will need to work closely with NLGFC to ensure timely liquidation of funds from districts. It is also recommended that the original credit under MASAF IV should also use report based disbursement.

54. To ensure that funds are readily available for project implementation, the Borrower would open, maintain and operate a single Designated Accounts (DA) at the Standard Bank Limited-Malawi. Deposits into and payments from the DA will be made in accordance with the provisions stated in the financing agreement and disbursement letter (DL). Disbursements under this credit and grant will be report based. Withdrawal applications will be prepared by LDF and signed by authorized signatories, as designated by the representative of the Borrower. The name of each of the authorized signatories and their corresponding specimen of signature will be submitted to the Bank before the first disbursement is claimed.

55. The amount to be claimed and advanced under the first application would be determined based on initial project needs. The Designated Account would be replenished based on interim financial reports. The Designated Account will be audited annually by external auditors acceptable to IDA as part of the overall project audit. Advances and replenishments to Designated Account will be made in accordance with specific provisions stated in the disbursement letter and Legal Agreement. The documentation supporting expenditures will be retained at the LDF and will be readily accessible for review by the external auditor and periodic Bank supervision missions. All disbursements will be subject to the conditions of the Financing Agreement and disbursement procedures defined in the Disbursement Letter.

#### **E. Emergency Responsiveness**

56. The recent emergency flooding has further highlighted the need for stronger systems for addressing vulnerability to shocks. The Bank is taking a broader approach to addressing this issue in Malawi, and this project is part of that broader effort. MASAF IV is one of the available tools for the Government to bring in support to those who are vulnerable and have lost livelihood opportunities due to the floods. The MASAF IV Additional Financing is also stepping up disaster assistance to the vulnerable for the future, by including an operational mechanism triggering targeted support in the event of future emergencies. At the request of the Government



the MASAF IV Project Implementation Manual would be updated to include a special provision for allowing fast reaction in cases of declared emergency. This should allow the Government to deal more effectively in future with shock-induced vulnerability.

## **F. Policy Dialogue**

57. Under the existing framework of Component II on Systems and Capacity Building, this additional financing will also aim to provide support for expanded social protection policy dialogue including key topics that affect the poverty alleviation efforts of Malawi. Important areas for policy discussion are the targeting, seasonality of public works, and the size of the program payments. Some of the general policy topics to be pursued may include (but are not limited to) the following:

- (i) SCT's are currently covering 10 percent of all ultra-poor based on a national average. However, according to district-level poverty data many districts are above 10 percent and this means some of their population is excluded. What would be the long-term plan to address this issue?
- (ii) Related to the above, what is the definition of graduation – e.g. are SCT recipients expected to “graduate”, if they are all ultra-poor and labor-constrained? If some could indeed exit or graduate from the program, should they be allowed as SCT beneficiaries to benefit from other programs as well (public works, voluntary savings and loans, business development) that would actually allow them to graduate?
- (iii) There is a need to coordinate how to move towards a registry of beneficiaries that builds on other national system (e.g. national ID registry).
- (iv) Sustainability and Government co-financing are broad topics for discussion.

## **G. World Bank Grievance Redress**

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

## ANNEX 1: RESULTS FRAMEWORK AND MONITORING

### Malawi Fourth Social Action Fund (MASAF IV: Strengthening Safety Net Systems)

#### Project Development Objectives

PDO Statement

Strengthen Malawi's social safety net delivery systems and coordination across programs to reduce vulnerability.

**These results are at** Project Level

#### Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1 <sup>4</sup>	YR2	YR3	YR4	End Target			
# of Beneficiaries by gender	X	Male Female	295,803 <sup>5</sup> 307,876	136,121 (PWP) 0	376,121 (PWP) 21,000 (SCT)	376,121 (PWP) 21,000 (SCT)	376,121 (PWP) 21,000 (SCT)	376,121 <sup>6</sup> PWP (50% female) 21,000 <sup>7</sup> (SCT)	Quarterly	MIS	LAs
% HHs with asset value above critical threshold <sup>8</sup>		%	0		No set target		No set target	No set target	Year 2 Year 4	Beneficiary Assessment	Independent Evaluators
Establishment of an integrated and functional national safety net delivery systems (including,		No.	0	System in 2LAs	System in 10LAs	System in 20 LAs	System in 35 LAs <sup>9</sup>	1	Year 2 Year 4	Process evaluation Beneficiary	EP&D Independent

<sup>4</sup>Year one is financed by the MASAF IV US\$32.80 million. Year 2-4 would be financed by the proposed Additional Financing

<sup>5</sup> Based on MASAF 3 APLII Project achievements from PWP and COMSIP (total 603,679 with 51% female)

<sup>6</sup>The target values for this indicator are changed from the Original Project PAD: Year 1 from 570,370 to 136,121; and cumulatively, from Year 2 to year 4 from 760,960 to 376,121. However, the reduction in beneficiary numbers only affects year 1, as from year 2 to year 4, a total of 240,000 beneficiaries will be reached against the original target of 160,590.

<sup>7</sup> The programme will support 10% of ultra poor households without labour in Dedza and Nkhata Bay district councils.

<sup>8</sup> Critical threshold value of asset to support household livelihood to resist moderate shock will be defined

National Unified Registry, Targeting, MIS etc)										Assessment/Impact Evaluation	Evaluators
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**Intermediate Results I Indicators: Improved Food security in household (PWs and SCT Transfers)**

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
<b>Outcome indicators</b>											
% of HH having at least 3 meals per day		%	21.2% <sup>10</sup>		50%		70%	70%	Year 2 Year 4	Beneficiary Assessment/ Impact Evaluation	Independent Evaluators
% of HH reporting that asset depletion is prevented as a result of transfers (SCT, PWP)		%	0		20%		40%	40%	Year 2 Year 4	Beneficiary Assessment Impact Evaluation	Independent Evaluators
<b>Output indicators</b>											
% of participants paid within the agreed time frame (2 weeks for PWP and within the month for SCT)		%	54% <sup>11</sup> for PWP	60%	70%	80%	100%	100% <sup>13</sup>	Annual	Process evaluation	Independent Evaluator
			50% SCT <sup>12</sup>	0	80%	90%	100%	100%		Community Score Card Citizen Report	Civil Society Organization/

<sup>9</sup> Assumes all aspects of the national social safety net system are achieved i.e. systems *established* in all LAs and are *integrated* to form one unified system and *functional* i.e. Government and all Development Partners are able to access the system to implement related social protection interventions

<sup>10</sup> Baseline based on National Support Programme, August 2012 for the period 2012/2013 to 2015/2016. The MASAF 4 Project will make a contribution to the national achievements, as such, follow up measurements relates to beneficiaries of the MASAF 4 Project only.

<sup>11</sup> Based on Public Works Tracking Study, 2011, under MASAF 3 APLII Project

<sup>12</sup> National Social Support Program for the period 2012/2013 to 2015/2016

<sup>13</sup> 100% achievement by end of Project based on the assumption that an electronic payment system is operational

											Card	
% of beneficiaries receiving full entitlement (PWP, SCT)		%	100% <sup>14</sup>	100%	100%	100%	100%	100%	Annual		Process evaluation Community Score Card Citizen Report Card	Independent Evaluator Civil Society Organization
% of beneficiaries staying in the program for a minimum of 3 years (PW, SCT)		%	0	50% <sup>15</sup>	60%	70%	80%	80%	Annual		Process evaluation Community Score Card Citizen Report Card	LAs Independent Evaluator Civil Society Organization

**Intermediate Results II Indicators : Improved access to natural resources and social economic services - PWP**

<b>Outcome level indicators</b>												
% of beneficiaries that feel project investments/ PWP reflected their needs (core)	X	%	74.1% <sup>16</sup>		75%		80%	80%	Year 2 Year 4		Beneficiary Assessment/ Impact Evaluation	Independent Evaluator
% of people reporting improvement in the natural resource and environment and its benefit to communities as a result of PW activities		%	0		40%		60%	60%	Year 2 Year 4		Citizen Report Card Beneficiary Assessment/ Impact Evaluation	Independent Evaluator

<sup>14</sup> Based on SCT MIS

<sup>15</sup> This indicator will not be measured for SCT at the end of year 1

<sup>16</sup> Based on MASAF 3 APLII Project Beneficiary Assessment (2012)

% of households who report improved access to social services		%	0		No set target		No set target	No set target <sup>17</sup>	Year 2 Year 4	Citizen Report Card Beneficiary Assessment/ Impact Evaluation	Independent Evaluator
% of households that report improved access to and use of small scale irrigation		%	5% <sup>18</sup>		No set target		No set target	No set target <sup>19</sup>	Year 2 Year 4	Beneficiary Assessment/ Impact Evaluation	Independent Evaluator
<b>Output level indicators</b>											
Number and type of productive community assets completed	X		1,122 <sup>20</sup>								
- Re-forestation		No	30,923	No set target	No set target	No set target	No set target	target <sup>21</sup>	Quarterly	Progress reports/MIS	LAs
- Road construction and maintenance											
- Irrigation schemes			319								
% of subprojects screened for ESMF		%	100%	100%	100%	100%	100%	100%	Quarterly	Progress reports/MIS	LAs
% of projects for which Safeguard mitigation plans are developed and being implemented		%	71%	100%	100%	100%	100%	100%	Quarterly	Progress reports/MIS	LAs
% of PW sub-projects selected and implemented following participatory community based		%	100%	100%	100%	100%	100%	100%	Quarterly	Progress reports/MIS	LAs

<sup>17</sup> These are demand driven interventions based on community priorities

<sup>18</sup> Based on achievements under the ERP PWP

<sup>19</sup> These are demand driven interventions based on community priorities

<sup>20</sup> Based on PWP achievements under ERP (MASAF 3 APLII Project)

<sup>21</sup> These are demand driven interventions based on community priorities

planning approaches												
% of Sub-projects or investment for which arrangement for community engagement and or operation and maintenance are established (core)	X	%	17% <sup>22</sup>	30%	50%	60%	70%	70%	Quarterly	Progress reports/MIS	LAs	
<b>Intermediate Results III Indicators: Increased household income opportunities and resilience to shocks (COMSIP &amp; other livelihoods)</b>												
<b>Outcome indicators</b>												
% of people engaging in diversified income-generated activities (IGAs) (off-farm and on-farm)		%	63%	65%	70%	75%	80%	80%	Annual	MIS	COMSIP Union	
			0 (new groups)	0 <sup>23</sup>	30	40	50	50	Year 2	Citizen Report Card	Impact Evaluation	
									Year 4	Beneficiary Assessment / Impact evaluation		
% increase in household level savings		%	84% <sup>24</sup>	90%	95%	100%	100%	100%	Annual	MIS	COMSIP Union	
			0 <sup>25</sup> (new groups)	0	40%	60%	70%	70%	Year 2	Citizen Report Card	Impact Evaluation	
									Year 4	Beneficiary Assessment / Impact evaluation		
% Increase in household productive assets by type		%	0	0	10%	20%	25%	25%	Annual	Citizen Report Card	Independent	
									Year 2			

<sup>22</sup> Based on ERP PWP forestation subprojects only, while 100% has been achieved under Primary School Staff Housing project which is not relevant in the context of MASAF 4 Project.

<sup>23</sup> There are no funds for supporting new group formation in year 1

<sup>24</sup> Based on Community Savings and Investment Promotion (COMSIP) groups only for the period 2009 to 2013. The Project will continue to track performance of old COMSIP groups

<sup>25</sup> For new groups under COMSIP and other livelihood interventions, the baseline value (i.e. average household savings) is to be determined at the onset of group formation in year 2, while relative increase will start to be measured at the end of year 2.

									Year 4	Beneficiary Assessment/ Impact Evaluation  Citizen Report Card	Evaluators
<b>Output level indicators</b>											
Number of people trained on livelihood development activities		No.	FLT=1275 <sup>26</sup> BMT=1275 CME=149	No set target	No set target	No set target	No set target	No set target <sup>27</sup>	Quarterly	Progress reports/MIS	COMSIP Union
Number of people trained on skill development activities		No	0	No set target	No set target	No set target	No set target	No set target <sup>28</sup>	Quarterly	Progress reports/MIS	COMSIP Union
Number of COMSIP & other livelihood groups formed and strengthened		No.	4,457 <sup>29</sup>	5,017	5,577	6,137	6,697	6,697	Quarterly	Progress reports/MIS	COMSIP Union
<b>New Indicator at AF:</b> Number of groups/cooperatives accessing grants for investments		No.	0	85	160	250	360	360	Quarterly	Quarterly	Progress reports/MIS
<b>Intermediate Results IV Indicators: Improved service delivery at community level (Capacity building and system strengthening)</b>											
<b>Outcome level indicators</b>											
Number of councils implementing harmonised targeting instruments to select beneficiaries		#	0	2	10	20	35	35 <sup>30</sup>	Annual	Progress reports/MIS	MEP&D/LDF-TST

<sup>26</sup> FLT=Financial Literacy Training; BMT=Business Management Training; CME=

<sup>27</sup> This will be based on number of groups formed and related training needs

<sup>28</sup> This will be depend on group demands on skills development activities i.e. product value addition

<sup>29</sup> Based on number of groups formed under COMSIP only, while a total of 560 new groups are expected to be formed every year, to end up with a cumulative target of 6,697 groups by the end of Project

<sup>30</sup> Assumes that all Local Authorities have targeting systems for PWP and that Government has rolled out the Social Cash Transfer to all LAs

% of beneficiaries that are aware of project information and project supported investments (core)	X	%	0	50%	80%	90%	100%	100%	Annual	Community Score Card Citizen Report Card Process evaluation	NSO/University Civil Society organization Independent Evaluators
% of grievances registered related to delivery of project benefits that are actually addressed (core)	X	%	0	30%	60%	80%	100%	100% <sup>31</sup>	Annual	Community Score Card Citizen Report Card Process evaluation	Civil Society organization Independent Evaluators
<b>Output level indicators</b>											
Number of LAs with operational harmonized targeting mechanism		System	0	2	10	20	35	35	Annual	Progress reports LAPA <sup>32</sup> Process evaluation	MEP&D/LDF-TST Independent evaluator
Number of LAs with operational MIS		System	8	10	10	20	35	35	Annual	Progress reports LAPA Process evaluation	MEP&D/LDF-TST Independent evaluator
Number of LAs with operational M&E system		System	8	10	10	20	35	35	Annual	Progress reports LAPA Process	MEP&D/LDF-TST Independent evaluator

<sup>31</sup> Assumes that systems have matured and able to address grievances efficiently

<sup>32</sup> LAPA (Local Authority Performance Assessments), these are annual assessments that measure performance of Local Authorities.



										evaluation	
Number of extension workers trained and supported with equipment		No.	0	70	350	700	1,225	1,225 <sup>33</sup>	Quarterly	MIS	LAs/LDF-TST.
New Indicator at AF: Number of LAs with community Safety net plans developed in a participatory approach		No	0	2	35	35	35	35	Quarterly	Progress report/MIS	

### Indicator Description table

#	Indicator	Description
	<b>PDO Level Indicators</b>	
1	# of Beneficiaries by gender	Beneficiaries of all MASAF 4 Project interventions disaggregated by gender. These include beneficiaries of Public Works Program; Social Cash Transfer; training interventions (Project Management Committees; COMSIP and other livelihood groups; extension workers; LA and national level staff etc).
2	% HHs with asset value above critical threshold	% of beneficiary households from livelihood groups (PWP; SCT) and COMSIP who improve their asset levels above a defined critical threshold value of asset as a result of MASAF 4 project interventions. A critical asset threshold is a point below which households cannot move out of poverty traps (Liverpool and Winter-Nelson, May 2010; IFPRI discussion paper 00971).
3	Establishment of an integrated and functional national safety net delivery system (including , National Unified Registry, Targeting, MIS etc)	The MASAF 4 Project will support establishment of safety-net delivery systems including Unified Beneficiary Registry (UBR), Targeting, and MIS in Local Authorities. The assumption is that all Local Authorities will have functional systems by the end of the Project (year 4) which will be integrated to form a National Unified Registry that will cater as a national data base for targeting eligible beneficiaries of various social protection programs that will be accessible to all organizations implementing these programs. <i>This is expected to address issues of inclusion and exclusion and make social protection interventions more effective in helping the poorest and most vulnerable get out of the poverty trap. To begin with, in year 1 the process towards UBR development will start in 2 LAs</i>

<sup>33</sup> Based on Environment and Social Management Framework and the resettlement policy, 30 extension workers per district will be trained from three sectors (Agriculture; Community Development and Forestry)

		<i>under MASAF IV project support because harmonization with other implementing partners.</i>
	<b>Intermediate Results I Indicators: Improved Food security in household (PWs and SCT Transfers)</b>	
4	% of HH having at least 3 meals per day.	% of PWP and SCT beneficiary households supported by the MASAF 4 Project that are able to eat at least three meals per day. Basic information, including eating patterns of beneficiaries will be collected at the onset of the PWP and SCT programs.
5	% of HH reporting that asset depletion is prevented as a result of transfers (SCT, PWP)	% of PWP and SCT beneficiary households supported by the Project who report that assets which could have been sold to address various household basic needs were not sold because of the cash transfers received under the Project.
6	% of participants paid within the agreed time frame (2 weeks for PWP and within the month for SCT)	% of PWP beneficiaries that were paid their wages within two weeks of completing work on public assets and SCT beneficiaries that were paid within the scheduled pay month.
7	% of beneficiaries receiving full entitlement (PWP, SCT)	% of PWP beneficiaries that received the appropriate wage rate for the number of days they worked on the public asset and SCT beneficiaries that received the full amount of money as determined at enrolment into the program.
8	% of beneficiaries staying in the program for a minimum of 3 years (PWP, SCT)	% of PWP and SCT beneficiaries that are maintained in the programs for a period of three years i.e. from year 1 to year 3, to enable meaningful impact from the Project.
	<b>Intermediate Results II Indicators : Improved access to natural resources and social economic services - PWP</b>	
9	% of beneficiaries that feel project investments/ PWP reflected their needs (core)	% of PWP beneficiaries who feel that interventions being implemented in their area are those that address their most felt needs in line with what was incorporated in their Village Action Plans.
10	% of people reporting improvement in the natural resource and environment and its benefit to communities as a result of PW activities	% of people in the subproject catchment area who report that there are noticeable and substantial improvements in the natural resource and environment as a result of PWP interventions implemented under the Project.
11	% of households who report improved access to social services.	% of PWP and SCT beneficiary households who report improved access to social services as a result of Project interventions.
12	% of households who report improved access to and use of small scale irrigation	% of households who directly benefit from small scale irrigation schemes constructed under the MASAF 4 Project.
13	Number and type of productive community assets completed; - Re-forestation - Road construction and maintenance - Small-scale irrigation schemes	Number and type of productive community assets completed under the PWP.
14	% of subprojects screened for ESMF	% of subprojects implemented under the Project that were screened for ESMF.
15	% of subprojects for which Safeguard mitigation plans are developed and being implemented	% of subprojects implemented under the Project for which Safeguard mitigation plans are developed and being implemented.

16	% of PWP sub-projects selected and implemented following participatory community based planning approaches	% of PWP subprojects funded by the Project based on community expressed needs generated through the Village Action Plans and further expressed through Project Interest Forms.
17	% of Sub-projects or investment for which arrangement for community engagement and or operation and maintenance are established (core)	% of Sub-projects or investment funded by the Project for which arrangement for community engagement and or operation and maintenance are established e.g. Village Natural Resource management committees for maintenance of forestation subprojects.
<b>Intermediate Results III Indicators: Increased household income opportunities and resilience to shocks (COMSIP &amp; other livelihoods)</b>		
18	% of people engaging in diversified IGAs (off-farm and on-farm)	% of people that directly benefited from the Project either through COMSIP or other livelihood groups such as beneficiaries of small scale irrigation schemes that engage in diversified IGAs.
19	% increase in household level savings	% increase in household level savings measured from COMSIP and other livelihoods groups supported by the Project.
20	% Increase in household productive assets by type	% Increase in household productive assets by type measured from COMSIP and other livelihoods groups supported by the Project.
21	Number of people trained on livelihood development activities	Number of people trained on livelihood development activities such as irrigation scheme management.
22	Number of people trained on skill development activities	Number of people trained on skill development activities such as product value addition to enable Project beneficiaries produce high value products that are able to compete on the market and generate more income.
23	Number of COMSIP and other livelihood groups formed and strengthened	Number of COMSIP and other livelihood groups formed and strengthened with support from the Project.
24	Number of groups/cooperatives accessing grants for investments	Number of COMSIP and other livelihood groups that access grants from the Project.
<b>Intermediate Results IV Indicators: Improved service delivery at community level (Capacity building and system strengthening)</b>		
25	Number of councils implementing harmonized targeting instruments to select beneficiaries	Number of councils implementing harmonized targeting instruments to select beneficiaries
26	% of beneficiaries that are aware of project information and project supported investments (core)	% of beneficiaries that are aware of MASAF 4 Project information and project supported investments
27	% of grievances registered related to delivery of project benefits that are actually addressed (core)	% of grievances registered through a grievance redress system related to delivery of project benefits that are actually addressed.
28	Operational harmonized targeting mechanism	A targeting mechanism developed and operational in all Local Authorities by the end of the Project
29	Operational MIS	A comprehensive MIS that supports development of a Unified Registry of beneficiaries and targeting mechanism in place and operational in all councils.
30	Operational M&E system	All councils updating project information in the district data base on time and submitting reports to the LDF-TST on time.
31	Number of extension workers trained and	Number of extension workers that are actively involved in MASAF 4 Project interventions that are

	supported with equipment	trained and supported with equipment such as bicycles.
32	Number of LAs with Community Safety net plans developed in a participatory approach	Preparation of community safety net plan will be a pre-requisite for funding PWP subprojects and therefore an important Key Performance indicator.

## ANNEX 2: SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

<b>Risk Categories</b>	<b>Rating (H, S, M or L)</b>
1. Political and governance	Substantial
2. Macroeconomic	Moderate
3. Sector strategies and policies	Moderate
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation and sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and social	Moderate
8. Stakeholders	Substantial
9. Other	Moderate
<b>Overall</b>	Substantial