Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 06-Feb-2020 | Report No: PIDISDSA24339
### BASIC INFORMATION

#### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>P164961</td>
<td>Malawi Governance to Enable Service Delivery</td>
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<td>Project</td>
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<td>Investment Project Financing</td>
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<td></td>
<td>Implementing Agency</td>
<td>National Local Government</td>
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<td></td>
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<td>Finance Committee</td>
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</table>

**Proposed Development Objective(s)**

To strengthen Local Authorities’ institutional performance, responsiveness to citizens and management of resources for service delivery.

**Components**

- Performance-Based Financing for Service Delivery
- Inter-governmental Accountability Systems
- Local Government Performance Improvement Support
- Adaptive Management and Innovation Support

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<table>
<thead>
<tr>
<th>Total Project Cost</th>
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<tr>
<td>Total Financing</td>
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</tr>
<tr>
<td>of which IBRD/IDA</td>
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<tr>
<td>Financing Gap</td>
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</table>

#### DETAILS

World Bank Group Financing
B. Introduction and Context

Country Context

1. **Malawi is a densely populated agriculture-dominated economy that is one of the poorest countries in the world.** Malawi’s per capita Gross National Income (GNI) was US$360 in 2018 and around 70 percent of the population lives below the international poverty line of US$1.90 per day. The GNI grew at an annual average of around 1.5 percent between 1995 and 2014, which is below the average of 2.8 percent in non-resource African economies during the last twenty years. Agriculture contributes 28 percent of Malawi’s gross domestic product (GDP), over 80 percent of the national export earnings and absorbs 64 percent of the country’s workforce, but its productivity is undermined by weather-related shocks and limited crop diversity. In 2017, 50 percent of the export earnings were from tobacco (28 percent), sugar (8 percent), tea (8 percent) and edible nuts (6 percent).¹ Malawi’s Third Growth and Development Strategy (MGDS III) aims to break the cycle of persistently low agricultural productivity and limited opportunities for non-farm self-employment, which together are considered the main proximate determinants of stagnant poverty levels in Malawi.²

2. **Exogenous, climate-induced shocks are a major source of vulnerability, exacerbating macroeconomic instability, and making it harder for Malawi to break the cycle of vulnerability.** Maize accounts for roughly 90 percent of all land under cereal production and 54 percent of caloric intake by households. More frequent severe weather conditions have been leading to crop failure with downstream effects on food prices and agricultural outputs that keep households poor and can force two out of every five households into poverty.³ In 2015, the country experienced its worst floods in 50 years, followed by a drought in 2016, together resulting in annual estimated losses of US$500 million across all sectors. Cyclone Idai in 2019 caused an estimated US$220 million in physical damage to the country’s capital stock Accelerated by high population growth and environmental degradation, the negative impacts of weather shocks in Malawi are expected to worsen.

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¹ World Bank (2017) data base.
3. **Malawi’s 17.6\(^4\) million youthful, fast-growing, and primarily rural population poses a further challenge to poverty reduction and strains already weak service delivery systems.** Nearly 95 percent of the poor live in rural areas, with most locked in low productivity subsistence farming. The already dense population, expected to double by 2038, is putting pressure on farm size and productivity, environmental sustainability, as well as limited public services. As workers are pushed out of agriculture, they tend to turn to low productivity informal service jobs. Urbanization has so far had little impact on structural transformation and has stagnated at about 15 percent since 1999 (WDI 2017), far below its neighbors.

4. **Despite recent improvements in child mortality, fertility, primary school enrollment and stunting levels, human capital development remains limited and improvements have disproportionately benefited the non-poor.** Between 2010 and 2015 in comparison to regional counterparts. For example, infant and under-five mortality in Malawi declined to 42 and 63 per 1000 live births respectively compared to 56 and 83 for Sub-Saharan Africa (SSA) countries; the maternal mortality ratio (MMR) is 439 per 100,000 child bearing age women compared to 547 for SSA; the total fertility rate (TFR) is 4.4 compared to 4.9 for SSA. With 56 percent of the population below 19 years of age, 29 percent of girls being mothers by age 19, and a stunting rate of 37 percent of children under five, much more is needed to support Malawi’s demographic transition. Malawi’s 2017 Human Capital Index (HCI) of 0.41, means that a child born today will only be 41 percent as productive compared to a situation where the child had complete education and full health.

5. **It is widely recognized that poor governance is a critical constraint to Malawi’s development ambitions.** At the macro level, Malawi’s vulnerability to external and internal shocks has been reinforced by weak governance and institutions, contributing to cycles of economic crisis, corruption scandals and food insecurity. Weak institutions and public financial management (PFM) in particular have tended to transmit recurring shocks into fiscal indiscipline, in turn exacerbating macroeconomic instability. Volatility in foreign aid receipts has also played a role in erratic fiscal management, with corruption scandals leading to the suspension of budget support three times since 2001. The 2013 “cashgate” scandal, in which some US$50 million was lost through fraudulent transactions in the Integrated Financial Management Information System (IFMIS), resulted in the most recent downturn in Official Development Assistance (ODA) provided on budget, and highlights the ‘implementation gap’ between efforts to reform governance policies, rules and systems, and the ability to translate these into behavioral and institutional change. While crises are often followed by periods of reform and fiscal discipline, these have not been sufficiently institutionalized to prevent relapse.

6. **Malawi’s relative macro-economic stability and growth since 2017 may present an opportunity to address long sought-after structural change.** Following two years of depressed economic activity due to floods and drought, headline inflation has receded to single digit levels, and the Kwacha has been stable against the U.S. dollar. Real GDP growth picked up to 4 percent in 2017, then 3.7 percent in 2018 and is projected to 4.4 percent in 2019. Senior leaders are not sanguine about the prospects of structural transformation, but they do recognize that of the many factors known to favorably impact on structural transformation, the quality of human capital is vitally important. Accordingly, high level policy reiterates the need to revitalize the delivery of core services and to invest in collateral assets and services (energy, economic and welfare-enhancing infrastructure, water and sanitation, transport) that help ease binding constraints on human capital development and thus supporting labor reallocations believed to be conducive to growth and social progress.\(^5\)

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Sectoral and Institutional Context

7. Government systems for the delivery of basic services needed to develop human capital suffer from serious governance and institutional challenges. The responsibility for basic service delivery increasingly resides in Malawi’s thirty-five Local Authorities, yet they lack the resources and capacity needed to perform these functions. Fiscal constraints, poor planning processes and political expedience result in inefficient allocation of resources and insufficient oversight systems with consequences for service delivery and human development outcomes. Due to lack of donor confidence in government systems, the vast majority of development spending on service delivery is off budget donor funding, which leads to fragmented and geographically very uneven investments in health, education and other basic services.

8. Health and education services suffer from very low ratios of medical workers/teachers to population even as personal emoluments dominate the budget, squeezing out other recurrent and development funding such as for basic supplies and much needed infrastructure. Countrywide there is less than one health facility per 10,000 population (the target is 2 per 10,000), and less than half the target level of core health worker density. Primary education quality suffers from inequitable distribution of teachers; on average, the most understaffed school in a zone has a pupil-teacher ratio (PTR) five times that of the best-staffed school. While initial deployments are inequitable, District Education Managers are further pressured to authorize transfers away from remote locations. Vast unmet needs for capital spending (a national deficit of 36,000 primary schools alone) pose serious challenges for primary and secondary completion rates, especially for girls. Costs of school construction when managed by central government are several times higher than when managed locally.

9. Citizen perceptions of the government’s handling of basic health services, educational needs and water and sanitation have been on a declining trend over the past decade according to Afrobarometer. Indicators of government effectiveness, control of corruption, regulatory quality and trust as measured by WGI, IIAG and GCI have dropped from 2008 to 2017. The deterioration in these indicators is manifested in weak policy coordination and implementation of reforms, as well as limited transparency and accountability in the public sector. Indeed, vested interests in the public sector are prevalent, and have a disproportionate influence in policy making and public resource allocation. Coupled with weak capacity to implement reform programs, this has undermined effective service delivery.

10. The status of policy reforms aimed at decentralized governance and service delivery was sluggish and fragmented for the first fifteen years. The 1998 National Decentralization Policy (NDP) has four key objectives: i) to devolve administrative and political authority to the district level; ii) to integrate government services at the district and lower levels into one administrative unit; iii) to assign functions and responsibilities amongst all levels of government; and iv) to promote popular participation in governance and development. However, local council elections did not take place in 2004 or 2009; 2010 amendments to the LGA were perceived as undermining ‘downward accountability’; and power contests and resistance from line ministries led to fragmentation and incoherence in the devolution of functions and resources.

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11. Since 2014 the decentralization agenda has gained momentum with a number of significant reforms. This has been driven by the need to respond to widespread public discontent with the quality of services, while also addressing pressures from political fragmentation. From FY13-14 to FY15-16 total transfers to local governments nearly doubled – from MWK 17.5B to 33.1B. Importantly, the District Development Fund (DDF) was introduced, for the first time providing discretionary development resources for councils to address local priorities. In 2017, the long-planned devolution of human resources shifted tens of thousands of personnel from central ministries to district administrations with recruitment managed by the Local Authority Service Commission (LASCOM). In 2018 the National Local Government Finance Committee (NLGFC), responsible for intergovernmental fiscal transfers, merged with the Local Development Fund, which managed mostly donor funded projects and institutional strengthening. The resulting body, NLGFC, is positioned to play a critical role in a more strategic and coherent approach to both fiscal decentralization and institutional performance of local governments.

12. For this opportunity to translate into strengthened local services, the vicious circle of low trust – low investment – low accountability must be tackled. While it is widely recognized in policy that decentralized service delivery can lead to greater efficiencies, equities and responsiveness, follow through by matching resources to functional responsibilities is impeded by concerns over poor local government capabilities. The result is continued incoherence in the system of intergovernmental fiscal and accountability relations which in turn weakens service delivery performance.

13. Local Government service delivery responsibilities are financed primarily by an inadequate system of intergovernmental fiscal transfers (IGFT) including 18 sector transfers for heavily earmarked non-wage recurrent funding (ORT) and a fragmentation of politically driven development funds. The system lacks a mechanism to correct vertical imbalances arising out of the decentralized expenditure and revenue assignments. The NDP provides that at least five percent of net national revenues (NNR) should be transferred to local governments for development financing, but the meaning is disputed. Development transfers have yet to exceed 1.65 percent of NNR. The administration of the transfer system creates further difficulties, as cumbersome flow of funds processes and itinerant cash management priorities lead to delays, significant variance between approved budgets and actual receipts, and deviation from agreed formulae. As a consequence, financing bears little relationship to expenditure needs and differential costs of delivery. While locally raised revenues are a meaningful source of funding for the urban councils that collect property tax, the 28 District councils have a very low revenue base and significant leakage. The Ministry of Local Government and Rural Development and NLGFC are initiating a comprehensive review of the IGFT toward a fiscal decentralization strategy that addresses these shortcomings.

14. A lack of qualified and capable personnel for key functions is also a major constraint to effective service delivery. A 2015 capacity assessment of local councils found an overall vacancy rate of 71 percent against the Establishment Warrants. While this may not account for staff competencies that exist but are outside of the authorized positions, a 2019 staffing review identified an overall vacancy rate of 56 percent against a defined set of six core governance functions. This has undermined the most basic functions of accounting, managing civil works and administration. Wage bill constraints, insufficient recruitment capacity and inability to enforce redeployments from the center and to remote areas and retain staff with special skills have contributed to the

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7 For this purpose, development transfers includes: the District Development Fund (DDF); Infrastructure Development Fund (IDF - discretionary resources for the urban councils); Constituency Development Fund (CDF); and ad hoc special purpose transfers for boreholes and community development.
problem. Institutional and capacity building of councils has been ad hoc and undermined by the frequent rotation of staff.

15. Financial accountability and controls are weak, reflecting capacity deficits as well as an ineffective system of oversight and intergovernmental accountability. Audit reports document repeated failures to carry out bank reconciliations or large amounts of unreconciled items or “discrepancies”. Lack of supporting documentation for transactions, procurement irregularities, mis-postings, unauthorized virements and cash payments are also frequently cited. Local government is not an exception to the problem of impunity affecting the public service – it is widely recognized that mismanagement is rarely sanctioned.

16. Planning processes are fragmented with poor community participation and democratic accountability. District Development Plans vary in quality and state of preparation, and often are disjointed from sector development plans and from annual budgeting processes. Village Development Committees (VDCs) and Area Development Committees (ADCs) are meant to provide a representative mechanism for the identification of community development priorities and a means of monitoring and holding councils accountable. In reality, to the extent these priorities are identified, the committees report upwards, but little feedback is passed downwards.

17. The above challenges stem from capacity gaps and technical deficits, but more fundamentally they reflect a breakdown in key accountability relationships. The effect of the parlous state of the IGFT – the mechanism by which the center is meant to realize policy priorities for local service delivery – is to disable the accountability relationship between local government and citizens. At the same time, it enables poor financial and resource management practices. Council officials point to a slew of constraints that stem from central government and are beyond their control – insufficient staff, ICT problems affecting proper use of the IFMIS system, and inadequate policy guidance. Untimely and unpredictable fiscal transfers, particularly the DDF, are a serious impediment to effective investment planning and implementation. The amount of DDF in the approved budget has consistently been cut significantly at mid-year (by 43 percent in 2015/16; 47 percent in 2017/18; 60 percent in 2018/19). Political economy factors surely contribute to patterns of mismanagement. But to a certain extent, deviation from required practices is in effect a coping strategy, bending the rules in order to meet pressing needs, such as paying contractors on time, supplying health facilities, responding to seasonal demands in agriculture and meeting the needs of traditional authorities.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)
To strengthen Local Authorities’ institutional performance, responsiveness to citizens and management of resources for service delivery.

Key Results
PDO Indicator 1: Local Authorities that are eligible for the Performance Based Grant

PDO Indicator 2: Local Authorities that increase their Local Authority Performance Assessment (LAPA) score by at least 5 points

PDO Indicator 3: Local Authorities that complete 80% of the capital investment projects in their Annual Investment Plans

PDO Indicator 4: Increase in citizen satisfaction (disaggregated by sex) with preparation and implementation of Annual Investment Plans based on periodic beneficiary feedback survey

D. Project Description

18. The project comprises a set of interlocking components to address governance bottlenecks to basic service delivery at national and local levels. At the local level, the project uses a results-based approach to strengthen the governance of public resources to improve service delivery in Malawi’s twenty-eight district Local Authorities (LAs). It is designed to incentivize effective and accountable institutional performance of LAs with a focus on three core functions: (1) delivering quality development projects that are responsive to local needs; (2) accountable management of public financial resources; and (3) effective management of frontline service delivery staff. This will be achieved through the introduction of a performance-based grant (PBG), which will substantially increase funding for development projects identified in District Development Plans, commensurate with each LA’s level of capability as determined through an annual performance assessment. The PBG will operate to the extent possible under strengthened Government standards, guidelines and manuals so as to reinforce country systems. The PBG will supplement and leverage the government-funded District Development Fund (DDF), and it is intended that the two will be merged and fully aligned mid-way through the project. Expanding both the quantum and quality of development investment by LAs will positively impact the services received by the rural population. The improved performance of LAs will also build confidence in their ability to manage increasing resources in line with their devolved functions, laying a foundation for a coherent framework

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8 The term ‘Local Authorities’ here refers to the twenty-eight district local authorities, excluding the seven urban local authorities.
for government service delivery systems and for crowding in and delivering donor funding through country systems.

19. **Recognizing the critical policy and operational roles of central government agencies in enabling improved governance at the district level, the project will also strengthen their capacities to perform these roles.** The project will support four such areas. First, support will be provided to address deficiencies in the fiscal decentralization framework that hinder LA performance, including the predictability, timeliness, transparency and equity of the transfers. The project will help revamp the intergovernmental fiscal transfer system into a more coherent and effective instrument of policy. Second, the project will strengthen the public finance accountability loop by supporting the National Audit Office to undertake timely audits of LA financial statements. Third, the project will address functional human resource gaps in LAs by supporting the Local Authority Service Commission to undertake timely and strategic promotion and recruitment of staff for a set of agreed critical functions in LAs. Fourth, the project will support relevant MDAs to deliver on their policy, guidance and capacity building roles with regard to LAs through a robust approach to targeted performance improvement, including strengthening the policy and operational framework and delivering capacity support to LAs.

20. **Gender sensitive citizen engagement will be promoted through all project components.** At district level, publicizing the annual results of the LA performance assessment, the annual investment plan, and reporting on its implementation will provide an objective basis for productive contests involving citizens and elected and administrative district officials. Compliance with strengthened government standards and guidelines for citizen participation and gender responsiveness at key aspects of the investment project cycle – the provision of actionable information; selection and appraisal of projects for the annual investment plan, including climate screenings and resiliency measures; awarding contracts; monitoring their implementation – will feature as performance measures that will be scrutinized through the Local Authority performance assessment and will thus impact directly on the size of the PBG available to each LA. The project will further support a range of mechanisms for promoting information and feedback flows, including use of community radio, mobile phone messaging and an interactive web-based platform for mapping and monitoring LA annual investment plans. Social accountability tools, including score cards, public procurement and expenditure tracking will be tested and where proven effective and potentially sustainable, their institutionalization will be promoted. The project will also participate in a pilot grievance redress mechanism to be operated by a third party with the aim of serving as a national GRM. These aspects will be overseen by a joint committee of government officials and civil society representatives.

21. **The project is comprised of four components:** Component 1: Performance-Based Financing for LA Service Delivery; Component 2: Intergovernmental Accountability Systems; Component 3: LA Performance Improvement Support; and Component 4: Adaptive Management, Learning and Innovation.

**Table 1: Estimated project cost by component**
### Component

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<thead>
<tr>
<th>Component</th>
<th>Estimated Cost (US$ million)</th>
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<tr>
<td><strong>Component 1: Performance-Based Financing for Service</strong></td>
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<td>Sub-component 1.1: Performance-Based Grant</td>
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<td><strong>Component 3: Local Authority Performance Improvement</strong></td>
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<td>Sub-component 3.3: Citizen Engagement and Civil Society Partnerships</td>
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<td><strong>Component 4: Adaptive Management and Innovation Support</strong></td>
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<td>Sub-component 4.1: Project Coordination</td>
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<td><strong>Total</strong></td>
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### E. Implementation

#### Institutional and Implementation Arrangements

22. **The National Local Government Finance Committee (NLGFC) will be the implementing agency for the project, responsible for overall project management, implementation and coordination.** The NLGFC is a constitutional body mandated to facilitate fiscal decentralization, financial management and local development in local councils. It has dual reporting lines to the MoLGRD and the MoFEPD. This positioning and role make it the most appropriate body to implement the project. In addition, it has served as the implementing agency for several World Bank funded social protection projects and has benefited from the capacity investments made in that regard such that it is deemed adequate for the implementation of GESD. The project will be managed administratively by NLGFC, which will implement all activities related to project management, flow of funds, central procurements and operational support.

23. **The functions of a Project Implementation Unit (PIU) will be embedded in the existing structure of the NLGFC.** The Director of the Department of Capacity Building will act as overall Project Coordinator to coordinate all project activities to enable achievement of the project objectives. The Project Coordinator will handle the day-to-day operations of the project and oversee a team responsible for financial management, procurement, Monitoring and Evaluation (M&E), reporting and safeguards for the project. This team will be comprised of dedicated staff from the Department of Capacity Building for components 1 and 3 and safeguards; from the Department of Financial Management for component 2; from the Department of Knowledge Management and Communications and from the Department of Corporate Services for aspects of component 3 related to ICT and communications. The project will support hiring of additional staff needed to ensure skills are available to carry out project implementation as well as technical responsibilities. Building on experience from previous and ongoing operations, the project also will contract project officers at the local level to support the day-to-day

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9 In 2018 NLGFC merged with the Local Development Fund, which implemented four generations of the Malawi Social Action Fund (MASAF) projects. The NLGFC is also the implementing agency for the MSSRLP.
activities and provide additional capacity to LAs. This structure will be supported by existing government technical staff within MoLGRD, MoFEPD, CIAU, NAO and other MDAs as needed to serve as focal points/desk officers for their respective sub-components or activities, provide coordination and maintain institutional memory and continuity.

24. A Project Steering Committee (PSC) and Project Technical Committee will be established. The PSC will be chaired by the PS for MoLGRD, and comprise representatives of the OPC, the MoFEPD, the MoLGRD and the NLGFC. The NLGFC will act as Secretary to the PSC. The PSC will quarterly to monitor implementation progress; periodically receive and review reports from the LAPA Task Force, World Bank supervision missions, technical and quality assurance of consultancies and the deliberations of the annual forum on decentralization; provide guidance, discuss and agree on corrective measures; evaluate recommendations and requests that have policy and institutional implications. The Project Technical Committee will be comprised of designated technical staff from the same agencies and will meet on a monthly basis to ensure coordination across MDAs.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented in all 28 districts of Malawi. It will use a results-based approach to strengthen the management of public resources to improve service delivery by Local Governments. The investments under the proposed operation that have potential to generate environmental and social risk are in the Component 1 on Performance-Based Financing for Service Delivery. These will include the refurbishment and rehabilitation of existing service delivery infrastructure in select district and municipal level administrations including schools, clinics, community centers, bore holes and water supplies, markets, bus shelters and community feeder roads. The main environment and social impacts anticipated include possible loss of vegetation and some habitat, possible loss and impacts on land and/or livelihoods and construction works related impacts such as waste and nose generation and occupational and community health and safety.

G. Environmental and Social Safeguards Specialists on the Team

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

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10 This support will be coordinated with that provided by the World Bank MSSRLP.
11 Before finalizing the PSC and PTC arrangements, consideration will be given to using existing structures including those being put in place for the MSSRLP.
## SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
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<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>This project will finance, in alignment to district development plans, the refurbishment and rehabilitation of existing community infrastructures such as schools, clinics, community centers, bore holes, markets, bus parks, and community feeder roads. The refurbishment of these facilities will entail construction works that may result in the creation of solid waste, noise/air pollution and minor congestion due to the use of vehicles and machinery and impacts on health and safety. As the exact locations of project investments are not yet determined, an Environmental and Social Management Framework (ESMF) has been prepared to ensure that a process of identifying, assessing, and mitigating environmental and social impacts is integrated in the development of the specific subprojects. The ESMF will be consulted on and disclosed prior to Appraisal.</td>
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<td>Performance Standards for Private Sector Activities OP/BP 4.03</td>
<td>No</td>
<td>The sub projects will be confined to existing facilities, policy is not triggered.</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>The project is not applicable to this project.</td>
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<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>Since the activities are confined to existing facilities, policy is not triggered.</td>
</tr>
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<td>Pest Management OP 4.09</td>
<td>No</td>
<td>The policy is not applicable to this project.</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>Yes</td>
<td>The project may drill new boreholes in some districts depending on district council development plans. Chance find procedures for handling any asset of cultural/religious/historical/archeological value have been prepared and annexed to the ESMF.</td>
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<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>No</td>
<td>The policy is not applicable to this project.</td>
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<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>Yes</td>
<td>All rehabilitation works will be done within and on existing structures and facilities. However, there may be loss of land, assets and impacts on livelihoods due to the expansion of structures and rehabilitation and refurbishment of public facilities such as markets, bus shelters, community feeder roads etc. which may interfere with business operations and other economic activities. A Resettlement Policy Framework (RPF) has been prepared, consulted on</td>
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and disclosed prior to appraisal. With regard to markets in particular, a process to guide business activities (of vendors, business people, customers etc.) so that economic activities are not disrupted during construction works will be included in the RPF.

<table>
<thead>
<tr>
<th>Safety of Dams OP/BP 4.37</th>
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<th>The policy is not applicable to this project</th>
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<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
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<td>The policy is not applicable to this project</td>
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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The operation is proposed to be assigned EA category B and environmental and social risk is rated as MODERATE for while investments may potentially result in adverse environmental and social impacts, they are deemed temporary in nature and scope, can be reversed and/or easily and efficiently mitigated. It is expected that impacts will be limited, site-specific and may not affect an area broader than the sites of the physical works. Potential risks from the interventions include construction related impacts such as the creation of solid waste, noise/air pollution, minor congestion due to the use of vehicles and machinery and impacts on the health and safety of communities and workers. There is also possibility of loss of land and livelihoods though most interventions be within existing facilities. The exact locations/sites of project investments are not yet defined and identified, therefore, a framework approach to safeguards has been adopted. Potential social and environmental risks and impacts and subsequent mitigation and management measures have been outlined in the Environmental and Social Management Framework (ESMF) that has been prepared, consulted upon and publicly disclosed prior to appraisal. The project focuses on rehabilitation/upgrading of existing services rather than greenfield project development. It is anticipated that expansion of structures during rehabilitation and upgrading works may be needed, hence land acquisition processes could be considered. As much possible the project will focus on rehabilitation and refurbishment, depending on district council plans, development needs, district performance, and eligible investments. However, interventions such as borehole drilling, piped water supply, small markets, bus shelters, classrooms, health units, community feeder roads and footbridge constructions etc. may lead to the taking of land and loss of income and livelihoods. A Resettlement Policy Framework (RPF) that will take into account land, asset loss and impacts on livelihoods has been prepared, consulted upon and disclosed prior to appraisal.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

There is unlikely to be long term impacts in these type of investments. The interventions that will pose some environmental or social risk are in component I Performance-Based Financing for Service Delivery which will finance much needed small-scale infrastructure across the 28 Districts of Malawi. While the civil works may be widely located in terms of geographical spread with sites in multiple locations across 28 districts, the individual subproject footprint is expected to be modest with risks that are site specific, predictable, temporary in nature and with no significant residual impacts following the implementation of prescribed mitigation measures. Potential environment and social...
risks associated with the operation include construction generated occupational and community health and safety impacts, waste generation, possible land-take leading to permanent or temporary loss and relocation of assets, loss of income sources or means of livelihoods within the physical footprint of the sub projects, and possible labor influx and associated risks such as disease transmission and GBV/SEA. The potential impacts are expected to be direct and site specific, considered temporary in nature and scope, and can be reversed and/or easily mitigated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
In the preparation of sub project specific safeguard instruments, alternatives will be explored. The project has prepared a performance based grant manual within which eligible investments as well as a negative list have been outlined.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The borrower has prepared an Environment and Social Management Framework and the Resettlement Policy Framework to guide subproject ESMP and RAP preparation during implementation.

The National Local Government Fund Council (NLGFC) currently has one environmental and social safeguards specialist in place. As the NLGFC is also the implementing agency for two other Bank funded operations (MASAF and MSRRLP), it will put in place additional staffing. It has been proposed that two additional staff will be brought on board at the NLGFC in order to provide adequate environment and social risk management and coverage for all the operations. Further, training on environment and social risk management has been planned for NLGFC under the new MSSRLP that applies the new ESF. The Implementation of the ESMF will follow a semi-decentralised system where the National Local Government Finance Committee will empower the District Councils/ Local Authorities to undertake environmental and social screening of proposed sub-projects and development of Environmental and Social Management Plans for specific sites based on the results of screening. The National Local Government Finance Committee in collaboration with relevant stakeholders under this project will provide the necessary capacity building and financial support to the Local Authorities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The key stakeholders include central and district level MDAs, communities and users of service delivery infrastructure and civil society. Consultation with stakeholders has been undertaken in the process of preparation of safeguard instruments and disclosure of safeguard documents done in accordance with safeguard policies. In addition, citizen engagement and feedback mechanisms have been incorporated in the project design.

B. Disclosure Requirements

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<thead>
<tr>
<th>Environmental Assessment/Audit/Management Plan/Other</th>
<th>Date of receipt by the Bank</th>
<th>Date of submission for disclosure</th>
<th>For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors</th>
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<td>&quot;In country&quot; Disclosure</td>
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</table>
**Resettlement Action Plan/Framework/Policy Process**

| Date of receipt by the Bank | Date of submission for disclosure |

"In country" Disclosure

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?  
Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?  
Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?  
Yes

**OP/BP 4.11 - Physical Cultural Resources**

Does the EA include adequate measures related to cultural property?  
Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?  
Yes

**OP/BP 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?  
Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?  
Yes

The World Bank Policy on Disclosure of Information
Have relevant safeguard policies documents been sent to the World Bank for disclosure?  
Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?  
Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?  
Yes

Have costs related to safeguard policy measures been included in the project cost?  
Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?  
Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?  
Yes

**CONTACT POINT**

**World Bank**

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**Borrower/Client/Recipient**

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**Implementing Agencies**

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## APPROVAL

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**Approved By**

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<td>Greg Toulmin</td>
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