

Document of  
The International Development Association  
Acting as Administrator of the Interim Trust Fund  
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Report No. P-7041 MAI

MEMORANDUM AND RECOMMENDATION  
OF THE  
MANAGING DIRECTOR  
TO THE PRESIDENT OF THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
ON A  
PROPOSED INTERIM FUND CREDIT  
IN AN AMOUNT OF SDR 8.7 MILLION  
TO  
THE REPUBLIC OF MALAWI  
FOR AN  
ENVIRONMENTAL MANAGEMENT PROJECT

May 14, 1997

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## CURRENCY EQUIVALENTS

|               |   |                                |
|---------------|---|--------------------------------|
| Currency Unit | = | Malawi Kwacha (MK)             |
| US\$ 1.00     | = | MK 15 (as of October 1996)     |
| SDR 1.00      | = | US\$ 1.44 (as of October 1996) |

## WEIGHTS AND MEASURES

Metric System

## GOVERNMENT FISCAL YEAR

April 1 - March 31

## ABBREVIATIONS AND ACRONYMS

|       |   |
|-------|---|
| CBNRM | Community-Based Natural Resources Management                |
| CAS   | Country Assistance Strategy                                 |
| CURE  | Coordinating Unit for the Rehabilitation of the Environment |
| DEO   | District Environmental Officer                              |
| DDC   | District Development Committee                              |
| EAD   | Environmental Affairs Department                            |
| EIA   | Environment Impact Assessment                               |
| EIS   | Environmental Information Systems                           |
| EMA   | Environmental Management Act                                |
| EMP   | Environmental Management Project                            |
| ESP   | Environmental Support Programme                             |
| GDP   | Gross Domestic Product                                      |
| GEF   | Global Environment Facility                                 |
| IAPSO | Inter-Agency Procurement Services Office                    |
| IPCC  | Intergovernmental Panel on Climate Change                   |
| MASAF | Malawi Social Action Fund                                   |
| MOREA | Ministry of Research and Environmental Affairs              |
| MNR   | Ministry of Natural Resources                               |
| NEAP  | National Environmental Action Plan                          |
| NCE   | National Council for the Environment                        |
| NEP   | National Environment Policy                                 |
| NGO   | Non-Governmental Organization                               |
| PRA   | Participatory Rural Appraisal                               |
| SOE   | Statement of Expenditure                                    |
| TCE   | Technical Committee on the Environment                      |
| NRC   | Natural Resources Committee                                 |
| UNDP  | United Nations Development Programme                        |

|                   |                          |
|-------------------|--------------------------|
| Vice President    | Mr. Callisto Madavo      |
| Country Manager   | Ms. Barbara Kafka        |
| Technical Manager | Ms. Cynthia Cook         |
| Task Team Leader  | Mr. Robert Clement-Jones |

**REPUBLIC OF MALAWI**  
**ENVIRONMENTAL MANAGEMENT PROJECT**

**Credit and Project Summary**

|                                    |  |
|------------------------------------|--|
| <b>Borrower:</b>                   | Government of the Republic of Malawi   |
| <b>Implementing Agency:</b>        | Ministry of Research and Environmental Affairs, Ministry of Natural Resources, Ministry of Transport (Meteorological Department), other Government Departments, Non-Government Organizations, Communities. |
| <b>Beneficiaries:</b>              | Government and Non-Government Organizations, Communities.  |
| <b>Poverty:</b>                    | Not applicable.  |
| <b>Amount:</b>                     | SDR 8.7 million (US\$ 12.4 million equivalent)   |
| <b>Terms:</b>                      | Standard with 40 years maturity  |
| <b>Financing Plan:</b>             | See Schedule A   |
| <b>Net Present Value:</b>          | Not Applicable   |
| <b>Staff Appraisal Report:</b>     | No. 15768 -- MAI   |
| <b>Map:</b>                        | IBRD 24575   |
| <b>Project Identification No.:</b> | MW-PA-1664   |

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**MEMORANDUM AND RECOMMENDATION OF THE MANAGING DIRECTOR TO THE  
PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION  
(THE ASSOCIATION ACTING AS ADMINISTRATOR OF THE INTERIM TRUST FUND)  
ON A PROPOSED INTERIM FUND CREDIT TO THE  
REPUBLIC OF MALAWI FOR AN  
ENVIRONMENTAL MANAGEMENT PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed credit from the Interim Trust Fund to the Republic of Malawi, for SDR 8.7 million (US\$12.4 million equivalent), on standard terms with maturity of 40 years, to help finance an Environmental Management Project (EMP).

2. **Country and Sector Background.** With a nominal per capita income of US\$140 (1994), Malawi is one of the poorest countries in the world. Malawi's predominantly rural population of about 11 million is growing at about 3.0 percent, and population density, at 170 inhabitants per km<sup>2</sup>, is among the highest in the region. Agriculture is mostly rainfed, and is highly susceptible to climatic variability. Drought has occurred during three of the last four years. Malawi enjoyed healthy growth during the first years of independence, with per capita incomes increasing between 1966 and 1980 at an annual average rate of 3%. However, during the last 15 years, Malawi has suffered from a series of shocks in the form of droughts, increases in oil prices and interest rates, decreases in tobacco prices (Malawi's major export), and civil war in Mozambique which significantly increased transport costs and brought more than 1 million refugees. Recent years have seen a series of structural adjustment programs aimed at stabilizing the economy and removing impediments to growth.

3. Among Malawi's key development challenges are the critical environmental problems stemming largely from its poverty and population pressures, and the need for sustainable management of its natural resource base. Key environmental problems include: loss of soil fertility and land degradation; unsustainable exploitation of woodland and biodiversity resources; rapid degradation of water resources; deterioration of its rich fishery resources; rapid urban development and worsening human habitat; and vulnerability to climatic variability. These problems are likely to intensify with the increasing demand for food, water and energy. Natural resources underpin the well being of the vast majority of Malawi's population and the deterioration of such natural capital could undermine Malawi's growth prospects.

4. To begin to address these problems, the Government of Malawi started preparation of a National Environmental Action Plan in 1993. The NEAP used a highly participatory process that involved all the key line ministries, districts, local communities, traditional leaders, NGOs and donors. In mid-1994, the Government of Malawi established the Ministry of Research and Environmental Affairs (MOREA) to take the lead in the coordination of the NEAP process and its implementation. The NEAP, which was formally launched in December 1994, identified the key environmental priorities facing Malawi (soil erosion, deforestation, water resources degradation, high population growth, depletion of fish stocks, threats to biodiversity, human habitat degradation, climatic change and air pollution), and focused on the policy, institutional and investment issues to be tackled.

5. Since completion of the NEAP document, substantial progress has been made on the policy and institutional fronts: the National Environment Policy was approved by Cabinet in February 1996, and Parliament enacted the Environment Management Act (EMA) in June 1996. These instruments outline the overall policy framework and institutional structures. The EMA sets out the duties and responsibilities of: the National Environmental Council (a high-level body whose Chairman is appointed by the President), and its Technical Committees; the Minister responsible for Environmental Affairs; the Environmental Affairs Department (EAD) (within MOREA); and District Environmental Officers. The EMA also provides for the introduction of Environment Impact Assessment (EIA) together with appropriate powers for the Minister and the Director of Environmental Affairs. Major efforts have been made to strengthen the staffing of EAD which has the overall mandate for the coordination of environmental programs and a network of environmental focal points has been established throughout the Government and parastatal sectors. In parallel with the EAD, there is an apex environmental NGO, CURE (Coordinating Unit for the Rehabilitation of the Environment) which provides a coordinating, training and information dissemination function for environmental NGOs.

6. Under the NEP and embodied in the EMA, provision is made for a review of all sectoral policies and legislation to eliminate inconsistencies between sectoral legislation and the EMA. This work has already started (with assistance from USAID and UNDP/UNEP), commencing with a full review of sectoral legislation to be followed by modifications where necessary to legislation and policies. Other key elements of the EMA include: a series of provisions on environmental management, pollution control, and legal sanctions, and provision for the establishment of the Environmental Fund for the "protection and management of the environment and the conservation and sustainable utilization of natural resources".

7. Since completion of the NEAP, Malawi has prepared its Environmental Support Programme which includes the main elements of policy reform and institutional development, and itemizes an investment program valued at over US\$120 million (over 5 years). In May 1996, an ESP Roundtable held in Lilongwe, brought together a broad range of Government departments and agencies, including members of municipalities and local government, NGOs and donors, to discuss the strategy contained in the draft report on the ESP and provide feedback on program priorities and focus. The Roundtable underscored the need for: *community participation* for sustainable management of natural resources; *capacity building* at all levels; improved *coordination* amongst the different actors; and *environmental education*. The World Bank has been closely associated with the preparation of the ESP, which has already enabled Malawi to mobilize resources from bilateral and multilateral sources. Most notable is USAID which, under its NATURE program has committed about US\$40 million dollars in project and non-project assistance. Others include UNDP, UNEP, ODA, Japan, GTZ/KfW, CIDA, DANIDA and the Netherlands.

8. **Project Rationale.** As the preparation of the ESP unfolded, the clear need in Malawi for strong coordination and capacity strengthening to promote environmentally sustainable development was revealed. Public policy formulation and implementation are required to complement local actions to slow or reverse environmental degradation. Sustained support in this arena is essential to maintain the momentum achieved to date. This project aims to underpin the capacity development and institutional strengthening objectives of the ESP, while also providing resources for a series of field and pilot activities which will help to integrate

environmental issues throughout the entire development process in Malawi. This type of relatively modest, learning-by-doing project is designed to support Malawi's overall program. It was selected over alternative types of project such as large scale sectoral projects as being the most appropriate way to develop human and institutional capital without overburdening the relatively weak administrative structures in Malawi.

9. **Project Objectives.** The objectives of the proposed project, which will complement the activities of the other donors, as ITF/IDA's contribution to the ESP, are to: (i) strengthen the capacity of MOREA and the environmental network in Malawi, and improve capabilities in environmental regulation, information management, promotion and coordination; (ii) implement a broad-based program of environmental education; (iii) promote a shift in the responsibility for sustainable resource management, and the reversal of degradation, to the community level; and (iv) support initiatives in key areas of environmental degradation.

10. **Project Description.** The IDA-financed portion of the ESP called the Environmental Management Project (EMP) would consist of four main components (amounts include contingencies): **Institutional Capacity Building and Strengthening of the Environment Information System (US\$ 3.0 million)** - this component would include support for training and operations, to enable MOREA to carry out its policy, monitoring and control functions. Training of focal points in line departments, regional and district administrations and NGOs would also be covered. MOREA's information systems, financial and logistical management capabilities would be strengthened. Support would include training courses, workshops, vehicles, equipment, technical assistance and operating costs as needed. USAID and UNDP are also involved in these activities, in a fashion complementary to IDA. Resources would also be provided to strengthen the *Environmental Information Systems* in MOREA. For the implementation of *Environmental Impact Assessment* guidelines and regulations IDA would support a unit in MOREA charged with reviewing, auditing and participating in the environmental impact assessment process. Support would include training, technical assistance and equipment necessary to provide the expertise and data management capabilities to exercise this function effectively. The **Environmental Education (US\$ 2.0 million)** component would aim to: (i) increase public environmental awareness and participation; (ii) integrate environmental education into the formal education system; (iii) improve the quality of environmental information and access to such materials; and (iv) identify formal and non-formal systems for dissemination of environmental information. The **Community-Based Environmental Management (US\$ 6.1 million)** component would aim to develop the capability of communities to manage the natural resources which they control and depend on for a livelihood. Urban communities would also be able to participate in these components to address critical urban environmental problems. Activities will fall under two categories: (i) those managed by NGOs which will be responsible for mobilizing communities (using PRA techniques) to identify priority environmental actions at the community level, and micro-projects to finance small-scale activities; and (ii) those managed by line Departments (e.g., Forestry, National Parks and Wildlife, Fisheries), which would enter into agreements with communities for the co-management of forest reserves, national parks and other publicly-held resources. NGOs would play a role in community mobilization for co-management. Modest resources would also be provided to strengthen capacity in the line Departments and implement activities in the designated areas. The **Environmental Actions and Studies (US\$ 2.6 million)** component

would support action in areas of high priority on the environment agenda. Examples of activities which could be financed include: (i) *Climate Change and Long Lead Forecasting* to support Malawi's Meteorological Department and help improve Malawi's resilience to climatic variability; (ii) *Water Hyacinth Control* to help stem the spread of this fast growing weed; (iii) *Bilharzia Control Pilot programs* to test holistic approaches to control this debilitating disease; (iv) improved management and modest infrastructure for *Lake Malawi National Park*; and (v) support for the *Policy Planning Unit (PPU) in the Ministry of Lands and Valuation*.

11. **Project Implementation.** The Environmental Affairs Department in MOREA will have the main responsibility for coordinating the ESP, including the IDA-financed activities. Financial and procurement capacity will be developed in MOREA to coordinate the ESP. However, other than training its own staff, developing capacity, enforcing Environmental Impact Assessment legislation and managing the Environment Information System, this Department will not be responsible for the direct implementation of any program components. Project activities will be carried out by NGOs, by the line departments in the Ministry of Natural Resources (Forestry, National Parks and Wildlife, and Fisheries), and by other agencies (e.g., Meteorology Department). The Water Hyacinth Component is likely to be implemented under contract with an international research institute. The Community Environmental Mobilization and Micro-Projects component would be managed through MOREA's Outreach Unit, and supervised by a Steering Committee drawn from the public sector (including MOREA), the private sector, and the NGO community.

12. **Project Financing.** The total cost of the ITF/IDA-financed project is estimated at US\$ 13.7 million, (including US\$ 0.85 for the PPF). The foreign exchange component of the project is estimated at US\$ 7.1 million, equivalent to 52 percent of the total project cost. The proposed ITF Credit of SDR8.7 million (US\$ 12.4 million equivalent) would finance 90 percent of expenditures net of duties and taxes. A breakdown of costs and the financing plan are shown in Schedule A. Amounts and methods of procurement and disbursements, and the disbursement schedule, are shown in Schedule C. A timetable of key processing events and the status of Bank Group operations in Malawi are given in Schedules D and E respectively. Malawi at a glance is shown in Schedule F, and a Map - IBRD 24575 is attached. The Staff Appraisal Report, No. 15768-MAI, is being distributed separately.

13. **Lessons Learned.** IDA's participation in the Environmental Support Programme is based on a major multi-stakeholder preparation effort following from a highly participatory NEAP process. This effort has drawn from experience in other countries in Africa and elsewhere and from ongoing operations in Malawi. Only the GEF/SADC Lake Malawi/Nyasa Biodiversity Conservation Project has been provided directly for environmental purposes. However, much of the prior and ongoing IDA lending (agriculture, forestry, social infrastructure, urban, water) has a direct impact on the environment. The main lessons, including those from similar environmental support programs are: (i) avoid overly ambitious goals and try to minimize the inevitable complexity of this kind of program to the extent possible; (ii) set clear priorities through a process of consensus building and enhancing ownership of program objectives on the part of the relevant stakeholders; (iii) take a highly participatory approach to program preparation and implementation; and (iv) start with a modest and flexible program to strengthen institutional

capacity and initiate the process of change. These lessons have been incorporated in project design.

14. **Country Assistance Strategy and Rationale for IDA Involvement.** The Government's request for IDA assistance is a logical outcome of the partnership between Malawi, the Bank, and other donors which has been developed over the past years during the preparation of the NEAP and the ESP. To date, the Bank's efforts have been focused on providing support to a Malawian-driven process, rather than designing a specific IDA project. Significant progress has already been made towards the development of a sound legal, policy and institutional framework, a large measure of consensus and awareness-raising has been achieved, and the level of ownership of the overall program is very high. Given the severity of Malawi's environmental problems and the likely social and economic impact of continued deterioration of the natural environment which could undermine Malawi's growth prospects, fully integrating environmental considerations in Malawi's development process is essential. Continued support for environmental management is entirely consistent with the Bank's central focus of poverty reduction as expressed in the Country Assistance Strategy (CAS), discussed on March 19, 1996. ITF/IDA's contribution is designed to complement other donor interventions in this area and other IDA operations (including National Water Development, Malawi Social Action Fund, Agricultural Services, Local Government, and the ongoing adjustment operations).

15. **Agreed Actions.** The following are conditions of *credit effectiveness*: (i) that a Financial Controller and a Procurement expert, with qualifications, terms and conditions satisfactory to IDA, be in place in the Administration and General Department of MOREA; and (ii) that a Project Implementation Plan acceptable to IDA is adopted. The condition of *disbursement of funds to support community microprojects grants*, is that appropriate arrangements, set out in the PIP have been entered into between the Government of Malawi and the community concerned establishing mechanisms for the flow of funds, the responsibilities, and the reporting requirements of the parties. Other key agreed dated actions include: the publication of environmental assessment guidelines (by December 1997); agreement on the rights of communities to share in the proceeds from the sustainable exploitation of natural resources (by December 1997); the acquisition of additional office space for MOREA (by December 1997), and the completion of a functional and public expenditure review of the forestry department (by March 1998).

16. **Poverty Category.** While this project is not a targeted poverty reduction initiative, the implications for poverty reduction are significant. Poorer households (in particular those headed by women) and communities are critically dependent on natural resources for their livelihoods and often survival, and in urban areas are more likely to suffer from a degraded environment. Hence efforts to mobilize and empower local communities, while improving the flows of benefits through revenue sharing should contribute to poverty reduction. Direct assistance to implement environmental actions at the community level proposed under the micro-projects component would also contribute towards improved welfare.

17. **Environmental Aspects.** The proposed project has a clear environmental focus, with the objective to monitor and reduce the environmental impact of development activities, and improve sustainable management of natural resources. An environmental impact assessment procedure for Malawi would be put in place and strengthened under the project. All activities

under the project are expected to have a positive environmental impact. The project is therefore classified as Category C.

18. **Program Objective Categories.** The ESP's and the ITF/IDA project's principal contribution is towards environmentally sustainable development. It would also directly address the program objective of local capacity building and human resources development, with emphasis on participatory natural resources management at the community level. Through its impact on sustainable resource use and growth, the project would directly address the poverty reduction objective.

19. **Participatory Approach.** The Environmental Agenda has been well set out in Malawi through the highly participatory processes of the NEAP which involved extensive consultations throughout the country at all levels of society. The design of the ESP has maintained this process through the work of a number of Task Forces, a series of *systematic client consultation* exercises for community-based pilot activities, technical inputs from a broad array of local and foreign sources including expertise from other African countries. Presentations have been made to Parliamentarians, journalists, and NGOs and awareness building has continued through the media and other channels. Successive drafts of a synthesis report for the ESP have been prepared and used to define more precisely the policy, institutional and investment priorities. A multi-stakeholder Roundtable was held in May 1996, to reaffirm and sharpen the priorities of the ESP, and at this stage IDA was able to identify, with the Government, the priority areas for support. The emphasis on community mobilization and participation, embedded in the ESP, will help maintain the momentum established to date.

20. **Benefits.** The proposed ITF/IDA contribution to the ESP, which is directed largely towards institutional strengthening and pilot programs, is not susceptible to detailed cost-benefit analysis and rate of return calculations. The main benefit of the ESP is that it will enhance Malawi's capacity to formulate, implement, and monitor national level environmental policies and programs in both the public and private sectors. The pilot investments to halt the country's natural resource degradation are expected to generate modest economic benefits. As successful investments are replicated in future ESP phases substantial benefits should be generated in terms of sustainable economic growth for the rural population, particularly for women, and poverty alleviation. These benefits would include reversing the decline in crop yields, and improving sustainable forestry, fisheries and biodiversity conservation. The ESP would raise the population's environmental awareness and foster community participation and empowerment in the decision-making process on the sustainable use and management of Malawi's natural resources.

21. **Project Sustainability.** The need for sustained efforts towards improving environmental management in Malawi is recognized, and the country's commitment to sound environmental management is enshrined in the new Constitution (1994).<sup>1</sup> Ultimately, it will not be through the

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<sup>1</sup> Chapter III, section 13 (d) calls upon the State: "To manage the environment responsibly in order to: prevent the degradation of the environment; provide a healthy living and working environment for the people of Malawi; and accord full recognition to the rights of future generations by means of environmental protection."

application of marginal additional resources that sustainability will be achieved, but through the overall development process. The key challenge is to create the social capital and incentive structure sufficient to induce sustainable use of natural resources. A key feature of the approach is that the communities perceive, and receive, tangible benefits from adopting a more conservationist and sustainable approach to resource management, on wildlife, forests, fish or soil. In particular, revenues from eco-tourism, or harvesting of wildlife or forest products should be shared with the local communities. The ESP and this project is designed to help develop the necessary capacity at all levels in society, while inducing policy changes which improve the incentive structures for sustainable management of natural resources. At the national level, a strong commitment to environmental management will entail maintaining support for the key agencies (including MOREA and MNR), although no additional staff beyond the current levels is envisaged at this time. ITF/IDA project funding would complement Governments resources and improve the operational capabilities of existing institutions with training, improved equipment and operating cost finance. The implication is that, after 5 years of implementation, the current annual operating budget of MOREA (about US\$ 300,000) would have doubled. It is expected that this additional resource requirement, in support of a new and important Government function, will not be difficult to meet.

22. **Risks.** The key risk in the process of improving environmental management over the medium and long term relates to changing incentive structures with respect to the management of natural resources. Inevitably there will be competing interests in the use, ownership and benefits derived from natural resources. It is by no means certain that conflicting interests can always be reconciled, nor that the correct policy decisions will be made. Major risks to implementation of the program (and the ITF/IDA project) are: (a) the relative newness and inexperience of the Environmental Affairs Department in MOREA; (b) the inherent complexity of such cross sectoral, multi-donor, multi-agency programs; and (c) the difficulties of obtaining significant changes in outlook, and incentive structures at the community level, in order to obtain sustained changes in environmental management in Malawi. The program (and the ITF/IDA project) does attempt to address these risks by ensuring congruence of objectives, and complementarity of actions on environmental issues under the aegis of an Environment Support Programme to which all donors, Government agencies and NGOs have "bought in", following a year and a half process of participatory design. The Environmental Affairs Department, to be strengthened under the program with support from various donors, will improve its capacity to coordinate program activities through an annual programming and review process, through the use of focal points in line ministries, and through its Environment Information System. Key policy reforms and supporting mechanisms will be in place early in the program. Much of the program and the ITF/IDA project focuses on initiatives at the community level, supported by NGOs and line ministries, designed to improve community stewardship of natural resources. Given the pilot nature of many of the interventions under the ITF/IDA project, together with the flexibility of approach built in, we feel that the risks are acceptable.

23. **Recommendation.** I am satisfied that the proposed Interim Fund Credit would comply with Resolution No. 184, adopted by the Board of Governors of the Association on June 26, 1996, establishing the Interim Trust Fund and I recommend that the President approve it.

Gautam S. Kaji  
Managing Director

Washington, D.C.  
May 12, 1997

**Government of Malawi  
Environmental Management Project**

**Project Cost Summary  
(US\$ million)**

| Component  | Local      | Foreign    | Total       |
|--|------------|------------|-------------|
| MOREA Institutional Strengthening                  | 0.2        | 1.3        | 1.6         |
| Environment Information System                     | 0.4        | 0.4        | 0.8         |
| Environmental Impact Assessment                    | 0.1        | 0.2        | 0.3         |
| <b>Subtotal Institutional Development</b>          | <b>0.8</b> | <b>2.0</b> | <b>2.8</b>  |
| Environmental Education                            | 1.0        | 0.8        | 1.8         |
| <b>Subtotal Environmental Education</b>            | <b>1.0</b> | <b>0.8</b> | <b>1.8</b>  |
| NGO-Based Community Environmental Management       | 1.6        | 0.5        | 2.1         |
| Forest Resources Co-Management                     | 0.6        | 1.0        | 1.6         |
| Wildlife Co-management                             | 0.7        | 1.1        | 1.8         |
| <b>Subtotal Community Environmental Management</b> | <b>2.9</b> | <b>2.6</b> | <b>5.5</b>  |
| Environmental Actions and Studies                  | 1.2        | 1.2        | 2.4         |
| <b>Subtotal Environmental Actions and Studies</b>  | <b>1.2</b> | <b>1.2</b> | <b>2.4</b>  |
| <b>Total Base Cost</b>                             | <b>5.9</b> | <b>6.5</b> | <b>12.4</b> |
| Physical Contingencies                             | 0.3        | 0.3        | 0.6         |
| Price Contingencies                                | 0.4        | 0.3        | 0.7         |
| <b>TOTAL PROJECT COSTS</b>                         | <b>6.6</b> | <b>7.1</b> | <b>13.7</b> |

- Notes: 1. Amounts are inclusive of duties and taxes  
2. Totals may not add up due to rounding

**Financing Plan**

|                      | Local      | Foreign    | Total       |
|----------------------|------------|------------|-------------|
| ITF a/               | 5.3        | 7.0        | 12.4        |
| Government of Malawi | 1.3        | 0.1        | 1.4         |
| <b>Total</b>         | <b>6.6</b> | <b>7.1</b> | <b>13.8</b> |

Note: a/ includes US\$0.85 million Project Preparation Facility  
Totals may not add up due to rounding



## ENVIRONMENTAL SUPPORT PROGRAM - PERFORMANCE MONITORING INDICATORS

| Narrative   | Indicators   | Measurement   | Assumptions   |
|---|--|---|---|
| <i>Project Development Objectives</i>                                       |  |   |   |
| Improved Policy and Institutional Framework                                 | Adoption of National Environment Policy and Environment Management Act. Role of MOREA and EAD established and agreed   | NEP adopted in February 1996, EMA enacted in June 1996. EMA sets out role of EAD, and Public Services Commission expedites recruitment of staff   | Improved policies will actually make a difference and there will be sufficient capacity and political will to implement the new policies  |
|   | Promulgation of guidelines and regulations under the EMA   | By December 1997  |   |
|   | Revision and review of sectoral policies and legislation   | Forestry 9/98<br>Fisheries 9/98<br>Parks and wildlife 9/98<br>Soil conservation 9/98<br>Land tenure 9/99<br>Water/irrigation 9/98   |   |
|   | Increased staffing for MOREA   | Full staffing complement achieved and maintained 12/96, and annually monitored thereafter   | Capacity development will be sustainable - staff turnover, political support for institutions concerned remains high. Must maintain momentum through training and replacement of staff when turnover occurs |
| Improved capacity to manage natural resources and environment at all levels | Effective coordination of:   | Frequency of meetings   | Availability of Funding   |
|   | <ul style="list-style-type: none"> <li>• National Council for the Environment</li> <li>• Parliamentary Committee</li> <li>• Technical Committees on the Environment</li> <li>• ministries</li> <li>• NGOs</li> <li>• donors</li> </ul> | Twice per year 4 times per year<br><br>During each Session<br>At least three times per year<br>Regular with focal points - specific agenda<br>Regular organized by CURE<br>Monthly - thematic |   |
|   | Preparation of annual Work Plans   | Annual Review process   |   |
|   | Effective establishment of environmental focal points network  | Official designation of focal points by 12/97   | Incentives for data collection and supply sufficiently strong for focal points and others to supply data  |
|   | EIS - Establishment of effective EIS   | Demonstration pilot for Shire River system - mapping and data input accomplished (12/98)  |   |
|   | Training   | Establishment and implementation of training programs for MOREA, line Ministries, NGOs, Communities 12/97. Annually thereafter, numbers of training course and people trained                 |   |
| Effective empowerment of communities for CBNRM                              | Areas of forest and public land brought under effective management by communities  | Forest resources co-managed<br>Hectares/Numbers of Communities mobilized and empowered annually   | Community empowerment provides sufficient incentive for communities to take control of their resource base  |
|   |  | National parks and wildlife areas co-managed, numbers of communities mobilized.   | Government commitment to co-management remains strong   |
|   |  | Agreement by Ministry of Finance on revenue sharing by communities 12/97  |   |
| Enhanced Environmental Awareness  | Greater public awareness and informed population   | Surveys, active participation of all levels of society in environmental management<br>Newspapers, radio, dance groups, environmental clubs, choirs  | Continued support at political level and active participation by groups including parliamentarians, Ministers, traditional leadership structures  |

|  |   |   |   |
|--|---|---|---|
| <p><b>Outputs</b></p> <p>Improved environmental capacity and coordination</p> <p>Better trained groups working on environmental management in Malawi</p> <p>Enhanced Environmental Education</p> <p>Enhanced Community Mobilization and Implementation of Local Environmental Activities</p> | <p>Functioning lead Ministry, functioning committees (e.g. NCE), donor groups, NGOs</p> <p>Functioning Environmental Impact Assessment Process</p> <p>Functioning Environmental Information Systems</p> <p>Numbers of people, communities trained</p> <p>Quantities of materials distributed</p> <p>Materials prepared and disseminated through formal and non-formal education channels</p> <p>Numbers of communities mobilized for natural resources/environmental management</p> <p>Numbers of communities implementing co-management and environmental micro-projects</p> | <p>Efficient allocation of resources, client satisfaction Records of meetings, and account of decisions taken</p> <p>Quantitative numbers of EIAs approved</p> <p>Quantitative number of users, size of databases, number of projects using system</p> <p>Qualitative surveys, client consultation, continued flow of resources</p> <p>Quantitative. Numbers of training courses (to be included in training program to be developed during 1997)</p> <p>Qualitative training effectiveness (post-course evaluation) Annual Report on training</p> <p>Quantities: Effectiveness (To be evaluated during annual work review and planning exercises). Community satisfaction</p> <p>Annual evaluation (numbers) of communities, projects and participants</p> | <p>Very efficient financial monitoring and control system</p> <p>Sufficient trained personnel to conduct and analyze EIAs</p> <p>Timely delivery of high quality training courses</p> <p>Effective coordination of effort among different Government agencies, NGOs and donors to minimize duplication of effort and maximize leverage of ESP resources</p> <p>Maintenance of Government commitment to community empowerment</p>  |
| <p><b>Components</b></p> <p>Institutional Capacity Building and Strengthening of the Environmental Information Systems</p> <p>Environmental Education</p> <p>Community Based Environmental Management</p> <p>Environmental Actions and Studies</p>   | <p>Procurement and distribution of inputs, provision of training resources</p> <p>Development and supply of materials</p> <p>Timely supply of financial resources</p> <p>Diverse</p>  | <p>Annual Report on progress and procurement and disbursement indicators</p> <p>Annual Report and Work Plan</p> <p>Annual Report and Work Plan</p> <p>Annual Report and Work Plan</p>   | <p>Maintaining the momentum of capacity development, with necessary staff Continued commitment of resources Effectiveness of capacity to procure inputs and manage financial systems</p> <p>Maintain commitment and resource application Sufficient capacity to implement programs NGOs are sufficiently motivated and organized to continue work</p> <p>Full collaboration with all elements of formal and non-formal education system, synergy with other initiatives</p> <p>Efficient management of program and line Departments</p> |

**Government of Malawi**  
**Environmental Management Project**

**Summary of Proposed Procurement Arrangements**  
**(US\$ million)**

|                           | Procurement Arrangements (US\$ '000) |              |              |              | Total         |
|---------------------------|--------------------------------------|--------------|--------------|--------------|---------------|
|                           | International                        | National     |              | Consulting   |               |
|                           | Competitive                          | Competitive  |              | Services     |               |
|                           | Bidding                              | Bidding      | Other        |              |               |
| A. Civil Works            | -                                    | 1.0          | -            | -            | 1.0           |
|                           |                                      | (0.9)        |              |              | (0.9)         |
| B. Vehicles and Equipment | 1.8                                  | 0.3          | 0.6          | -            | 2.7           |
|                           | (1.8)                                | (0.3)        | (0.6)        |              | (2.6)         |
| C. Consultants            | -                                    | -            | -            | 2.8          | 2.8           |
|                           |                                      |              |              | (2.8)        | (2.8)         |
| D. Training               | -                                    | -            | 4.1          | -            | 4.1           |
|                           |                                      |              | (3.3)        |              | (3.3)         |
| E. Community Grants       | -                                    | -            | 1.0          | -            | 1.0           |
|                           |                                      |              | (1.0)        |              | (1.0)         |
| F. Operating Costs        |                                      |              | 2.3          |              | 2.3           |
|                           |                                      | -            | (1.8)        | -            | (1.8)         |
| <b>Total</b>              | <b>1.8</b>                           | <b>1.3</b>   | <b>7.8</b>   | <b>2.8</b>   | <b>13.7</b>   |
|                           | <b>(1.8)</b>                         | <b>(1.2)</b> | <b>(6.7)</b> | <b>(2.8)</b> | <b>(12.4)</b> |

- Notes:
1. Figures in parentheses are the respective amounts financed by the ITF Credit
  2. "Other" comprises non-ICB/NCB procurement and includes IAPSO
  3. Category totals include duties and taxes
  4. Totals may not add up exactly due to rounding

**Government of Malawi**  
**Environmental Management Project**

**Summary of ITF Disbursement Schedule**

| Category of Expenditure                     | Amount Allocated in US\$ 000 | Percentage of Actual Expenditure Financed by ITF  |
|---|------------------------------|---|
| 1. Civil Works Contracts                    | 800                          | 90%   |
| 2. Vehicles and Equipment                   | 2,400                        | 100 % of foreign<br>100% of local (ex-factory cost)<br>90 % of local for other items procured locally |
| 3. Consultants' Services                    | 2,500                        | 100%  |
| 4. Training                                 | 2,800                        | 100% through June 30, 2000,<br>60% through June 30, 2001 and<br>40% thereafter                        |
| 5. Goods and works for Micro-projects       | 900                          | 95%   |
| 6. Operating Costs                          | 1,600                        | 100% through June 30, 2000<br>60% through June 30, 2001 and<br>40 % thereafter                        |
| 7. Refunding of Project Preparation Advance | 800                          |   |
| 8. Unallocated                              | 600                          |   |
| <b>TOTAL</b>                                | <b>12,400</b>                |   |

Note: All amounts and percentages are exclusive of taxes. The Unallocated category is equal to the sum of the physical and price contingencies which have been taken out of the amounts for the other categories

**Estimated ITF Disbursements, 1/**  
**(US\$ million)**

| IDA Fiscal Year   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------|------|------|------|------|------|------|
| <b>Annual</b>     | 0.3  | 0.8  | 1.2  | 2.5  | 3.5  | 4.2  |
| <b>Cumulative</b> | 0.3  | 1.1  | 2.3  | 4.8  | 8.2  | 12.4 |

Note: 1/ the disbursement profile includes the PPF in FY97

**Government of Malawi  
Environmental Management Project**

**Timetable of Key Processing Events**

- |     |                              |   |
|-----|------------------------------|---|
| (a) | Time taken to prepare:       | 20 months   |
| (b) | Prepared by:                 | Malawian Task Forces, Local and International experts, FAO-CP |
| (c) | First IDA mission:           | December 1994   |
| (d) | Appraisal Mission Departure: | June 30, 1996   |
| (e) | Negotiations:                | January 21-24, 1997   |
| (f) | Planned Effectiveness Date:  | June 30, 1997   |
| (g) | Relevant ICRs/PPARs:         | None  |

The Appraisal mission, which visited Malawi in June/July 1996, comprised Messrs. Robert Clement-Jones (Mission Leader, AFTEI), James Coates (Principal Economist, AFTA), Pickford Sibale (Research Specialist, World Bank Resident Mission, Malawi), David Smith (Consultant, NGO Specialist), Robin Le Breton (Consultant, Natural Resources Management Specialist), and Mmes. Agnes Kavinya (NGO Liaison Officer, World Bank Resident Mission, Malawi) and Jeri Larson (Operations Analyst, AFTA). Elizabeth Adu (Principal Counsel), Steve Gagnis (Disbursement Officer), Jaime Roman (Principal Procurement Officer) and Ella Hornsby (Task Team Assistant, AFTEI) participated in project negotiations held in Washington during January 21-24, 1997. Cynthia Cook was Lead Advisor, Ian Hill and Jan Bojč were Peer Reviewers. The Technical Manager is Cynthia Cook and the Country Director is Barbara Kafka.



## Status of Bank Group Operations in Malawi IBRD Loans and IDA Credits in the Operations Portfolio

| Project ID                        | Loan or Credit No. | Fiscal Year | Borrower             | Purpose                           | Original amount in US\$ millions |        |               | Undisbursed | Difference between expected and actual disbursements <sup>a</sup> |
|-----------------------------------|--------------------|-------------|----------------------|-----------------------------------|----------------------------------|--------|---------------|-------------|---|
|                                   |                    |             |                      |                                   | IBRD                             | IDA    | Cancellations |             |   |
| Number of Closed Loans/Credits 70 |                    |             |                      |                                   |                                  |        |               |             |   |
| <u>Active Loans</u>               |                    |             |                      |                                   |                                  |        |               |             |   |
| MW-PA-1636                        | C23790             | 1992        | GOVERNMENT OF MALAWI | LOCAL GOVERNMENT                  | 24.00                            |        | 14.44         | 3.55        |   |
| MW-PA-1646                        | C22200             | 1991        | GOVERNMENT OF MALAWI | PHN SECTOR CREDIT                 | 55.50                            |        | 38.06         | 38.10       |   |
| MW-PA-1648                        | C28530             | 1996        | GOVERNMENT OF MALAWI | FISCAL RESTR&DEREGULATION PROG    | 102.00                           |        | 31.72         | 1.68        |   |
| MW-PA-1649                        | C20830             | 1990        | GOVERNMENT OF MALAWI | EDUCATION SEC.II                  | 36.90                            |        | 13.24         | 8.06        |   |
| MW-PA-1655                        | C22210             | 1991        | GOVERNMENT OF MALAWI | FINANCIAL SECTOR & ENTERPRISE DEV | 32.00                            |        | 12.09         | 9.99        |   |
| MW-PA-1657                        | C26240             | 1994        | GOVERNMENT OF MALAWI | INSTITUTIONAL DEV.II              | 22.60                            |        | 18.65         | 8.40        |   |
| MW-PA-1658                        | C22250             | 1991        | GOVERNMENT OF MALAWI | FISHERIES DEV.                    | 8.80                             |        | 5.71          | 2.79        |   |
| MW-PA-1660                        | C25140             | 1993        | GOVERNMENT OF MALAWI | AGRICULTURAL SERVICES             | 45.80                            |        | 28.91         | 9.72        |   |
| MW-PA-1662                        | C23860             | 1992        | GOVERNMENT OF MALAWI | POWER V                           | 55.00                            |        | 48.35         | 42.55       |   |
| MW-PA-1667                        | C27530             | 1995        | GOVERNMENT OF MALAWI | NATIONAL WATER DEVELOPMENT        | 79.20                            |        | 71.64         | 6.68        |   |
| MW-PA-1668                        | C28560             | 1996        | GOVERNMENT OF MALAWI | SOCIAL ACTION FUND                | 56.00                            |        | 50.08         | -1.11       |   |
| MW-PA-1677                        | C25130             | 1993        | GOVERNMENT OF MALAWI | RURAL FINANCIAL SERVICES          | 25.00                            |        | 10.79         | 9.17        |   |
| MW-PA-34489                       | C26960             | 1995        | GOVERNMENT OF MALAWI | MALAWI RAILWAYS REST              | 16.16                            |        | 15.71         | 6.26        |   |
| MW-PA-42305                       | C28100             | 1996        | GOVERNMENT OF MALAWI | PRIMARY EDUCATION PROJECT         | 22.50                            |        | 19.67         | 0.93        |   |
| TOTAL                             |                    |             |                      |                                   | 0.00                             | 581.46 | 0.00          | 379.04      | 146.75  |

|                                | Active Loans | Closed Loans | Total   |
|--------------------------------|--------------|--------------|---------|
| Total disbursed (IBRD and IDA) | 206.04       | 1181.39      | 1387.43 |
| Of which repaid                | 0.00         | 115.47       | 115.47  |
| Total now held by IBRD and IDA | 581.46       | 1033.13      | 1614.59 |
| Amount sold                    | 0.00         | 0.72         | 0.72    |
| Of which repaid                | 0.00         | 0.72         | 0.72    |
| Total undisbursed              | 379.04       | 0.54         | 379.58  |

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal

**Note**

Disbursement data are updated at the end of the first week of the month

**Malawi - Statement of IFC Investments**  
**Committed and Disbursed Portfolio**

As of 7/31/96  
(In US Dollar Millions)

| <i>FY Approval</i> | <i>Company</i>          | Committed   |               |              |               | Disbursed   |               |              |               |
|--------------------|-------------------------|-------------|---------------|--------------|---------------|-------------|---------------|--------------|---------------|
|                    |                         | IFC         |               |              |               | IFC         |               |              |               |
|                    |                         | <i>Loan</i> | <i>Equity</i> | <i>Quasi</i> | <i>Partic</i> | <i>Loan</i> | <i>Equity</i> | <i>Quasi</i> | <i>Partic</i> |
| 1986/90            | LFCM                    | 0.00        | 0.19          | 0.00         | 0.00          | 0.00        | 0.19          | 0.00         | 0.00          |
| 1987               | Vipha Plywoods          | 1.08        | 0.00          | 0.00         | 0.00          | 1.08        | 0.00          | 0.00         | 0.00          |
| 1995               | AEF Mal Stkbrks         | 0.00        | 0.11          | 0.00         | 0.00          | 0.00        | 0.11          | 0.00         | 0.00          |
| 1996               | AEF PCEIL               | 0.53        | 0.00          | 0.00         | 0.00          | 0.00        | 0.00          | 0.00         | 0.00          |
|                    | <b>Total Portfolio:</b> | <b>1.61</b> | <b>0.30</b>   | <b>0.00</b>  | <b>0.00</b>   | <b>1.08</b> | <b>0.30</b>   | <b>0.00</b>  | <b>0.00</b>   |

| Approvals Pending Commitment |                                  |             |               |              |               |
|------------------------------|----------------------------------|-------------|---------------|--------------|---------------|
|                              |                                  | <i>Loan</i> | <i>Equity</i> | <i>Quasi</i> | <i>Partic</i> |
| 1994                         | INDEFINANCE                      | 0.00        | 0.51          | 0.00         | 0.00          |
| 1996                         | AEF MWAIWATHU                    | 0.54        | 0.54          | 0.00         | 0.00          |
|                              | <b>Total Pending Commitment:</b> | <b>0.54</b> | <b>1.05</b>   | <b>0.00</b>  | <b>0.00</b>   |

## Status of Bank Group Operations in Malawi

### Note on Portfolio and Disbursement Performance

1. **Portfolio Performance.** Poverty alleviation, through growth and targeted interventions for the poorest, is the core of the Government of Malawi's development agenda, as well as the focus of the Bank's activities. As of September 30, 1996, Malawi's diverse portfolio included 13 investment projects and one adjustment operation, with US\$581 million in total commitments, and US\$384 million undisbursed. The February 1996 country portfolio performance review (CPPR) culminated in an action plan which addressed the key generic issues of procurement, accounting/audits, disbursement, staffing and staff salaries, along with project specific issues. Among the concerns raised by the Government of Malawi at the CPPR was the inadequate understanding of projects by government officials. This has often led to a lack of commitment to projects, start-up delays due to complex designs, and insufficient implementation capacity. To address this problem, future project design will take this into account and address the limited administrative capacity in the country and the frequent turnover of civil servants. To ensure ownership and effective project implementation, greater efforts will be made to collaborate with the relevant stakeholders throughout the project cycle. The Resident Mission will also play a critical supervisory role of the existing portfolio, and in assessing the readiness of government to implement future projects. In response to concerns about limited procurement capacity and procurement procedures, the Resident Mission's procurement capacity has been strengthened, and two procurement workshops have recently been held in Malawi. As agreed at the CPPR, the Government will set up a unit to provide procurement advice and monitoring services.

2. While progress has been achieved with respect to Malawi's portfolio performance, there are a number of actions which are being taken to further improve performance. Two projects, Fisheries Development and Power V, rated as a "U" in the FY96 ARPP, have been undergoing intensive implementation support with a view to restructuring or closing if sufficient progress cannot be achieved. These projects, as well as Local Government, Institutional Development II, Agricultural Services, National Water, Railways, and Primary Education will be retrofitted in FY97 to include performance indicators. The disbursement factor for investment projects has increased from 11.5% in FY94, to 13% (US\$39.4 million) in FY95, to 17.1% (US\$65.4) in FY96. The table provided at the end of this schedule shows project disbursements for FY95 and FY96. Efforts will also be made to closely monitor the follow-up actions identified in the CPPR.

3. **Disbursement Lags.** While disbursements rose significantly in FY96, the Government and the Bank also agreed at the CPPR to improve project disbursements. The Medium Term Expenditure Framework's prioritization of activities is expected to help rectify problems with counterpart funding. The Government also intends to strengthen disbursement practices in the Ministry of Finance Claims Unit. The four projects outlined below have significant disbursement lags.

- The **PHN Sector Credit (Cr. 2200-MW)** has undergone significant implementation problems and delays. Although a Health Policy Framework Paper was adopted in early 1996, and government has taken steps to improve implementation in line with agreed benchmarks, progress has been limited. The implementation issues and the progress required for any extension of the project's closing date have been clearly articulated to the Government.
- The **Fisheries Development Project (Cr. 2225-MW)** has been hampered by weak implementation management. Progress has been made during 1996 to resolve these

problems, with the preparation by the Fisheries Department of an agreed program to resolve management problems and move towards improved implementation. This program, the "Fisheries Project Development Document (1996-99)" enunciates the new fisheries policy and includes a work plan for the remaining project period, as well as proposals for restructuring the Fisheries Department. The Project will be closely followed during the next few months and it is expected that improved performance will result in an upgrading of the implementation ratings by June 1997.

- The withdrawal of donor support/cofinancing resulted in a long delay in obtaining effectiveness for the **Power V Project (Cr. 2386-MW)**. A new financing plan is now in place. One of the major issues of the project remains electricity tariff increases which are required for the financial stability of ESCOM. The preparation of revised performance indicators and amendments to the legal covenants should also help to improve project implementation.
- The **Second Institutional Development Project (Cr. 2624-MW)** implementation has been generally satisfactory, except for the slow progress in strengthening the Department of Human Resources Management and Development. Performance indicators will be formulated for the project in early FY97.

4. **Effectiveness.** Four projects in the Malawi portfolio became effective in 1996. The first, the **Primary Education Project (Cr. 2810-MW)** was approved by the Executive Directors on January 25, 1996, and was signed on March 28, 1996. The Credit became effective on April 25, 1996. The second project, **National Water Development (Cr. 2753-MW)** was approved by the Executive Directors in June 28, 1995, and was signed on November 1, 1995. It became effective on May 1, 1996. The third, the **Fiscal Restructuring and Deregulation Program (Cr. 2853-MW)** was approved by the Executive Directors on April 30, 1996, and signed on May 15, 1996. The effectiveness date for this program was May 24, 1996. Finally, the **Social Action Fund (Cr. 2856-MW)** was approved by the Executive Directors on May 9, 1996 and signed on May 15, 1996. The project became effective on May 30, 1996 and has already committed about half the credit funds.

5. **Audits:** As of end April 1997, Malawi had 6 projects with overdue audit reports, most of which were due in September or December of 1996. The Country Director, Resident Mission and Task Team Leaders are actively pursuing all reports with the relevant Ministries, with the Treasury and with the Auditor General's Office.

**Malawi Portfolio  
Disbursement Trends  
(US\$ millions)**

| <b>Credit No.</b> | <b>Project</b>            | <b>Credit<br/>Amount</b> | <b>Disb.<br/>FY95</b> | <b>Disb.<br/>FY96</b> |
|-------------------|---------------------------|--------------------------|-----------------------|-----------------------|
| 2083              | Education Sector I        | 36.9                     | 2.41                  | 7.91                  |
| 2220              | PHN Sector                | 55.5                     | 1.55                  | 4.84                  |
| 2221              | Financial                 | 32.0                     | 4.57                  | 1.88                  |
| 2225              | Fisheries                 | 8.8                      | 0.78                  | 0.63                  |
| 2379              | Local Government          | 24.0                     | 2.03                  | 5.78                  |
| 2386              | Power V                   | 55.0                     | 4.52                  | 1.00                  |
| 2513              | Rural Financial           | 25.0                     | 2.96                  | 12.43                 |
| 2514              | Agricultural Services     | 45.8                     | 4.19                  | 10.44                 |
| 2624              | Institutional Development | 22.6                     | 0.93                  | 2.21                  |
| 2696              | Malawi Railways           | 16.2                     | 0.00                  | 0.43                  |
| 2753              | National Water            | 79.2                     | 0.00                  | 0.02                  |
| 2810              | Primary Education         | 22.5                     | 0.00                  | 0.75                  |
| 2853              | Fiscal Restructuring      | 102.0                    | 0.00                  | 69.17                 |
| 2856              | Social Action             | 56.0                     | 0.00                  | 1.42                  |
|                   | <b>Total Current</b>      | <b>581.5</b>             | <b>23.95</b>          | <b>118.91</b>         |
|                   | <i>Closed Projects*</i>   | <i>306.9</i>             | <i>15.42</i>          | <i>23.23</i>          |
|                   | <b>TOTAL</b>              | <b>888.4</b>             | <b>39.37</b>          | <b>142.14</b>         |

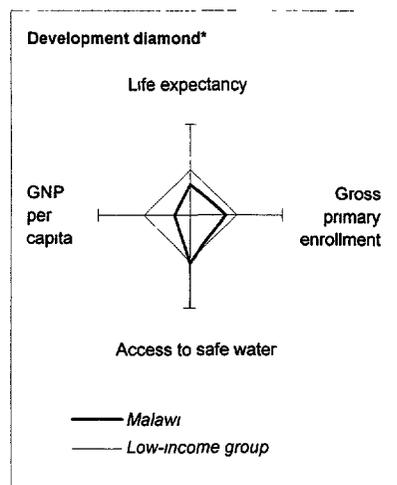
\* Closed in FY95/96.



# Malawi at a glance

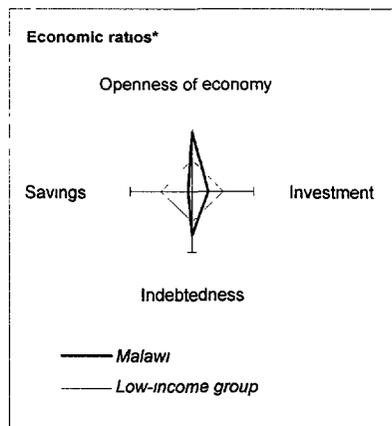
## POVERTY and SOCIAL

|  | Malawi | Sub-Saharan Africa | Low-income |
|--|--------|--------------------|------------|
| Population mid-1995 (millions)                                 | 9.7    | 589                | 3,188      |
| GNP per capita 1995 (US\$)                                     | 160    | 490                | 460        |
| GNP 1995 (billions US\$)                                       | 1.6    | 289                | 1,466      |
| <b>Average annual growth, 1990-95</b>                          |        |                    |            |
| Population (%)   | 2.7    | 2.8                | 1.8        |
| Labor force (%)  | 2.4    | 2.8                | 1.9        |
| <b>Most recent estimate (latest year available since 1989)</b> |        |                    |            |
| <b>Poverty headcount index (% of population)</b>               |        |                    |            |
| Urban population (% of total population)                       | 14     | 31                 | 29         |
| Life expectancy at birth (years)                               | 43     | 52                 | 63         |
| Infant mortality (per 1,000 live births)                       | 133    | 92                 | 58         |
| Child malnutrition (% of children under 5)                     | 27     |                    | 38         |
| Access to safe water (% of population)                         | 77     | 47                 | 75         |
| Illiteracy (% of population age 15+)                           | 44     | 43                 | 34         |
| Gross primary enrollment (% of school-age population)          | 80     | 71                 | 105        |
| Male   | 84     | 77                 | 112        |
| Female   | 77     | 64                 | 98         |



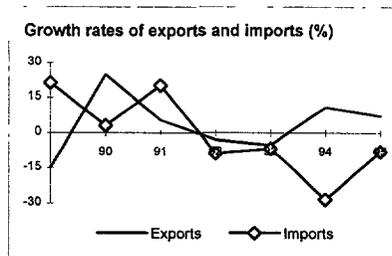
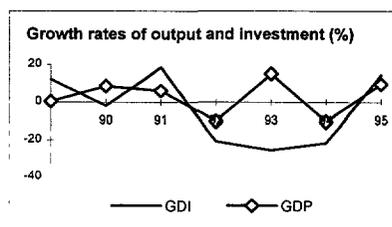
## KEY ECONOMIC RATIOS and LONG-TERM TRENDS

|  | 1975  | 1985 | 1994  | 1995  |     |
|--|-------|------|-------|-------|-----|
| GDP (billions US\$)                          | 0.6   | 1.1  | 1.3   | 1.3   |     |
| Gross domestic investment/GDP                | 33.7  | 18.6 | 13.2  | 15.8  |     |
| Exports of goods and non-factor services/GDP | 29.1  | 24.2 | 30.3  | 32.6  |     |
| Gross domestic savings/GDP                   | 17.0  | 12.9 | -0.5  | 4.1   |     |
| Gross national savings/GDP                   | 18.9  | 9.1  | -2.7  | 0.8   |     |
| Current account balance/GDP                  | -14.1 | -8.5 | -17.9 | -15.0 |     |
| Interest payments/GDP                        | 1.4   | 2.6  | 1.9   | 2.3   |     |
| Total debt/GDP                               | 42.4  | 90.0 | 156.1 | 161.8 |     |
| Total debt service/exports                   | 8.0   | 38.9 | 17.2  | 22.7  |     |
| Present value of debt/GDP                    |       |      | 71.1  |       |     |
| Present value of debt/exports                |       |      | 235.1 |       |     |
| <b>(average annual growth)</b>               |       |      |       |       |     |
| GDP  | 2.9   | 2.4  | -10.2 | 9.9   | 4.7 |
| GNP per capita                               | -1.0  | -2.0 | -14.0 | 8.4   | 2.4 |
| Exports of goods and nfs                     | 2.3   | 1.5  | 10.8  | 7.1   | 6.6 |



## STRUCTURE of the ECONOMY

|  | 1975 | 1985 | 1994  | 1995 |
|--|------|------|-------|------|
| <b>(% of GDP)</b>                        |      |      |       |      |
| Agriculture                              | 37.2 | 42.9 | 37.7  | 45.3 |
| Industry                                 | 20.3 | 21.9 | 28.4  | 29.6 |
| Manufacturing                            | 13.1 | 14.5 | 18.6  | 19.6 |
| Services                                 | 42.4 | 35.2 | 33.9  | 25.0 |
| Private consumption                      | 68.9 | 69.4 | 77.6  | 73.7 |
| General government consumption           | 14.1 | 17.7 | 22.9  | 22.2 |
| Imports of goods and non-factor services | 45.9 | 29.9 | 44.0  | 44.3 |
| <b>(average annual growth)</b>           |      |      |       |      |
| Agriculture                              | 1.7  | 1.0  | -29.3 | 28.3 |
| Industry                                 | 2.0  | 3.6  | 2.4   | 5.5  |
| Manufacturing                            | 2.7  | 3.4  | 3.2   | 6.3  |
| Services                                 | 4.2  | 3.6  | -1.3  | -1.6 |
| Private consumption                      | 2.1  | -0.6 | -28.2 | 3.3  |
| General government consumption           | 6.8  | 11.3 | -0.8  | 5.9  |
| Gross domestic investment                | -5.4 | 2.4  | -21.7 | 14.7 |
| Imports of goods and non-factor services | -3.2 | 3.3  | -28.3 | -7.7 |
| Gross national product                   | 2.1  | 2.5  | -11.7 | 11.4 |



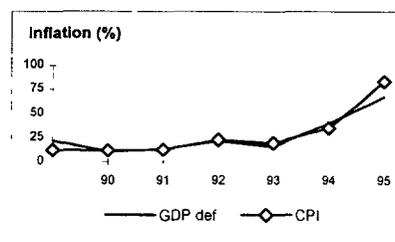
Note 1995 data are preliminary estimates

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Malawi

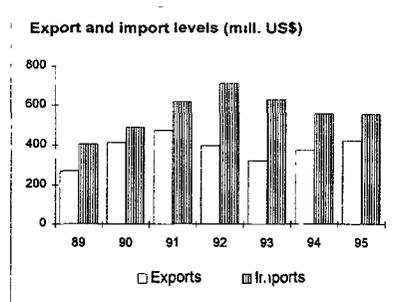
PRICES and GOVERNMENT FINANCE

|                           | 1975 | 1985 | 1994  | 1995  |
|---------------------------|------|------|-------|-------|
| <b>Domestic prices</b>    |      |      |       |       |
| <i>(% change)</i>         |      |      |       |       |
| Consumer prices           | 11.8 | 10.5 | 34.7  | 82.9  |
| Implicit GDP deflator     | 8.1  | 8.9  | 39.6  | 67.6  |
| <b>Government finance</b> |      |      |       |       |
| <i>(% of GDP)</i>         |      |      |       |       |
| Current revenue           |      | 21.6 | 18.6  | 19.0  |
| Current budget balance    |      | -0.7 | -11.2 | -6.1  |
| Overall surplus/deficit   |      | -8.7 | -25.8 | -15.9 |



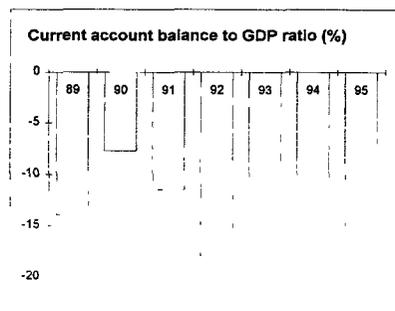
TRADE

|                               | 1975 | 1985 | 1994 | 1995 |
|-------------------------------|------|------|------|------|
| <i>(millions US\$)</i>        |      |      |      |      |
| Total exports (fob)           |      | 250  | 372  | 421  |
| Tobacco                       |      | 112  | 257  | 260  |
| Tea                           |      | 54   | 30   | 27   |
| Manufactures                  |      |      |      |      |
| Total imports (cif)           |      | 287  | 555  | 554  |
| Food                          |      | 2    | 44   | 41   |
| Fuel and energy               |      | 34   | 29   | 28   |
| Capital goods                 |      | 77   | 213  | 216  |
| Export price index (1987=100) |      |      |      |      |
| Import price index (1987=100) |      |      |      |      |
| Terms of trade (1987=100)     |      |      |      |      |



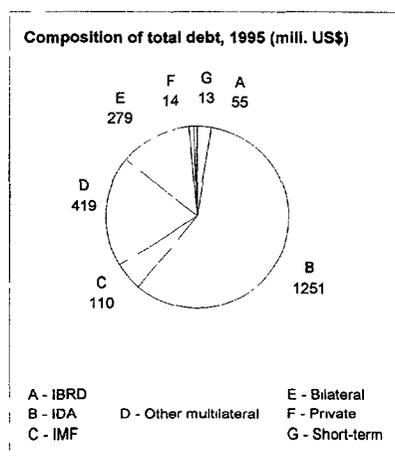
BALANCE of PAYMENTS

|  | 1975 | 1985 | 1994 | 1995 |
|--|------|------|------|------|
| <i>(millions US\$)</i>                             |      |      |      |      |
| Exports of goods and non-factor services           | 174  | 276  | 389  | 432  |
| Imports of goods and non-factor services           | 284  | 331  | 591  | 587  |
| Resource balance                                   | -110 | -54  | -202 | -155 |
| Net factor income                                  | 21   | -53  | -46  | -40  |
| Net current transfers                              | 3    | 10   | 18   | -4   |
| Current account balance, before official transfers | -87  | -97  | -230 | -198 |
| Financing items (net)                              | 68   | 57   | 201  | 269  |
| Changes in net reserves                            | 18   | 40   | 29   | -71  |
| <b>Memo:</b>                                       |      |      |      |      |
| Reserves including gold (mill. US\$)               |      | 88   | 23   | 106  |
| Conversion rate (local/US\$)                       | 0.9  | 1.7  | 8.7  | 15.6 |



EXTERNAL DEBT and RESOURCE FLOWS

|  | 1975 | 1985  | 1994  | 1995  |
|--|------|-------|-------|-------|
| <i>(millions US\$)</i>                   |      |       |       |       |
| Total debt outstanding and disbursed     | 260  | 1,018 | 2,015 | 2,141 |
| IBRD                                     | 0    | 69    | 65    | 55    |
| IDA                                      | 62   | 322   | 1,160 | 1,251 |
| Total debt service                       | 17   | 110   | 67    | 99    |
| IBRD                                     | 0    | 7     | 10    | 19    |
| IDA                                      | 0    | 3     | 14    | 16    |
| <b>Composition of net resource flows</b> |      |       |       |       |
| Official grants                          | 5    | 38    | 231   | 220   |
| Official creditors                       | 44   | 54    | 76    | 124   |
| Private creditors                        | 8    | -31   | -2    | -16   |
| Foreign direct investment                | 9    | 1     | 1     | 1     |
| Portfolio equity                         | 0    | 0     | 0     | 0     |
| <b>World Bank program</b>                |      |       |       |       |
| Commitments                              | 20   | 125   | 67    | 100   |
| Disbursements                            | 11   | 34    | 59    | 73    |
| Principal repayments                     | 0    | 2     | 13    | 19    |
| Net flows                                | 11   | 32    | 46    | 54    |
| Interest payments                        | 0    | 8     | 12    | 16    |
| Net transfers                            | 11   | 24    | 34    | 38    |



**MAP SECTION**



