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Investing in rural people

## President's report

# Proposed loan and grant to the Republic of Malawi for the Programme for Rural Irrigation Development

### Note to Executive Board representatives

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For: Approval

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## Abbreviations and acronyms

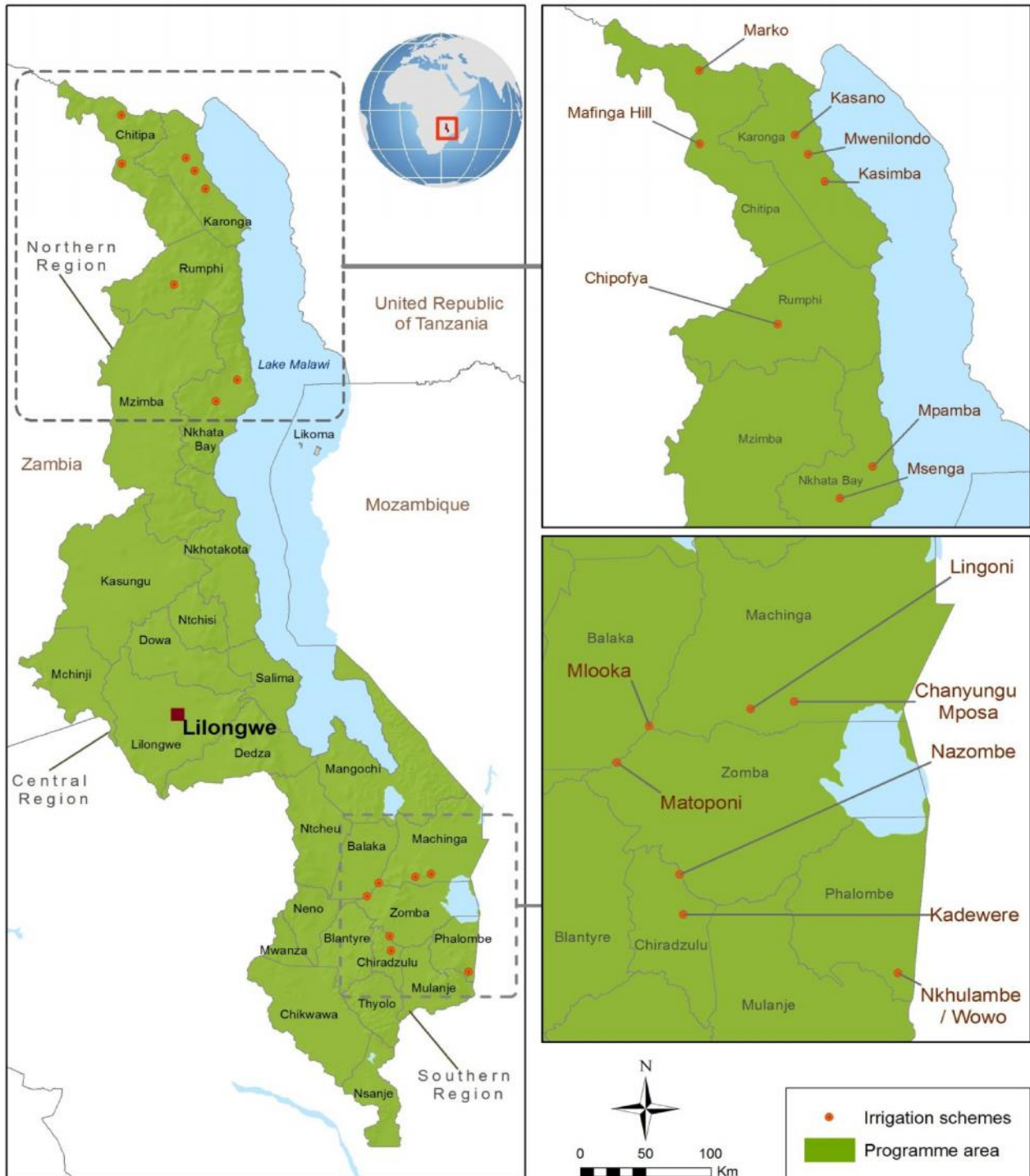
ASAP	Adaptation for Smallholder Agriculture Programme
ASWAp	agriculture sector-wide approach programme
AWP/B	annual workplan and budget
COSOP	country strategic opportunities programme
DFID	Department for International Development (United Kingdom)
DSF	Debt Sustainability Framework
GAP	good agricultural practice
IMPIF	Irrigation Master Plan and Investment Framework
IRLADP	Irrigation, Rural Livelihoods and Agricultural Development Project
M&E	monitoring and evaluation
MGDS	Malawi Growth and Development Strategy
MOAIWD	Ministry of Agriculture, Irrigation and Water Development
MOFEPD	Ministry of Finance, Economic Planning and Development
PCO	programme coordination office
PRIDE	Programme for Rural Irrigation Development
PSC	programme steering committee
RIMS	Results and Impact Management System
RLEEP	Rural Livelihoods and Economic Enhancement Programme
SAPP	Sustainable Agricultural Production Programme
SECAP	Social, Environmental and Climate Assessment Procedures
UNDP	United Nations Development Programme
WUA	water users' association

# Map of programme area

## Malawi

### Programme for Rural Irrigation Development (PRIDE)

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD Map compiled by IFAD | 16/09/2015

# Republic of Malawi

## Programme for Rural Irrigation Development

### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Ministry of Finance, Economic Planning and Development
<b>Executing agency:</b>	Ministry of Agriculture, Irrigation and Water Development
<b>Total programme cost:</b>	US\$83.95 million
<b>Amount of IFAD loan:</b>	SDR 19.30 million (equivalent to approximately US\$26.48 million)
<b>Amount of IFAD Debt Sustainability Framework grant:</b>	SDR 19.35 million (equivalent to approximately US\$26.54 million)
<b>Amount of IFAD Adaptation for Smallholder Agriculture Programme grant:</b>	SDR 5.15 million (equivalent to approximately US\$7.06 million)
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>Cofinancier(s):</b>	Department for International Development (DFID); private sector
<b>Amount of cofinancing:</b>	DFID: US\$0.5 million Private sector: US\$3.0 million
<b>Terms of cofinancing:</b>	Grant
<b>Contribution of borrower:</b>	US\$13.08 million
<b>Contribution of beneficiaries:</b>	US\$7.28 million (in kind)
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Malawi for the Programme for Rural Irrigation Development, as contained in paragraph 56.

## Proposed loan and grant to the Republic of Malawi for the Programme for Rural Irrigation Development

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. Malawi is a densely populated landlocked country of some 15 million people in an area of 118,484 km<sup>2</sup>, of which 24,000 km<sup>2</sup> is covered by freshwater lakes and mangroves. Population growth is almost 3 per cent per annum and the country has one of the lowest per capita GDPs in the world. With a Human Development Index of 0.414, Malawi is ranked 174<sup>th</sup> out of 187 countries (2014), while for its gender development index it ranked 116<sup>th</sup> out of 208 countries (2013). Education levels are low. Chronic food insecurity and malnutrition, combined with HIV/AIDS prevalence of 11.9 per cent, add to the challenge.
2. Poverty is mainly rural. Approximately 51 per cent of the Malawian population lives below the poverty line of a dollar a day (Millennium Development Goals [MDGs] Report 2013), while in rural areas over 85 per cent of the people are poor.<sup>1</sup> Rural areas also have a higher occurrence of both stunted and underweight children than do urban areas. In 2005, the Government of Malawi set up the Fertilizer Input Supply Scheme, which increased maize production and enabled the country to become self-sufficient in years with normal weather conditions. However, Malawi's progress against the MDGs remains mixed. Hunger has decreased, but persists. Targets for poverty reduction and primary education are deemed unlikely to be achieved by 2015.
3. Women have remained disadvantaged in many aspects of life, despite their large share in the food-production labour force. They have little control over produce, and benefit less from the income earned. Young people also face considerable challenges, mainly in terms of few employment opportunities outside agriculture in rural areas and the ongoing fragmentation of landholdings. Farming, predominantly rainfed, is associated with low cash-income generation, hard labour and low status.

#### B. Rationale and alignment with government priorities and RB-COSOP

4. Most smallholder families in Malawi live at the subsistence level, with cash or food insecurity for several months of the year. Adverse climate effects exacerbate the already precarious situation of many smallholders. In 2015, for example, floods destroyed a large part of the maize harvest in southern Malawi, while other areas suffered under prolonged drought, with severe consequences for crop yields, food security and nutrition.
5. Land productivity has been declining for decades, mainly due to existing inappropriate land and water management practices that do not support sustainable crop production and erosion control measures. Moreover, farmers do not possess sufficient financing to purchase fertilizer to restore soil fertility. Irrigation is scarce and this curbs agricultural production to only one harvest per year.

<sup>1</sup> National Statistical Office of Malawi, Statistical Yearbook 2008.

6. Access to land under customary procedures is increasingly under threat due to the high demand for arable land. Seasonal sublets of land have become frequent and benefit those who can afford to pay, while the poor may lose their land.
7. Several government- and donor-funded programmes aim to reverse current trends in the loss of soil fertility and declining yields. The Government invests in the Fertilizer Input Supply Scheme to enhance soil fertility and increase yields of maize, the main staple crop, and to boost national food security. Unfortunately, it faces difficulties in sustaining the scheme due to its high costs.
8. The proposed Programme for Rural Irrigation Development (PRIDE) has been designed to address the above issues through investments in irrigation and in improved rainfed agriculture adapted to smallholders. It seeks to enable: higher land and labour productivity; application of sustainable, climate-smart land and water management practices; and a focus on agricultural markets to generate cash income for smallholders.
9. The Government is committed to addressing rural poverty through agricultural growth. The second Malawi Growth and Development Strategy (MGDS II) defines water development as a key strategic area. In 2015, the Irrigation Master Plan and Investment Framework (IMPIF) was formulated to expand access of smallholders to irrigation in order to boost crop production and enhance resilience to adverse climate events. The Government asked IFAD to invest in the IMPIF and in the development of water management for smallholder agriculture.
10. PRIDE is fully compatible with IFAD's country strategic opportunities programme (COSOP) 2010-2015 and complements services provided by the existing IFAD portfolio. Synergies will be developed with both the Rural Livelihoods and Economic Enhancement Programme (RLEEP – value chain development) and the Sustainable Agriculture Production Programme (SAPP – good agricultural practices in rainfed systems).

## II. Programme description

### A. Programme area and target group

11. The programme will be implemented over a seven-year period in two regional clusters in the northern and southern regions of Malawi. The programme will target poor smallholder farmers of the villages associated with each irrigation scheme. The primary target group comprises food insecure households. Smallholder farmers will be supported in: (i) being allocated secure land in the programme irrigation schemes; (ii) joining water users' associations (WUAs) and obtaining representation on catchment management committees; and (iii) becoming business entities (individually and as groups) to respond to market opportunities.

### B. Programme development objective

12. The programme's goal is to enhance the resilience of rural communities to food insecurity, the effects of climate change and economic shocks. Its development objective is that smallholder farmer households increase their income and nutrition through sustainable agricultural production. The programme's two major outcomes are that smallholders: (i) operate climate-smart land and water management systems; and (ii) adopt environmentally and economically sustainable agricultural production systems on both rainfed and irrigated land.

### C. Components/outcomes

13. Component 1: Irrigation development and catchment management. The objective of this component is to develop climate-smart land and water management systems for smallholder households on rainfed and irrigated land. The objective will be achieved through preparation and management of about 15 irrigation schemes, together with establishment and strengthening of WUAs to manage, operate and maintain irrigation schemes for appropriate land and water

governance. Agricultural productivity will be increased through irrigation, using water storage for a second or third crop, while PRIDE will address environmental degradation risks by investing in soil and water conservation measures. The latter will be funded entirely by a grant from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP). The measures aim to restore soil cover on vulnerable grounds, control erosion, and carry out reforestation of slopes and protection of river buffer zones, as a contribution to national greenhouse gas reduced-emission targets.

14. Component 2: Agriculture and market linkages. The objective of this component is to promote adoption of environmentally and economically sustainable agricultural production systems by smallholder households on both rainfed and irrigated land. The programme will support efficient knowledge transfer to smallholder farmers through trials and demonstrations, combined with better information from the private sector on market potential and opportunities. The component will promote climate-smart good agricultural practices (GAPs), including the use of weather and climate information services, irrigation optimization, application of integrated pest management and reduction of post-harvest losses.
15. Market linkages will be promoted through: value chain analyses to identify suitable crops; training, mainly through farmer business schools; and commodity platforms to bring together all actors in a value chain. A dedicated irrigation technology window – under the Malawi Innovation Challenge Fund – will be piloted with the private sector and cofunded by the United Nations Development Programme (UNDP) and the United Kingdom’s Department for International Development (DFID). The private sector will provide farmers with modern irrigation equipment such as drip irrigation and will facilitate marketing of their produce.
16. PRIDE will mainstream nutrition in most of its activities, such as the choice of crops or value chain commodities, and support this through the following measures: (i) integrating a nutrition perspective in all GAPs promoted; (ii) promoting diversified and improved nutritional production and consumption (integrated homestead food production); and (iii) supporting the introduction of improved cooking stoves, which reduce the need for fuelwood by as much as 60 per cent, combined with nutrition education.

### III. Programme implementation

#### A. Approach

17. During the implementation phase, PRIDE will actively mobilize partners and resources for communities in scheme cluster areas so that these communities can sustainably harness natural resources for agriculture, build competence in production, and profit from better market linkages. The implementation approach comprises a phased development process: identification, preparation, implementation and review. Programme management will be tasked with monitoring and reporting regularly to safeguard positive environmental and social outcomes. With an average design-to-commissioning time of three years, irrigation investments will be phased in three lots, with one or two schemes per irrigation service division in each lot. Progress and lessons learned in the first three years of irrigation projects developed under the programme will be carefully documented and will inform the schemes to be developed in the second phase.
18. PRIDE builds on lessons learned in various projects in Malawi, such as the World Bank/IFAD-funded Irrigation, Rural Livelihoods and Agricultural Development Project (IRLADP), and links with other projects in the water sector promoted by various donor agencies.



## B. Organizational framework

19. The lead programme agency will be the Department of Irrigation (DOI) within the Ministry of Agriculture, Irrigation and Water Development (MOAIWD). The DOI will establish a dedicated programme coordination office (PCO) which will be staffed with highly qualified personnel, either from the government's roster or from the labour market. Separate facilitation offices staffed by one coordinator each will be established in the northern and southern regions. A programme steering committee (PSC) will provide strategic oversight and is composed of senior representatives of the ministries concerned, chaired by the Ministry of Finance, Economic Planning and Development (MOFEPD). The PCO will be assisted by a technical advisory team representing the departments concerned with programme implementation: Land Resources, Extension, Research (under MOAIWD), Land (under the Ministry of Lands, Housing and Urban Development), Environmental Affairs (under the Ministry of Natural Resources, Environment and Mining), Debt and Aid (under MOFEPD), and others as needed. The programme will coordinate fully with the agriculture sector-wide approach programme (ASWAp) to ensure full alignment with government investments and policies.
20. In the village and scheme cluster areas, the programme will coordinate its entry with the existing village-level leadership (traditional authorities) and structures, organized in village development committees. These will convene a combined village committee to provide oversight for programme and community activities. Detailed preparations for land consolidation and irrigation scheme preparation will be delegated to a WUA formation committee. Implementation of more straightforward activities (soil and water conservation, GAPs and market linkages) will be handed over to beneficiary groups and lead farmers.

## C. Planning, monitoring and evaluation, and learning and knowledge management

21. The programme's approach to planning, monitoring and evaluation (M&E) and knowledge management will be in line with the 2001 National Irrigation Policy and Development Strategy, the MOAIWD M&E framework and IFAD requirements, based on emerging best practices of the IRLADP and other IFAD-funded projects.
22. The main planning tools for PRIDE comprise the logical framework, overall programme budget and annual workplan and budget (AWP/B). Every year, a decentralized, inclusive and demand-driven planning process will be undertaken. The consolidated AWP/B will be presented to the PSC for approval and to IFAD for concurrence. Implementation of the AWP/B will be monitored through the programme's M&E system, which will produce semi-annual reports.
23. Programme M&E will be based on IFAD's Results and Impact Management System (RIMS). The programme will conduct baseline and follow-up surveys combining collection of basic demographic and socio-economic data with application of a multidimensional poverty assessment tool. The latter will assist in tracking changes in resilience to climate change. The baseline and follow-up surveys will employ the Women's Empowerment in Agriculture Index, which measures changes in women's empowerment levels as a result of an intervention.
24. Learning and sharing of knowledge will be based on the programme's M&E system, and particularly on reviews and participatory assessments of lessons learned during implementation. These will translate into factsheets that will contribute to the wider policy debate in the smallholder agriculture sector. Dissemination will take place through programme and MOAIWD websites, or relevant institutions such as research agencies, and will be presented at national workshops on key programme themes.

## D. Financial management, procurement and governance

25. Financial management. A financial management assessment was carried out during design and concluded that the proposed financial management arrangements for PRIDE are at medium risk. Transparency International's Global Corruption Perceptions Index scored Malawi at 34 per cent in 2014.<sup>2</sup> IFAD's Rural-Sector Performance score regarding accountability and corruption in rural areas scored Malawi at 3.75 in 2014, which translates into medium risk.
26. Mitigation measures aim to enhance the country's financial management systems through: use of computerized accounting software, specifically recruited programme finance staff, accounting linked to M&E, and the use of dedicated bank accounts. Processing of PRIDE's day-to-day transactions will be handled outside the government Integrated Financial Management System. However, the programme will provide periodic returns to the Accountant General to enable the updating of government accounts. Accounting will be linked to the M&E system, requiring that the terms of reference of the financial management team and the M&E expert be linked on these aspects. The proposed arrangement will be managed by the PCO under the oversight and guidance of MOAIWD.
27. Flow of funds. IFAD and ASAP funds will flow into one designated account, from which they pass to the programme operational accounts. The MOFEPD Treasury will manage the designated account and the PCO the operational bank accounts. All accounts will be opened at a commercial bank satisfactory to IFAD. Any government agencies participating in PRIDE will be required to open a PRIDE-specific bank account to receive activity-tagged cash advances against approved AWP/Bs, to be retired before subsequent releases.
28. Procurement. All procurement funded under the programme will be carried out in accordance with national procurement procedures to the extent they are consistent with IFAD's 2010 Project Procurement Guidelines. Malawi's legal and institutional framework for public procurements has been assessed as sufficiently robust.
29. A procurement assessment of IRLADP operations was undertaken as part of the design of PRIDE and, as a result, a number of mitigation measures will be incorporated concerning bid registers, contract administration, engagement of the MOAIWD Internal Procurement Committee, and so forth. A procurement specialist in the PCO will ensure compliance with IFAD requirements and that procurement processes in practice are fully compliant with the legislative and regulatory framework.
30. Governance. A governance and anti-corruption framework will be elaborated as part of the programme implementation manual during the first year of implementation. This will ensure transparency, accountability in the use of resources, and participation, i.e. that people have a voice in decisions that may affect them. Key features of the framework include: (i) inclusive targeting of women and disadvantaged households; (ii) participation of community representatives in local-level planning; (iii) community and participatory monitoring of programme activities; (iv) both internal and external audit of programme accounts and processes; (v) IFAD supervision and implementation support; (vi) reporting of results to the PSC and IFAD, with key information published on a programme website; and (vii) a grievance system.

## E. Supervision

31. PRIDE will be directly supervised by IFAD jointly with the Government, with a focus on: (i) fiduciary aspects; (ii) achievements and the quality of programme implementation; and (iii) implementation support emphasizing environmental and climate assessment procedures. Supervision missions will normally be carried out

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<sup>2</sup> Transparency International: 0 per cent means not corrupt and 100 per cent highly corrupt.

twice a year. Timing of the missions will be coordinated with production of the six-monthly progress report, so that missions can gauge the situation at the same cut-off dates and thus provide an additional perspective on progress at PSC meetings. During the start-up phase, implementation support will be provided to assist in setting up adequate systems and to enhance technical capacities. Supervision will focus on the quality of institutional arrangements, including timely installation of a high-quality M&E system and creation of baselines.

## IV. Programme costs, financing, and benefits

### A. Programme costs

32. Total programme costs are estimated at US\$84 million, including price and physical contingencies, duties and taxes. The parameters underpinning these costs are: (i) a seven-year programme period, starting in 2016; (ii) price contingencies of 6 per cent, and physical contingencies of 3 per cent; (iii) local inflation set at 10 per cent, and foreign inflation set at 2 per cent; (iv) an exchange rate fixed at US\$1 = 440 Malawi kwacha (MK); and (v) the Government will waive duties, excises and taxes or will finance the cost of all taxes on goods procured under the programme. Taxes and duties are estimated at US\$13 million of total programme costs. Component estimates are summarized in table 1.

Table 1  
**Programme costs by component and financier**  
(Thousands of United States dollars)

<i>Component</i>	<i>IFAD loan</i>	<i>IFAD grant</i>	<i>ASAP</i>	<i>DFID</i>	<i>Private sector</i>	<i>Beneficiaries (in kind)</i>	<i>Government</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
I. Irrigation development and catchment management	16 294	17 736	1 878	-	-	7 283	10 527	53 718
II. Agriculture and market linkages	2 979	7 516	4 984	498	3 000	-	1 940	20 918
III. Programme management and coordination	7 210	1 288	201	-	-	-	616	9 314
<b>Total</b>	<b>26 483</b>	<b>26 540</b>	<b>7 063</b>	<b>498</b>	<b>3 000</b>	<b>7 283</b>	<b>13 083</b>	<b>83 950</b>

### B. Programme financing

33. The programme will be financed by a total IFAD contribution equivalent to some US\$53 million in the form of 50 per cent loan and 50 per cent grant under the Debt Sustainability Framework (DSF); ASAP grant financing in an amount equivalent to about US\$7.0 million; DFID financing of about US\$0.5 million; private-sector financing of about US\$3.0 million; a Government contribution of about US\$13 million; and a contribution by beneficiaries of about US\$7.3 million (in kind). The IFAD loan will be provided on highly concessional terms, including a 40-year maturity period, a 10-year grace period, and a 0.75 per cent annual service charge.
34. IFAD will provide start-up funds from loan and DSF proceeds in the amount of US\$560,000 to cover specified expenditures aimed at enhancing capacity for a quick start-up.

Table 2  
**Programme costs by expenditure category and financier**  
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>ASAP</i>		<i>DFID</i>		<i>Private sector</i>		<i>Beneficiaries (in kind)</i>		<i>Government</i>		<i>Total Amount</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Works	13 906	31.1	13 906	31.1	1 034	2.3	-	-	-	-	6 953	15.6	8 896	19.9	44 696
2. Vehicles	565	70.0	-	-	-	-	-	-	-	-	-	-	242	30.0	808
3. Equipment and materials	195	8.5	91	4.0	1 397	61.2	-	-	-	-	157	6.9	443	19.4	2 284
4. Studies and consultancies	1 613	18.4	3 338	38.1	2 302	26.3	-	-	-	-	-	-	1 506	17.2	8 760
5. Training	1 031	10.6	5 685	58.4	1 405	14.4	-	-	-	-	172	1.8	1 439	14.8	9 732
6. Cofinancing	-	-	2 502	41.7	-	-	498	8.3	3 000	50.0	-	-	-0	-	6 000
7. Operations and maintenance	1 084	87.1	-	-	-	-	-	-	-	-	-	-	161	12.9	1 245
8. Salaries and allowances	8 087	77.6	1 017	9.8	925	8.9	-	-	-	-	-	-	395	3.8	10 425
<b>Total</b>	<b>26 483</b>	<b>31.5</b>	<b>26 540</b>	<b>31.6</b>	<b>7 063</b>	<b>8.4</b>	<b>498</b>	<b>0.6</b>	<b>3 000</b>	<b>3.6</b>	<b>7 283</b>	<b>8.7</b>	<b>13 083</b>	<b>15.6</b>	<b>83 950</b>

### C. Summary benefit and economic analysis

35. The programme's overall economic internal rate of return (EIRR) is estimated at 20 per cent (base case), which is above the opportunity cost of capital in Malawi, estimated at 12 per cent.<sup>3</sup> The EIRR is based on the assumption that 80 per cent of targeted farmers will adopt the GAP technology packages promoted by the programme and 90 per cent will be engaged in farming of irrigated land.
36. PRIDE will generate financial benefits in the form of increased financial returns (net incomes) to about 17,500 smallholder households as direct beneficiaries of the programme. Social benefits will include a reduction in poverty rates in the programme area owing to expected increased financial returns (about 10-fold) from irrigated and improved rainfed agriculture, post-harvest technologies and improved employment opportunities.
37. Other social benefits include improved nutrition and increased food security through diversification of crop production. PRIDE will strengthen the status of women through their economic and social empowerment. The main approach includes promotion of gender-balanced access to irrigated land, representation in WUAs and other farmers' institutions, access to GAPs and cash-crop value chains.
38. Better access to and use of weather information, irrigation and community-based approaches are expected to lead to sustainable land and water management. In conjunction with a higher degree of commercialization among farmers, PRIDE is expected to render smallholder farming systems more resilient and better-adapted to the effects of climate change.

### D. Sustainability

39. Sustainability of the benefits generated and approaches will be ensured through a number of mechanisms. PRIDE embraces a clear strategy for horizontal and vertical scaling up, with identified pathways, key drivers and institutional space.
40. Knowledge management will be central to information-gathering and learning. Key results and information will be communicated to the wider public for participation and to the Government for action in policy development. The focus on linking smallholders to market will be key, as irrigation investments will only remain profitable if commercialization of smallholder farming takes place. Farmers will manage the irrigation schemes through a proven institutional set-up involving WUAs and consultative planning. These institutions are expected to remain and become the main development engine, as is the commercialization approach. Land consolidation will be practised using existing procedures and involving community

<sup>3</sup> World Bank: Average deposit interest rate paid by commercial or similar banks in Malawi.

organizations and the Government. The dynamics will be analysed in annual studies.

41. Environmental and social sustainability will be achieved through implementation of specific environmental and social management plans and necessitates resettlement plans based on the assessments and frameworks adopted by the Government. These frameworks will ensure that potential environmental and social impacts or required resettlement actions be identified and addressed accordingly, before the related irrigation schemes are constructed.

## E. Risk identification and mitigation

42. Risk management will include adoption of mitigation measures and their monitoring. Delayed programme start-up has been a common feature in the past. Preparation of the implementation manual and a start-up plan aim to counteract potential delays. By programme start-up, the action plan will be agreed and earmarked funding will enable staff training and the purchase of equipment. Another key risk is slow registration of WUAs. The registration process has been placed in the start-up phase to complete the process before construction begins.
43. PRIDE will recruit from both the public and private sector to avoid gaps in staffing and to obtain the best skill levels. A critical risk involves follow-up on environmental safeguards. In line with IFAD's 2015 Social, Environmental and Climate Assessment Procedures (SECAP), a full assessment was carried out during design, leading to the Environmental and Social Management Framework and a Resettlement Action Framework. These frameworks will guide the impact assessments, to be executed during implementation, but prior to construction of the irrigation schemes. The PCO will host an environmental coordinator to monitor needed actions in line with Environment and Social Management Plans and Resettlement Action Plans.
44. The establishment of irrigated command areas will require a redistribution of land. PRIDE will benefit from the processes and experience of IRLADP. At scheme development, farmers will be provided equitable access to land. Any agreements will be subject to free, prior and informed consent by the affected parties, and will include compensation for any loss of land and assets due to irrigation development. A grievance mechanism will ensure the possibility of recourse following decisions.
45. Risks related to financial management include: (i) flow of funds is delayed due to poor management of the designated account located within the Reserve Bank of Malawi; (ii) MOAIWD capacity for internal audit is limited; and (iii) submission of audit reports is delayed. The following mitigation measures will be established: (i) the designated account will be located at a commercial bank; (ii) internal audit will be outsourced; and (iii) the Auditor General has agreed to ensure timely submission of audit reports.

## V. Corporate considerations

### A. Compliance with IFAD policies

46. Programme design is compliant with the main IFAD policies and strategies. SECAP has classified PRIDE as category A. In line with SECAP, as mentioned above, an Environmental and Social Management Framework and a Resettlement Action Framework were developed during design and adopted by the Government. They specify the next steps in terms of environmental and social impact assessments and follow-up actions. PRIDE is compliant with IFAD's Natural Resources Management Policy and Climate Change Strategy. Climate-change adaptation measures are integrated into programme activities to address climate risks and the potential multiplication of effects, such as damage to landscapes and infrastructure.
47. Strategies for gender mainstreaming and targeting mechanisms have been incorporated into programme design in accordance with the IFAD Policy on Gender Equality and Women's Empowerment and the IFAD Targeting Policy. PRIDE will be

implemented respecting IFAD's Policy on Improving Access to Land and Tenure Security, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests and the Framework and Guidelines for Land Policy in Africa. Before supporting any intervention that might affect land access and use rights of communities, the programme will ensure that their free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.

## B. Alignment and harmonization

48. PRIDE is fully in harmony with MGDS II, which defines water development as a key strategic area. Under this strategy, the IMPIF plans and coordinates interventions in irrigation funded by IFAD and other donor agencies. PRIDE is also aligned with the Government's Climate Change Investment Plan and will contribute to two adaptation programmes: (i) strengthening catchment area and soil and water conservation management; and (ii) improving community resilience through agricultural production. PRIDE will coordinate fully with the ASWAp to ensure full alignment with government investments and policies. The programme is fully supported by the donor group on food agriculture and food security in Malawi.

## C. Innovations and scaling up

49. PRIDE complements RLEEP and SAPP in the current IFAD country programme in Malawi. It will build on and scale-up the successes of IRLADP and other irrigation projects in terms of adopting innovative approaches that ensure full community participation and promote equitable land access.
50. PRIDE, itself, aims to serve as a model to be scaled up in Malawi and elsewhere. The potential for scaling up seems good, as pathways are in place – such as policy engagement. For example, an integrated natural resources management policy framework has been established, and the government policy on WUAs is conducive to participatory planning. Key drivers for scaling up include financial and fiscal space. The Government is committed to funding operations and maintenance for larger rehabilitation works, and it will be the responsibility of WUAs to carry out regular maintenance of the schemes. WUAs and other grass-roots organizations represent the institutional space, an approach that has been successful in IRLADP. PRIDE will be equipped with a strong M&E and knowledge management system to deliver the information needed for successful scaling up of its approach and to render it a sustainable investment.
51. In terms of innovation, PRIDE will support the newly established irrigation window of the Malawi Innovation Challenge Fund, funded by DFID and UNDP. It is expected that the private sector will form a consortium to provide modern irrigation technologies and marketing channels to smallholder farmers.

## D. Policy engagement

52. Policy engagement is expected for compliance with environmental and social safeguards, impact assessments, land tenure and the building of climate resilience. The registration and full recognition of WUAs as key institutions is critical to the success of PRIDE. The same applies to policies regarding GAPs and extension. The mainstreaming of improved nutrition has become a key issue for IFAD. Dialogue on these topics will take place at all levels – from community to national – to review compliance, gather lessons learned and refine existing regulations.

## VI. Legal instruments and authority

53. A programme financing agreement between the Republic of Malawi and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is included in appendix I.
54. The Republic of Malawi is empowered under its laws to receive financing from IFAD.

55. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VII. Recommendation

56. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Malawi in an amount equivalent to nineteen million three hundred thousand special drawing rights (SDR 19,300,000) (approximately US\$26.48 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a DSF grant to the Republic of Malawi in an amount equivalent to nineteen million three hundred and fifty thousand special drawing rights (SDR 19,350,000) (approximately US\$26.54 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Republic of Malawi in an amount equivalent to five million one hundred and fifty thousand special drawing rights (SDR 5,150,000) (approximately US\$7.06 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## Negotiated financing agreement:

### "Programme for Rural Irrigation Development (PRIDE)"

(Negotiations concluded on 2 December 2015)

IFAD Loan Number: [click and insert number]

IFAD DSF Grant Number: [click and insert number]

ASAP Trust Grant Number: [click and insert number]

Programme Title: Programme for Rural Irrigation Development ("the Programme")

The Republic of Malawi (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust")

(each a "Party" and the three of them collectively the "Parties")

hereby agree as follows:

#### Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement and all references to "Project" in the General Conditions shall apply to the Programme. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a DSF Grant and the ASAP Trust shall provide an ASAP Trust Grant to the Borrower/Recipient (collectively referred to as "the Financing"), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

#### Section B

1.
  - A. The amount of the IFAD Loan is SDR 19.30 million (USD 26.5 million).
  - B. The amount of the IFAD DSF Grant is SDR 19.35 million (USD 26.5 million).
  - C. The amount of the ASAP Trust Grant is SDR 5.15 million (USD 7 million).



2. The Loan shall be free of interest but bear a service charge of three fourths of one percent (0.75 per cent) per annum and have a maturity period of forty (40) years including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be US dollars.
4. The first day of the applicable Fiscal Year shall be the first of July.
5. Payments of principal and service charge shall be payable on each first of May and first of November.
6. There shall be one Designated Account (DA) operated by the Ministry of Finance, Economic Planning and Development (MoFEPD) for all of the Financing opened in a commercial bank acceptable to the Fund and the Government.
7. The Borrower/Recipient shall provide counterpart financing for the Programme in an amount equivalent to approximately thirteen million United States Dollars (USD 13 million), mainly in the form of exemption of duties and taxes in accordance with the approved Annual Work Plan and Budget (AWPB). The beneficiaries will contribute, in kind, to the Programme in an amount equivalent to approximately seven million two hundred thousand United States Dollars (USD 7.2 million).

#### Section C

1. The MoFEPD will formally represent the Borrower/Recipient.
2. The Lead Programme Agency (LPA) shall be the Department of Irrigation (DoI) within the MoAIWD.
3. The Programme Completion Date shall be the seventh anniversary (7<sup>th</sup>) of the date of entry into force of this Agreement.

#### Section D

The Financing will be administered and the Programme supervised by the Fund.

#### Section E

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) key Programme staff have been appointed, transferred or removed from the Programme without the prior consent of the Fund as referred to schedule 1 section II paragraph A 5.1;
  - (b) the Programme Implementation Manual (PIM) referred to under schedule 1 section II paragraph D hereof, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined such waiver, suspension, termination amendment or modification has had, or is likely to have, a material adverse effect on the Programme.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Programme Coordination Office (PCO) shall have been duly established and key Programme management positions shall have been filled by personnel acceptable to IFAD, in accordance with schedule 1 section II paragraph A (5) to this Agreement,
- (b) The Borrower/Recipient shall have established a Programme Steering Committee (PSC) as referred to under schedule 1 section II paragraph A(3) to this Agreement,
- (c) An off-the-shelf accounting software shall have been duly procured, installed and implemented in accordance with a comprehensive chart of accounts satisfactory to the Fund;
- (d) The Borrower/Recipient shall have prepared a draft PIM in form and substance satisfactory to the Fund.

3 The following is designated as additional general condition precedent to withdrawal for category 5 "Grants and Subsidies" schedule 2, only: a subsidiary agreement between the Borrower/Recipient and the United Nations Development Programme (UNDP) shall have been established, satisfactory to the Fund, to finance the Malawi Innovation Challenge Fund (MICF) as referred to in schedule 1 component 2.2.

4 In accordance with the Borrower/Recipient's legislation, the Financing Agreement will be signed by a representative of the Borrower/Recipient upon authorization by the Parliament of the Republic of Malawi.

5 The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Borrower/Recipient:

Secretary to the Treasury  
Ministry of Finance, Economic  
Planning and Development  
P.O. Box 30049  
Capital City, Lilongwe 3  
Malawi

For the Adaptation for Smallholder Agriculture Programme Trust Fund

President of the International Fund  
for Agricultural Development in its capacity as Trustee  
of the Adaptation for Smallholder Agriculture Programme Trust Fund  
Via Paolo di Dono 44  
00142 Rome, Italy

This agreement, dated [click and type], has been prepared in the English language in two (2) original copies, one (1) for the Fund and the ASAP Trust and one (1) for the Borrower/Recipient.

REPUBLIC OF MALAWI

\_\_\_\_\_  
(Authorized Representative)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

ADAPTATION FOR SMALLHOLDER AGRICULTURE  
PROGRAMME TRUST FUND

\_\_\_\_\_  
Kanayo F. Nwanze  
President of the International Fund  
for Agricultural Development in its capacity as Trustee  
of the Adaptation for Smallholder Agriculture Programme  
Trust Fund

## Schedule 1

### Programme Description and Implementation Arrangements

#### Section I. Programme Description

1. Target Population. The Programme will be implemented in two regional clusters in the Northern and Southern regions of Malawi (the "Programme Area"). The selected areas would include approximately 5,200 hectares of irrigated land, and approximately 12,300 hectares of rain-fed land. The Programme will target the poor smallholder farmers of the villages associated with each irrigation scheme, and within this group a specific focus will be placed on women and female-headed households and youth.

An estimated 19,500 smallholder households live in the Programme area, of which a total of 17,500 households representing 87,500 persons are assumed to directly benefit from the Programme's interventions.

2. Goal. The Programme's goal is to enhance the resilience of rural communities to food insecurity, the effects of climate change and economic shocks.

3. Objective. The Programme's objective is that smallholder farmer households increase their income and improve their nutrition through sustainable agricultural production.

4. Components. The Programme shall consist of the two following Components:

Component 1: Irrigation development and catchment management. The objective of this component is to develop climate-resilient land and water management systems for smallholder households on both rain-fed and irrigated land.

##### Sub-component 1.1: Land and Water Governance

The Programme will support the preparation for and management of about 15 irrigation schemes, through (i) preparation of investment agreements with the targeted communities, and (ii) the establishment and strengthening of Water user associations (WUAs) for the management, operation and maintenance of the irrigation schemes for appropriate land and water governance. These measures will be co-funded by the ASAP Trust Grant.

##### Sub-component 1.2: Irrigation System Development

The Programme will support the establishment of irrigation schemes, including the use of water storage for the cultivation of a second and third annual crop, and to enhance agricultural productivity in smallholder farms.

##### Sub-component 1.3: Soil and Water Conservation

The Programme will support the restoration of soil cover on vulnerable grounds, erosion control, reforestation of slopes and protection of river buffer zones. These measures will be co-funded by the ASAP Trust Grant.

Component 2: Agriculture and market linkages. The objective of this component is to promote environmentally and economically sustainable agricultural production systems to be adopted by smallholder households on both rain-fed and irrigated lands.

### Sub-Component 2.1: Good Agricultural Practices

The Programme will support the efficient knowledge transfer to smallholder farmers through trials and demonstrations, combined with better information from the private sector on market potential and opportunities. The component will promote climate-smart good agricultural practices (GAPs), including the use of weather and climate information services, irrigation optimization, application of integrated pest management, and reduction of post-harvest losses. The Programme will also support adaptive research on GAPs and adaptive mechanisation in smallholder farms. These measures will be co-funded by the ASAP Trust Grant.

### Sub-Component 2.2: Market Linkages

The Programme will promote market linkages through value chain analyses to identify the suitable crops, provide farmer training mainly through farmer business schools, promote farmer groups and commodity platforms to gather all actors in a value chain. A value chain start-up facility will promote specific investments that help improve the value chain.

The Malawi Innovation Challenge Fund (MICF) is currently managed by the United Nations Development Programme (UNDP) and the Department for International Development (DFID). The Programme will pilot a dedicated irrigation window under the MICF with the private sector, where the latter will provide farmers with modern irrigation equipment such as drip irrigation and facilitate marketing of their produce.

### Sub-Component 2.3: Mainstreaming Nutrition

The Programme will mainstream nutrition in most of its activities such as the choice of crops or value chain commodities and support with the following measures: (i) integrating a nutrition perspective in all GAPs promoted; (ii) promoting diversified and improved nutritional production and consumption (integrated homestead food production); and (iii) supporting the introduction of improved cooking stoves combined with nutrition education. The Programme will support extension and training on nutrition and may engage other service providers to complement the capacity of the government system. These measures will be co-funded by the ASAP Trust Grant.

## Section II. Implementation Arrangements

### A. Programme management

#### 1. The Ministry of Finance, Economic Planning and Development (MoFEPD)

The MoFEPD will be responsible for the financing and the monitoring and evaluation of the Programme, more specifically for the (i) receipt and disbursement of funds from IFAD; and (ii) monitoring budget performance.

#### 2. The Lead Programme Agency (LPA)

The LPA shall be the DoI within the MoAIWD, which shall have to coordinate the Programme activities. The DoI shall oversee the day to day coordination of programme activities.

### 3. Programme Steering Committee (PSC)

3.1 Composition. The PSC shall be composed of senior representatives of concerned Ministries, including the MoAIWD and the Agriculture Sector Wide Approach, the Ministry of Local Government and Rural Development (MoLGRD), the Ministry of Lands, Housing and Urban Development, the Ministry of Natural Resources, Environment and Mining; and chaired by the MoFEPD.

3.2 Responsibilities. The PSC shall provide the strategic oversight of the Programme ensure alignment of the Programme with ongoing programmes and activities, as detailed in the PIM, including (i) provide strategic guidance to the Programme management; (ii) have a fiduciary responsibility to ensure the eligibility of Programme expenditures; (iii) approve the AWPB and Procurement Plan, financial and technical progress reports; (iv) initiate follow-up actions on lessons and findings from the Programme; and (v) establish an audit and oversight committee that will review and report to the PSC any matter raised by the auditors/or other reviews.

### 4. Technical Advisory Team

4.1 Composition. The Technical Advisory Team will represent the departments concerned with the programme implementation, including the Department of Land Resources, Extension, Research (under MoAIWD), as well as the Department of Land (under Ministry of Lands, Housing and Urban Development), the Environmental Affairs Department (under Ministry of Natural Resources, Environment and Mining), the Debt and Aid Department (under MoFEPD), and others as needed. The Technical Advisory Team shall be chaired by a senior representative of the LPA.

4.2 Responsibilities. The Technical Advisory Team will assist the PCO through technical guidance and oversight of the Programme.

The Technical Advisory Team will report regularly to the PSC and PCO and will meet at least twice a year before the PSC meeting.

### 5. Programme Coordination Office (PCO)

5.1 Composition. The PCO is staffed by highly qualified personnel recruited from government or from the labour market. Recruitment of key staff shall require prior consent from the Fund. The PCO key staff shall include a Programme Coordinator, a Procurement specialist, a Financial Management specialist, an Environmental Coordinator, and a specialist for Planning, Monitoring, Evaluation and Knowledge Management. Additional staff in the PCO shall include a Water User Association specialist, a Gender and Targeting specialist, an Irrigation Engineer, an Agricultural Extension specialist and a Value Chain specialist. Separate facilitation offices staffed by one coordinator each will be established in the northern and southern regions.

5.2 Responsibilities. The PCO is responsible for overall Programme implementation and coordination, including, inter alia: (i) preparation of AWPB; (ii) financial management; (iii) procurement; (iv) Programme monitoring and evaluation; (v) knowledge management; (vi) preparation and consolidation of Statement of Expenditures, financial statements and withdrawal application; (vii) Programme reporting; (viii) coordination of all Programme implementation partners; and (ix) ensure the Environmental and Social Management Framework (ESMF) and, the Resettlement Action Framework (RAF) are adhered to in the development of each Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) for the irrigation schemes including obtaining the free, prior and informed consent of the target beneficiaries.

## B. Programme coordination

57. At scheme cluster and village level. The Programme will coordinate its entry in an area with traditional authorities and with existing structures such as the Village Development Committees (VDC). The traditional authorities and VDCs, shall provide oversight for the activities under the Programme and involving communities. A Combined Village Committee (CVC) shall engage at the initiation stage and in reviewing Programme progress. The CVC shall interact with WUAs, representing all households benefitting from the irrigation system. The WUA supervision committee will liaise with the contractor to maintain irrigation activities during the construction period and expediting completion of the works. The WUAs will participate in construction supervision and final certification, and be trained to monitor the construction activities, identify and resolve problems which may arise.

58. All plans developed at the village level will be submitted through the Area Development Committee (ADC) to the District Executive Committee for approval and will provide the basis for preparing the annual work plan and budget.

59. At regional level. The scheme cluster areas are concentrated in a northern and a southern hub. The Programme will facilitate the services of agencies represented there; and may engage additional service providers as needed. The PCO will closely collaborate with local offices of MoAIWD and district coordination structures of MoLGRD.

## C. Programme planning, monitoring and evaluation, supervision

1. Planning. The main planning tools for the Programme comprise the logical framework combined with the overall programme budget, and the AWPB. Every year, a decentralised, inclusive and demand-driven planning process will be undertaken to develop the AWPB. The consolidated AWPB will be presented to the PSC for approval and submitted to IFAD for concurrence. Implementation of the AWPB will be monitored through the Programme's Monitoring and Evaluation (M&E) system along semi-annual reports.

2. Monitoring and Evaluation. The Programme M&E will be built around IFAD's results and impact management system (RIMS). The Programme will conduct baseline and follow-up surveys combining the collection of basic demographic and socio-economic data with application of multidimensional poverty assessment tool. The latter will assist tracking changes in resilience to climate change. The baseline and follow-up surveys will employ the women empowerment in agriculture index, which measures the changes in women's empowerment levels as a result of an intervention. In addition, the PCO will be responsible for the monitoring of the Environmental and Social Management Plan (ESMP)/RAP implementation for each irrigation scheme.

3. Learning and sharing knowledge. Will be based on the Programme's M&E system and supported by the Knowledge Management specialist particularly on reviews and participatory assessments of lessons learned during implementation. These will translate into factsheets that will contribute to the wider policy debate in the smallholder agriculture sector. Dissemination will take place through the Programme's and MoAIWD websites or relevant institutions such as research agencies, and results will be presented at national workshops on key programme themes.

4. Supervision. Supervision and implementation support missions shall normally be carried out twice a year. The Borrower/Recipient shall conduct mid-term review towards the third year of Programme implementation period in accordance with the Terms of Reference to be agreed by the Fund and the Borrower/Recipient.

#### D. Programme Implementation Manual (PIM)

The Programme shall be implemented in accordance with the approved AWPB and Procurement Plan and the PIM, the terms of which shall be adopted by the LPA subject to the Fund's prior approval. The PIM shall include, among other things: (i) terms of reference, implementation responsibilities and appointment modalities of all Programme staff and consultants; (ii) Programme operating manuals and procedures; (iii) monitoring and evaluation systems and procedures; (iv) a detailed description of implementation arrangements for each Programme component with special reference to the ESMF/ RAF and the ESIAs/RAPs that will be required; (v) modalities for the selection of service providers to be based on transparent and competitive processes; (vi) financial management and reporting arrangements including accounting, approval of payments, financial reporting, internal controls, fixed asset management, as well as internal and external audit; and (vii) the good governance and anti-corruption framework.



## Schedule 2

## Allocation Table

1. Allocation of IFAD Loan and DSF Grant and ASAP Trust grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loan and DSF Grant and the ASAP Trust Grant and the allocation of the amounts of the IFAD Loan, and DSF Grant and the ASAP Trust Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	IFAD Loan Amount Allocated (expressed in SDR)	IFAD DSF Grant Amount Allocated (expressed in SDR)	ASAP Trust Grant Amount Allocated (expressed in SDR)	Percentage
1. Works	9 120 000	9 120 000	680 000	100%
2. Equipment and Materials	500 000	60 000	920 000	100%
3. Consultancies	1 060 000	2 190 000	1 510 000	100%
4. Trainings	680 000	3 730 000	920 000	100%
5. Grants and Subsidies	-	1 640 000	-	100%
6. Salaries and Allowances	6 010 000	670 000	610 000	100%
Unallocated	1 930 000	1 940 000	510 000	
<b>TOTAL</b>	<b>19 300 000</b>	<b>19 350 000</b>	<b>5 150 000</b>	

(b) The terms used in the Table above are defined as follows:

- (i) All the above amounts are net of taxes, and Borrower/Recipient and beneficiaries contributions;
- (ii) "Equipment and Materials" includes Vehicles;
- (iii) "Consultancies" includes Studies;
- (iv) "Salaries and Allowances" includes Operations and Maintenance;
- (v) "Grants and Subsidies" includes contributions for the Malawi Innovation Challenge Fund with DFID/UNDP.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred in accordance with the provisions of the Programme Design Report before the satisfaction of the General Conditions precedent to withdrawal but after the date of entry into force shall not exceed an aggregate amount of SDR 408 113 (equivalent to USD 560 000).

## Schedule 3

### Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Financing Accounts if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. **Gender.** The Borrower/Recipient shall develop a gender strategy for the Programme to ensure that gender concerns shall be mainstreamed in all Programme activities throughout the implementation period, in order to offer equal opportunities under the Programme to men, women, women headed households, youth and other disadvantaged groups.
2. **Counterpart Funds.** The Borrower/Recipient shall ensure that counterpart funds are clearly identifiable in the financial management system and all financial statements.
3. **Land and Water Access.** The Borrower/Recipient shall ensure that smallholder farmers have full access to land and water as per Land and Water Agreements agreed upon under the Programme. A prerequisite to the signature of such agreements shall be the prior formal establishment of the WUAs.
4. **Environmental and Social Due Diligence.** The Borrower/Recipient assures that the ESMF and RAF as required by IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) have been adopted and that the Programme will be carried out in accordance with the aforementioned documents.

The Borrower/Recipient shall ensure that prior to carrying out any construction of irrigation facilities and related items, a full ESIA/ESMP and a RAP, will be duly completed, where it is required, with adequate budget for their implementation, so that to confirm the full social and environmental sustainability of the construction foreseen.

5. **Implementation.** The Programme will be implemented in compliance with the main IFAD policies, strategies and procedures, inter alia, with (i) IFAD's Natural Resources Management Policy, Climate Change Strategy and SECAP, (ii) IFAD's Policy on Improving Access to Land and Tenure Security, and other policy tools such as (i) the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests; and (ii) the Framework and Guidelines for Land Policy in Africa. Before supporting any intervention that might affect the land access and use rights of communities, the Programme will ensure that their free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.
6. **Environmental Audit.** The development of measures to mitigate social and environment impacts and the implementation will be reported upon annually and the report will be subject to an independent annual audit that will be submitted to IFAD and the PSC.
7. **Transparency.** The Terms of Reference of the external audit shall include a specific review of IT control system financial reporting.  
To be tabled at the session.

## Logical framework

Results Hierarchy	Key Performance Indicators				Means of Verification		Assumptions
Goal	Name	Baseline	End Target	Source	Frequency	Responsibility	
Rural communities are resilient to food insecurity-, climate change <sup>4</sup> and economic risks	<ul style="list-style-type: none"> <li>Reduction in child malnutrition, measured by the incidence of wasting (RIMS level III)</li> <li>Improvement in household assets ownership index (RIMS Level III) *</li> <li>Smallholder households supported in coping with the effects of climate change (RIMS 1.8.5) measured by the number of households applying climate-smart agricultural practices*</li> </ul>	• tbd	<ul style="list-style-type: none"> <li>20% reduction</li> <li>15,000 households with a 20% improvement</li> <li>17,5000 smallholder households</li> </ul>	<ul style="list-style-type: none"> <li>Baseline surveys and RIMS surveys, MPAT surveys</li> <li>Same</li> <li>Programme records</li> </ul>	<ul style="list-style-type: none"> <li>Project start, mid-term and completion</li> <li>same</li> <li>Semi -annually</li> </ul>	• PCO/DOI	
Project Development Objective:							
Smallholder farmer households enhance income and nutrition through sustainable agricultural production	<ul style="list-style-type: none"> <li>Smallholder farmer households receiving project services (RIMS 1.8.1), differentiated by gender of the household and wealth class</li> <li>Smallholder farmers with increased income of at 3 fold (rainfed only) and 8 fold (irrigation/rainfed) *</li> <li>Smallholder households reporting decreased incidence of hunger periods, measured by number of meals per day and by increased dietary diversity *</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> <li>tbd</li> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>17,5000 smallholder farmer households</li> <li>11,000 smallholder farmers</li> <li>17,5000 smallholder households</li> </ul>	<ul style="list-style-type: none"> <li>Programme progress reports</li> <li>Baseline surveys and RIMS surveys, MPAT surveys</li> <li>same</li> </ul>	<ul style="list-style-type: none"> <li>Semi-annual</li> <li>Every 2 years</li> <li>same</li> </ul>	• PCO/DOI	No major impact of climate shocks ; Policies remain conducive to agriculture; Market prices remain favourable or at least stable
Outcome 1: Smallholder households sustainably operate climate-resilient land and water management systems on both rainfed and irrigated lands (refers to ASAP outcome #1)	<ul style="list-style-type: none"> <li>Effectiveness: farmers with secured access to land and water (RIMS 2.1.2)</li> <li>Incremental hectares of crops in irrigated land throughout seasons.</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>15,700 farmers</li> <li>5,200 ha</li> </ul>	<ul style="list-style-type: none"> <li>Tracer studies on land and water access</li> <li>land use survey</li> </ul>	year 3, 5, 7	• PCO/DOI	Allocation of land and water to smallholder farmers is secured and reliable over longer periods
Outputs:	• WUA managing infrastructure	• nil	• 15 WUA	• WUA records /	annually	PCO/DOI	Registration of 15

<sup>4</sup> In PRIDE, resilience to effects of climate change will be measured by households having access to irrigated land, cultivate at least 3 different crops (diversification) and apply good agriculture practise including soil improvement techniques.

1.1 Communities effectively manage their land and water management systems	formed or strengthened (RIMS 1.1.2)			tracer study land tenure			Water Users' Associations is facilitated by the concerned agency Government is able to assist WUAs affected by extreme events in recovering their system's functionality
1.2 Medium-sized irrigation systems (50-1000 ha) established	<ul style="list-style-type: none"> <li>Land under irrigation from rehabilitated or newly constructed schemes (RIMS 1.1.5)</li> <li>Land consolidation and tenure arrangements completed</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>5,200 ha</li> <li>5,200 ha</li> </ul>	<ul style="list-style-type: none"> <li>Annual land use survey</li> <li>WUA records / tracer study land tenure</li> </ul>	Upon hand over of complete scheme	• PCO/DOI	No major delays / implementation bottlenecks; Unit costs are kept within USD 7,800 per hectare
1.3 Erosion-affected and vulnerable rainfed land recovered	<ul style="list-style-type: none"> <li>Extent of land with rehabilitated or restored ecosystem services (RIMS 1.1.17)</li> </ul>	• Nil	• 1,000 ha	<ul style="list-style-type: none"> <li>Annual land use survey</li> </ul>	Upon hand over of complete scheme	• PCO/DOI	GOM policies re catchment natural resources benefit the scheme cluster areas
Outcome 2: Environmentally and economically sustainable agricultural production systems adopted by smallholder households on both rainfed and irrigated lands	<ul style="list-style-type: none"> <li>Farmers report yield increase (&gt; 20% above baseline) from improved rainfed agricultural production (RIMS 2.2.2)*</li> <li>Farmers report adoption of recommended climate smart Good Agricultural Practices</li> </ul>	<ul style="list-style-type: none"> <li>Baseline</li> <li>Baseline</li> </ul>	<ul style="list-style-type: none"> <li>17,500 farmers</li> <li>17,500 farmers</li> </ul>	<ul style="list-style-type: none"> <li>HH sample surveys</li> </ul>	<ul style="list-style-type: none"> <li>Every 2 years</li> </ul>	• PCO/DOI	Access to financial services and revenues from /services of markets enable intensification of smallholder agriculture
Outputs: 2.1 Smallholder farmers trained on good agricultural practices on rainfed and irrigated land	<ul style="list-style-type: none"> <li>People trained in crop production practices and technologies (RIMS 1.2.2) specified for lead farmers and FSS attendants*</li> </ul>	• Nil	<ul style="list-style-type: none"> <li>780 lead farmers and 15,000 FFS members</li> </ul>	<ul style="list-style-type: none"> <li>Programme reports</li> </ul>	<ul style="list-style-type: none"> <li>Semi-annually</li> </ul>	• PCO/ MOAIWD	GOM capacity can be complemented by mobilisation of private sector service providers
2.2 Smallholder farmers linked to improved markets	<ul style="list-style-type: none"> <li>Smallholder farmers trained in production, post –production, processing and marketing (RIMS 1.4.1) *</li> </ul>	• Nil	<ul style="list-style-type: none"> <li>17,500 farmers</li> </ul>	<ul style="list-style-type: none"> <li>Programme reports</li> <li>MICF reports</li> </ul>	Semi-annually	• PCO/DOI	PRIDE successfully engages all target group segments in programme activities
2.3 Smallholder households improve nutritional intake	<ul style="list-style-type: none"> <li>Women trained in preparation of nutritious meals in 2 seasons*</li> </ul>	• Nil	<ul style="list-style-type: none"> <li>15,000 women</li> </ul>	<ul style="list-style-type: none"> <li>Programme reports</li> </ul>	Semi-annually	PCIO/DOI	PRIDE successfully includes women and youth in leading roles in WUAs, FFS, etc.