
Republic of Malawi Country strategic opportunities programme 2023–2030

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Action: The Executive Board is invited to review the Republic of Malawi country strategic opportunities programme (2023–2030).

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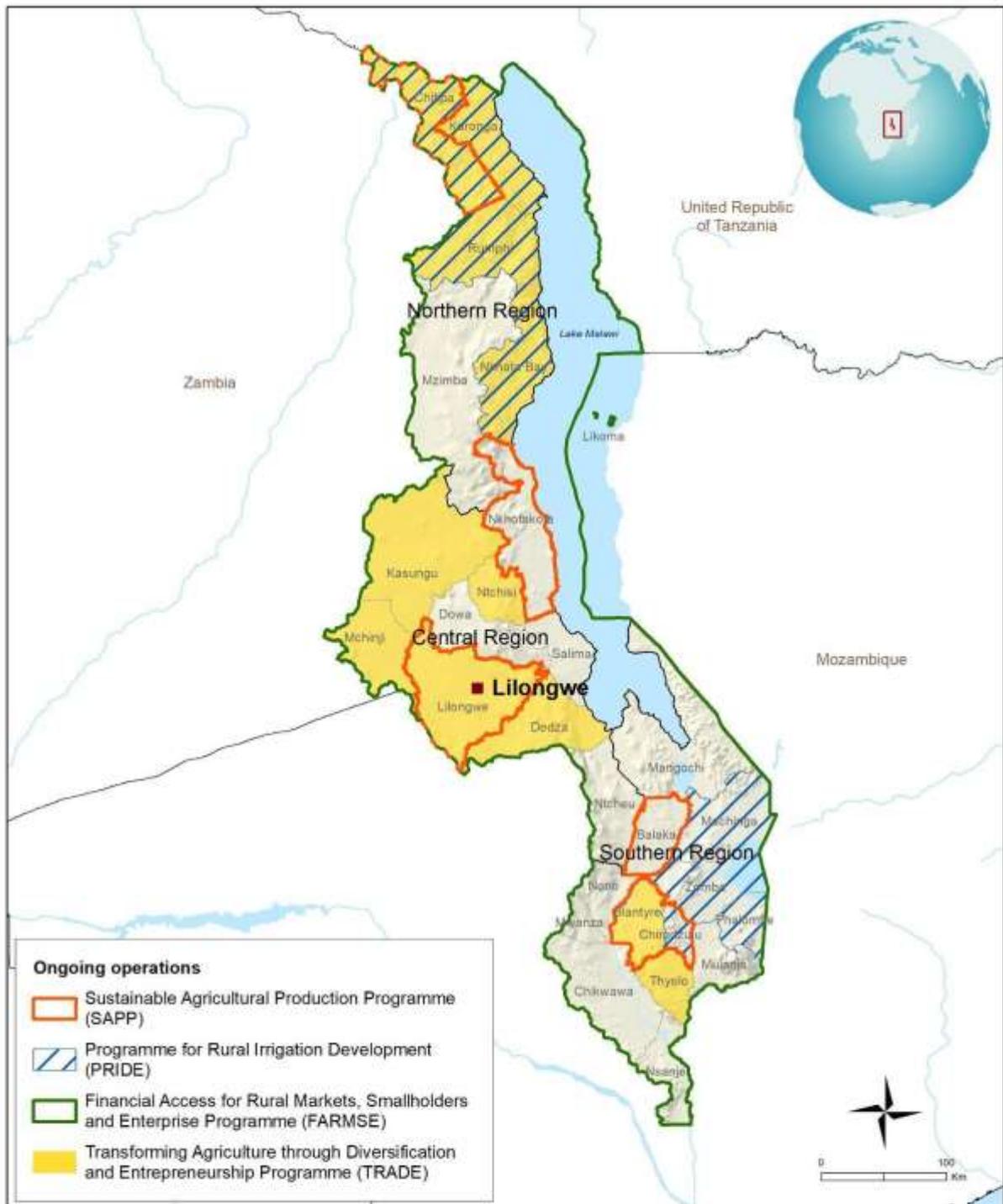
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Map of IFAD-funded operations in the country



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.

Map compiled by IFAD | 01-03-2022

Executive summary

1. From 2000 to 2020, Malawi implemented socio-economic reforms that resulted in strong GDP growth (averaging 4.3 per cent per year) overall, but average annual GDP per capita growth was only 1.45 per cent. As a consequence of COVID-19, growth was only 1 per cent in 2020, but it is projected to increase to 3.1 per cent in 2022 and to 4.5 per cent thereafter. The country's economic growth remains highly vulnerable to potential external shocks, including high energy, food and fertilizer prices, climate-related disasters, impacts of COVID-19 and the crisis in Ukraine. Malawi requires strong real GDP growth if it is to make a significant reduction in rural poverty.
2. Since 1981, IFAD has supported 14 projects and programmes in Malawi for a total of US\$350.5 million, benefiting approximately 2 million poor rural households.
3. The design of the country strategic opportunities programme (COSOP) 2023-2030 draws upon the country strategy and programme evaluation (CSPE) 2011-2020 for Malawi prepared by the Independent Office of Evaluation of IFAD, particularly with regard to the issues of innovation and the targeting of rural poor and vulnerable people. The COSOP has also been prepared in line with the Malawi 2063 Vision to ensure that IFAD's lending and non-lending operations will continue to support the Government's investment programme and policy framework for growth, resilience, food and nutrition security, and poverty reduction.
4. The COSOP's overarching goal **is to contribute to rural poverty reduction through the empowered participation of poor rural women, men and youth in the sustainable transformation of agriculture.**
5. This goal will be achieved on the basis of two strategic objectives (SOs):
 - SO1: Improved food and nutrition security, to be achieved through the increased agricultural productivity and climate-resilience of smallholder farmers.
 - SO2: Improved access to remunerative agricultural markets and services, notably for rural women and youth.
6. The COSOP's SOs are aligned with one of the CSPE's main recommendations, which concerns the adoption of an explicit approach for addressing chronic food insecurity and malnutrition through the promotion of diversified and sustainable production systems. Cross-cutting thematic areas include: access to finance; improved nutrition; empowerment of women and youth; improved soil and water management; and increased resilience to climate change.
7. Non-lending activities will consist of: (i) technical expertise from IFAD and the Food and Agriculture Organization of the United Nations, and South-South and Triangular Cooperation (SSTC); (ii) participation in IFAD's national and regional grant portfolios to enhance learning and share lessons; (iii) participation of national staff in IFAD learning and training events, international platforms and meetings; and (iv) implementation support provided by IFAD staff.
8. The COSOP for Malawi covers the period 2023-2030, thereby encompassing the 2022-2024, 2025-2027 and 2028-2030 cycles of the performance-based allocation system. Cofinancing is being provided by the Fund for International Development of the Organization of the Petroleum Exporting Countries (OPEC Fund); the Adaptation for Smallholder Agriculture Programme (ASAP); the Global Environment Facility (GEF); and the Foreign, Commonwealth and Development Office of the United Kingdom. Potential cofinancing arrangements are being explored with the Green Climate Fund, the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+), the World Bank and the Green Climate Fund.

9. IFAD interventions will focus on generating and scaling up innovations and enhancing institutional capacities. This work will be complemented with activities in the areas of country-level policy engagement, capacity-building and knowledge management. In addition, IFAD will expand its SSTC and enhance its strategic partnerships, notably with the subregional organizations and like-minded development partners, including the Rome-based agencies.

Republic of Malawi

Country strategic opportunities programme 2023–2030

I. Country context and rural sector agenda: key challenges and opportunities

1. **Socio-economic context.** Malawi is a landlocked country bordered by the United Republic of Tanzania, Zambia and Mozambique. Presidential elections in mid-2020 resulted in a stable government. From 2000 to 2020, Malawi implemented socio-economic reforms that resulted in average annual GDP growth of 4.3 per cent overall, but average annual GDP per capita growth was only 1.45 per cent. As a consequence of COVID-19, growth was only 1.0 per cent in 2020, but it is projected to increase to 3.1 per cent in 2022 and to 4.5 per cent thereafter.¹
2. **Medium-term outlook.**² The country's economic growth remains highly vulnerable to potential external shocks, including high import prices (e.g. for fuel and food) and weather extremes. Malawi is at a moderate risk of external debt distress, as it has limited space to absorb shocks, and a high risk of overall debt distress.³ The country needs to boost its domestic food production and export capacity in order to tap into regional markets and diversify its revenue base in order to build economic resilience. The crisis in Ukraine is also affecting Malawi's short- and medium-term outlook: challenges – but also opportunities – arising from this crisis will be monitored in conjunction with the Government and the Donor Committee on Agriculture and Food Security (DCAFS).
3. **Population, poverty and food insecurity.** Malawi is one of Africa's most densely populated countries, with 103 people per km², and 81 per cent of the population lives in rural areas. The population was 19.1 million in 2020⁴ and is expected to double by 2040. Malawi has a Human Development Index of 0.483 and ranks 174th out of 189 countries.⁵ The HIV prevalence rate among adults (2020)⁶ is 8.1 per cent.
4. Approximately 46 per cent of the population is below 16 years of age.⁷ Young people suffer from a lack of sufficient health care, education and access to employment, among other shortfalls. Approximately 22 per cent of the nation's young people between the ages of 15 and 24 years are in neither employment nor education or training, and approximately 27 per cent of those with a job are underemployed.
5. With respect to gender equity, Malawi ranks 111th out of 151 countries on the Global Gender Gap Economic Participation and Opportunity Subindex, lagging behind many other countries in sub-Saharan Africa.⁸ The share of women-headed households in rural areas is 24 per cent, compared to 15 per cent in urban areas,⁹ and 77 per cent of women are employed in agriculture, compared to 68 per cent of men.
6. Seventy per cent of the population earns less than US\$1.90 per day. The national poverty rate was 50.8 per cent in 2019/2020 and has been at around that level for

¹ World Bank Open Data, 2021.

² See appendix II.

³ World Bank Group - International Monetary Fund debt sustainability overview.

⁴ World Bank Open Data, 2021.

⁵ United Nations Development Programme (UNDP), 2019.

⁶ Joint United Nations Programme on HIV/AIDS, 2021.

⁷ Ibid.

⁸ World Bank, 20 December 2021.

⁹ Food and Agriculture Organization of the United Nations (FAO).

the past 10 years. Extreme poverty has decreased only slightly, edging down from 24.5 per cent in 2010/2011 to 20.5 per cent in 2019/2020.¹⁰ Since 2004, the rural poverty rate has stagnated at 56.0 per cent and the urban poverty rate at 19.6 per cent. Approximately 95 per cent of the poor population lives in rural areas. Rural poverty is driven by low agricultural productivity, the scarcity of non-farm income opportunities, the small size of most farms, frequent droughts and flooding, and the limited rural coverage of social safety nets.

7. In 2020, 63 per cent of the population was moderately or severely food-insecure and 20 per cent was undernourished.¹¹ Thirty-seven per cent of children were stunted, and this figure has decreased only slightly since 2010.¹² Malawi was one of the first countries to pilot the Acute Food Insecurity Classification mechanism of the Integrated Food Security Phase Classification.
8. **Agriculture and rural sector.** Agriculture employs around 85 per cent of the workforce and contributes 40 per cent of GDP and 80 per cent of export earnings. The country's predominantly rainfed, low-input smallholder agricultural system is highly vulnerable to the effects of climate change. Frequent droughts and floods, in particular, destroy livelihoods and reduce households' asset base. Most of Malawi's natural resources, forests and arable land are degraded as a result of poor management and population pressure.
9. Opportunities for reducing rural poverty could be opened up by adopting productivity-enhancing technologies for cultivating crops and rearing small ruminants, lessening rainfall dependency, promoting the sustainable exploitation of fisheries resources and aquaculture, improving on-farm storage and value-addition facilities, and enhancing access to financial services, markets and entrepreneurial skills. The increase in international food prices caused by the crisis in Ukraine could present opportunities for crop diversification in cereals and oilseeds (soybeans, sunflowers) for import-substitution purposes.
10. **Climate change and natural disasters.** Climate change, combined with decades of deforestation, is increasing the severity of floods and droughts. Malawi ranks fifth out of 181 countries on the Global Climate Risk Index,¹³ with a score of 15.17, and is therefore classified as highly vulnerable. Erratic rainfall, higher temperatures and longer dry spells during the rainy season – exacerbated by climate change – make agricultural yields more volatile.¹⁴ Overcoming the socio-economic impact of weather shocks, which are greatest in the poorest districts of the country, will be crucial for improving food security.¹⁵

II. Government policy and institutional framework

11. The Malawi 2063 Vision,¹⁶ which defines the country's long-term development goals, calls for a shift from low productivity, subsistence agriculture to a highly productive commercial form of agriculture. Investments in agroprocessing and value chains are expected to generate employment for the young population. The Malawi 2063 First 10-Year Implementation Plan, which covers the period 2021-2030, focuses on graduating Malawi to middle-income country status.
12. The Agriculture Sector Food and Nutrition Strategy 2020-2024 and the National Agricultural Investment Plan 2018-2023 are being aligned with the Malawi 2063 Vision. The National Multi-Sector Nutrition Strategic Plan 2018-2022 identifies the high degree of dependence on rainfed subsistence agriculture, rural poverty,

¹⁰ Government of Malawi, National Statistical Office, *Malawi Poverty Report 2020*, August 2021.

¹¹ FAOSTAT, Malawi country data (average over 2017-2019).

¹² IFAD Independent Office of Evaluation, Malawi country strategy and programme evaluation (CSPE) 2011-2020, January 2022.

¹³ Germanwatch, 2021.

¹⁴ United States Agency for International Development, *Climate Risk Profile: Malawi*, 2017.

¹⁵ World Bank, 2019, *Malawi Economic Monitor: Charting a New Economic Course*.

¹⁶ The Malawi 2063 Vision was launched in January 2021.

limited crop diversification and a lack of disaster-risk management systems as challenges to be overcome in order to ensure food and nutrition security.

13. The National Export Strategy II (2021–2026) aims to make Malawi a competitive, diversified and sustainable supplier of goods and services for regional and global markets. The focus is on high-value products in key export sectors (agriculture, manufacturing, services and mining).
14. The National Gender Policy focuses on gender mainstreaming in agriculture, food and nutrition security, natural resources and climate change management. The National Youth Policy, which guides efforts to empower the country's youth, is under review.
15. The multisectoral National Resilience Strategy 2018-2030 addresses issues linked to climate change. Pillar 1 of the strategy prioritizes areas for resilient agricultural growth.¹⁷ The national Strategy on Climate Change Learning (2021) outlines an institutional framework for climate change adaptation, mitigation, technology transfer and capacity-building. Malawi has ratified the Paris Agreement on climate change and submitted its updated nationally determined contribution (NDC) in July 2021. The Social, Environmental and Climate Assessment Procedures review note outlines the NDC priorities and targets related to agriculture.
16. In terms of the country's institutional framework, the IFAD country programme calls for a broad-ranging partnership with the Ministry of Agriculture and other public institutions,¹⁸ with a particular focus on strengthening institutional capacity for managing environmental, climate change and social risks and for addressing gender and inclusiveness challenges.

III. IFAD engagement: lessons learned

17. This COSOP's design draws on lessons from IFAD-supported programmes in Malawi, the COSOP 2016-2022 completion review,¹⁹ an impact assessment of the Sustainable Agricultural Production Programme (SAPP) by IFAD's Research and Impact Assessment Division (RIA) and the CSPE 2011-2020 prepared by the Independent Office of Evaluation of IFAD.
18. **Scaling up successful interventions.** Since 1981, IFAD has supported 14 projects and programmes in Malawi totalling US\$350.5 million and benefiting 2 million poor rural households. While the country programme's core thematic focus on rural poverty reduction has been maintained, lessons learned have been integrated into it over time, and its focus on environmental and natural resources management and climate change adaptation, nutrition, gender and youth has been intensified. In line with the Government's policy shift, recent projects support the transition to commercial agriculture based on value chain approaches, infrastructure development, partnerships with farmers' organizations and access to financial services.
19. **Gender and inclusive targeting.** Projects need to invest more in lessening women's heavy workloads, overcoming traditional norms and the gender-based division of labour, accessing formal and digital financial services, and heightening inclusion in remunerative value chains. Pro-poor gender- and youth-sensitive targeting should be enhanced and harmonized throughout the country programme, and its monitoring should be improved. The successful graduation approach for ultra-poor people should be scaled up.²⁰
20. **Food insecurity and malnutrition.** Future investments should enhance support for sustainable and diversified production systems (crops, small ruminants,

¹⁷ Government of Malawi, *National Resilience Strategy (2018–2030): Breaking the Cycle of Food Insecurity in Malawi*.

¹⁸ See appendix III.

¹⁹ The COSOP's performance was rated as satisfactory.

²⁰ CSPE.

aquaculture). According to the CSPE, successful practices include the good agriculture practices promoted under the Rural Livelihoods Support Programme (RLSP), SAPP and the Programme for Rural Irrigation Development (PRIDE); community seed production and the farm radio initiative pursued under the Rural Livelihoods and Economic Enhancement Programme (RLEEP); the farmer-to-farmer extension approach and the pass-on model for small ruminants used by SAPP; and the land tenure approach being promoted under PRIDE.

21. **Private sector and financial services.** Achievements to be scaled up include the Innovation and Outreach Facility and the focus on platforms and apex institutions being promoted by the Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) and the multi-donor Malawi Innovation Challenge Fund for financing investments in irrigation being made under PRIDE. Partnerships with microfinance institutions under FARMSE should also be scaled up, as recommended in the CSPE. Crop/livestock insurance schemes also have a strong potential as a means of enabling farmers to recover from losses and stabilize their income.²¹
22. **Enhancing climate change mitigation and adaptation and environmental and natural resources management.**²² Additional financing for mitigation and adaptation measures should be mobilized. Consideration should be given to risk transfer through weather index insurance, early warning systems, drought contingency plans, flood response schemes, awareness-raising and water management. In the wake of Tropical Cyclone Idai (2019), the COVID-19 pandemic (2020) and Cyclone Ana (2022), the personnel responsible for implementing the country programme have gained experience in responding to unforeseen events and will continue to further develop this response capacity.
23. Regarding **implementation efficiency and effectiveness:**
 - The CSPE notes that previous COSOPs were ambitious in introducing innovative practices and partnerships that proved to be instrumental in innovation and in delivering results,²³ although it also notes that some were of limited effectiveness. The CSPE recommends sharpening the innovation approach and leveraging the positive evidence on agricultural technologies introduced through SAPP.
 - While knowledge management (KM) and dissemination have been relatively successful in promoting and fostering financial services under FARMSE and new technologies and good agricultural practices under SAPP, PRIDE and the Enhancing the Resilience of Agroecological Systems Project (ERASP), the Government's ownership should be strengthened in order to encourage it to scale up these outputs in national programmes.
 - There is a need to ensure that the involvement of district councils in the participating districts is consistent and that sufficient institutional capacity-building efforts are mobilized to enhance sustainability.
 - The IFAD-supported International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative grant for on-the-job capacity-building for INTOSAI accountants in the area of financial management was effective and should be continued.

IV. Country strategy

A. Comparative advantage

24. As highlighted in the CSPE: "A consistent strength of the country programme was its focus on poor and marginalized communities and decentralized service

²¹ Pula Advisors/Government of Malawi, *Insuring the Malawi AIP Programme*, May 2021.

²² CSPE.

²³ Ibid.

delivery.” IFAD also has a long-standing comparative advantage and country-specific experience in Malawi in transforming smallholder agriculture by: (i) working with community and farmers’ organizations; (ii) supporting the emergence and growth of structured value chains; (iii) working with and strengthening district-level non-financial services for smallholders; (iv) investing in financial services delivery for smallholders; and (v) combining technological innovations in smallholder farming with innovative linkages between smallholders, service providers and market operators.

B. Target group and targeting strategy

25. The interventions provided for in this COSOP are intended to benefit 700,000 rural households (3.5 million people), of which 50 per cent are women and 30 per cent are young (between 18 and 35 years of age). The programme beneficiaries will be: (i) vulnerable rural populations, in particular smallholder farmers, women and youth, and their organizations; and (ii) agroentrepreneurs and agroentrepreneurial organizations involved in pro-poor value chains (mainly cereals, legumes, fruits and vegetables, small ruminants, poultry, fish and non-timber forest products). The geographic coverage of the COSOP is nationwide.
26. Pro-poor and gender- and youth-sensitive targeting strategies will be further enhanced and harmonized through the adoption of household methodologies and capacity-building. Vulnerable group targeting effectiveness will be monitored using participatory tools and disaggregated indicators for gender, youth and persons with disabilities. Targeting of ultra-poor populations will be scaled up to support and graduate them into value chains.²⁴
27. Persons with disabilities and people living with HIV/AIDS will receive particular attention. The Sparking Disability-Inclusive Rural Transformation Programme (SPARK) grant will be used to develop a disability-inclusive targeting strategy that draws on the successes of PRIDE and ERASP.²⁵

C. Overall goal and strategic objectives

28. The COSOP’s goal is **to contribute to rural poverty reduction through the empowered participation of poor rural women, men and youth in the sustainable transformation of agriculture.**
29. In line with the CSPE recommendations, the aims of this COSOP are to: (i) adopt an explicit approach to addressing chronic food insecurity and malnutrition through the promotion of diversified and sustainable farming systems; (ii) develop a strategic approach for enhancing the impact and scale of successful practices and initiatives; and (iii) address implementation bottlenecks by tackling capacity constraints at various levels. The strategic objectives (SOs) are aligned with the focus of the IFAD Strategic Framework 2016-2025 on strengthening the productive capacity of rural populations and the advantages these population groups can gain from market inclusion.
30. The COSOP is aligned with the United Nations Sustainable Development Cooperation Framework (UNSDCF) and the transformational pathways of the 2021 Food Systems Summit Statement of Action and the national pathways derived from

²⁴ Targeting strategies will rely on socio-economic analyses of available data (poverty line data, mapping of production, market demand, and social and demographic trends) to identify areas with high concentrations of poor and ultra-poor households. A self-targeting approach will be used that is based on tailored financial schemes and the selection of commodities with credible potential for the inclusion of vulnerable groups.

²⁵ Persons with disabilities have benefited from programme activities in the following areas: catchment management (1 per cent of beneficiaries), seed multiplication (7 per cent), commodity platforms (5 per cent), farmer field schools (5 per cent), adaptive trials (20 farmers), the small livestock pass-on programme (12 households) and energy-efficient stoves (99 households).

it.²⁶ It will contribute to the achievement of the following Sustainable Development Goals (SDGs): SDG 1, SDG 2, SDG 5, SDG 8, SDG 13 and SDG 15.

31. **SO1: Improved food and nutrition security, to be achieved through the increased agricultural productivity and climate-resilience of smallholder farmers.** Aligned with the National Resilience Strategy and the country's NDC, SO1 is aimed at reducing smallholders' vulnerability to weather extremes and at addressing chronic food insecurity and malnutrition through the promotion of diversified and sustainable farming systems and enhanced nutrition education. Underlying investments include the investments made in: (i) climate-smart agriculture (CSA), good agricultural practices and on-farm storage; (ii) climate-proof infrastructure, irrigation schemes and management; (iii) improved access to land, especially for women and youth; and (iv) climate adaptation actions, with mitigation co-benefits. IFAD will support the Government in mobilizing climate and environmental resources from the Global Environment Facility (GEF) and the Green Climate Fund (GCF) to cofinance support for the National Resilience Strategy/NDC under SO1.
32. **SO2: Improved access to remunerative agricultural markets and services, notably for rural women and youth.** SO2 is aimed at enabling smallholders to benefit from remunerative agricultural value chains and providing off-farm employment opportunities for youth and women. Producer groups will be assisted to make use of national and regional market opportunities by supplying goods that meet the required quantity and quality standards. Underlying investments include: (i) marketing and value-addition facilities; (ii) financial and non-financial business services and insurance; (iii) capacity-building of professional organizations and their apex structures; and (iv) innovative value chain platforms and digital information systems.
33. **Cross-cutting issues.** Priorities of the Twelfth Replenishment of IFAD's Resources (IFAD12) are mainstreamed across both SOs, as follows:
 - **Nutrition security.** The focus will be on diversification in nutrient-dense crops and value chains (e.g. legumes, orange-fleshed sweet potatoes, beans with high iron and zinc content, aquaculture, small ruminants). By leveraging the grant from the Norwegian Agency for Development Cooperation (NORAD), nutrition will be linked more strongly with the social and economic empowerment of women and girls. Also, the integrated homestead food production approach will help persons with disabilities to achieve balanced diets based on home-grown foods.
 - **Gender transformative approaches.** Targeting approaches tested and used by PRIDE, FARMSE and SAPP will strengthen equal access for women to economic opportunities and decision-making processes. The Gender Action Learning System will be used to address intra-household dynamics and may also contribute to an improvement in the population's diet. Finally, literacy training for women and youth and labour-saving technologies will be mainstreamed across the country portfolio.
 - **Social inclusion.** Innovative mechanisms will be pursued to foster youth employment, such as incubators for skills training, access to assets and financial services. Up-to-date knowledge and technologies, and mentorship and reward programmes will be used to leverage IFAD's experience in the country and its comparative advantages in working with district services and community organizations. Youth inclusion in the information and communications technologies for development (ICT4D) initiative and in the use of climate-smart and renewable energy technologies will be promoted to

²⁶ Government of Malawi, "Building Healthier, Sustainable and Equitable Food Systems for a Better Malawi: National Pathways for Food Systems Transformation in Support of the 2030 Agenda".

equip young people to become dynamic agroentrepreneurs, which will have spillovers for their peers.

- **Climate change.** Investments in environmental services to conserve, protect and restore landscapes and in climate change adaptation and mitigation will be undertaken. Provision will be made for crowding in environmental, mainstream CSA and processing practices.²⁷

34. This **COSOP focuses on consolidation and scaling up**, building on successful practices and strengthening institutions (farmers' organizations, decentralized public services) in order to achieve greater sustainability and long-term poverty reduction. SO1 and SO2 support the Malawi 2063 Vision for transitioning smallholder farms into highly productive, market-oriented farming operations. ICT4D initiatives have also been integrated into the programme in order to promote investment, as recommended in the CSPE.
35. **Theory of change.** Given the Malawian context of rural poverty, food and nutrition insecurity, and a high degree of vulnerability to external shocks, and building on the IFAD country programme's existing achievements, this COSOP will streamline and scale up interventions to support efforts to address these challenges. Drivers will be: (i) successfully tested innovative tools and approaches that are badly needed at the grass-roots level; (ii) mobilization of cofinancing to increase IFAD's leverage; and (iii) utilization of the implementation and coordination capacity and partners (farmers' organizations, districts, etc.) of ongoing programmes, which will benefit from institutional support for fast-tracking implementation.
36. Under SO1, the focus will be on agricultural productivity improvements, climate change adaptation, resilience to natural shocks, and enhanced food and nutrition security based on successful practices such as the good agricultural practices promoted under RLSP, SAPP²⁸ and PRIDE. Emphasis will also be placed on community seed production and the farm radio initiative pursued under RLEEP. Under SO2, the focus will be on improved access to remunerative markets and services and to on- and off-farm opportunities that will allow surpluses to be marketed.

D. Menu of IFAD interventions

37. **Programme of loans and grants.** The lending portfolio will include four programmes (SAPP,²⁹ PRIDE,³⁰ FARMSE³¹ and the Transforming Agriculture through Diversification and Entrepreneurship Programme [TRADE]³²) designed under the COSOP 2016-2022 (see table 1 and figure 1). SAPP was launched in January 2012 and will be completed in March 2023 following a two-year extension. PRIDE began its work in December 2016 and will be completed in June 2025. FARMSE started in June 2018 and will be completed in June 2025. TRADE entered into operation in July 2020 and will be completed in September 2026.
38. In line with the CSPE recommendation to develop a strategic approach for enhancing the impact and scale of successful initiatives and for scaling up existing projects, additional financing is foreseen for FARMSE (US\$30 million from IFAD), PRIDE (US\$27.8 million from IFAD and US\$7 million from the enhanced Adaptation for Smallholder Agriculture Programme [ASAP+]) and TRADE (US\$17.8 million from IFAD). This will allow further roll-out and scaling up of successful

²⁷ Examples include small-scale irrigation, rainwater harvesting, drought-tolerant and early-maturing crops and agroforestry and fodder varieties, dissemination of weather information and disaster risk management.

²⁸ The success of these practices has been confirmed by the RIA impact assessment of this project.

²⁹ EB 2011/104/R.19, November 2011.

³⁰ EB 2015/116/R.16/Rev.1, December 2015.

³¹ EB 2017/122/R.12/Rev.1, December 2017.

³² EB 2019/128/R.25/Rev.1, December 2019.

interventions. This additional expansion of the existing portfolio will also make it possible to build capacity for addressing implementation bottlenecks.

39. IFAD, together with FAO, will mobilize GCF resources to promote resilience and climate change adaptation through FARMSE. Opportunities will also be sought for securing private sector financing for climate adaptation through the GCF. IFAD and the Government will partner with the Southern African Development Community Groundwater Management Institute to develop a regional proposal, to be funded by the Adaptation Fund, for enhancing water and food security through sustainable groundwater development. Other opportunities will be explored with the GEF and the African Development Bank (AfDB).
40. In 2027, a COSOP results review will be conducted to determine the allocation of IFAD resources for IFAD13 and IFAD14.

Figure 1
Phasing of IFAD's lending portfolio under the COSOP 2023-2030

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IFAD financing cycle	IFAD11			IFAD12			IFAD13			IFAD14		
COSOP	2016-2023					2023-2030						
SAPP												
PRIDE												
FARMSE												
TRADE												
Potential new project												

Note: Dark green represents additional/new funding.

41. **Grant portfolio.** IFAD will continue to mobilize grants for mainstreaming innovations, with priority being placed on nutrition, gender equity, landscape and land governance, ICT4D and institutional capacity-building to sustain the results achieved. Key country grants in 2022 are: the Rural Poor Stimulus Facility implemented by SAPP; a NORAD grant managed by FARMSE for nutrition and gender mainstreaming in the portfolio; and an ERASP grant under PRIDE to work on catchment conservation. Receipt of a grant for government capacity-building through the African Agricultural Transformation Initiative³³ is also anticipated.
42. The country programme also benefits from regional grants, including: the Joint Programme on Gender Transformative Approaches funded by the European Union; the IFAD-funded SPARK grant; and a Digital Advisory Services to Support Accelerated Rural Transformation grant.
43. **Country-level policy engagement (CLPE)** with the Government ranks high on IFAD's agenda, which is aligned with the three CLPE priorities that are also drivers for food systems transformation in Malawi, namely: (i) market-led growth; (ii) land tenure coupled with advocacy for women's access to land; and (iii) deepening financial markets with outreach in rural areas. Evidence-based policy engagement will complement, support and draw on the experience and lessons learned from projects and strategic grants. In particular, the CLPE will build on FARMSE's achievements in the rural financial sector in partnership with the Ministry of Finance, which include the development of the Malawi financial inclusion portal.
44. **Capacity-building and empowerment** efforts will holistically address the need for efficient and effective programme implementation at three different levels, and ensure the sustainability of outputs and outcomes. At the national level, all project management unit (PMU) staff will receive short-term training on gender/ the Gender Action Learning System, targeting and inclusiveness, fiduciary management, monitoring and evaluation (M&E) and procurement under the

³³ EB 2021/VBC/7, August 2021, IFAD.

BUILDPROC capacity-building programme.³⁴ These training activities will be provided for all PMUs at the same time in order to strengthen peer-to-peer learning and exchanges regarding practices with the aim of creating other thematic regional communities of practice (CoPs) in addition to the one on KM and M&E, which currently is contributing to the harmonization of standards and practices across PMUs and is paving the way for the piloting of a central coordination unit during IFAD13 and IFAD14.

45. Leveraging participation in the African Agricultural Transformation Initiative will help to build partner ministries' institutional delivery capacities. At the district level, staff capacity will be enhanced through programme implementation approaches, gender mainstreaming and M&E. At the local level, the capacity of members of such groups as women and youth, their leaders and their organizations will be strengthened in the areas of good agricultural practices, CSA, farmer field schools, irrigation management (SAPP, PRIDE) and e-extension, value chain platforms (TRADE, FARMSE, PRIDE), and financial and non-financial services (PRIDE, TRADE).
46. **Knowledge management and communication (KM&C)** will remain a core component of IFAD's engagement. Learning from the robust KM&C plans developed by SAPP and mainstreamed in the Malawi and Zambia portfolios, all programmes benefit from solid KM&C strategies, action plans and systems (community radios, telephone, SMS, ICT) to target audiences in local languages and reach out at the grass-roots level using a context-specific approach. The regional CoP for KM&C and M&E was launched in 2020 and will be further enhanced as a forum for IFAD-funded programmes in Malawi and Zambia to discuss implementation issues with peers. Participation in the IFAD ICT4D Strategy 2020-2030 will provide avenues for disseminating digital services and reaching out to clients in new ways.
47. **South-South and Triangular Cooperation (SSTC)**. The proximity of IFAD's Southern Africa multi-country office facilitates SSTC within and among subregional IFAD country programmes and the mobilization of expertise, particularly in connection with digital agriculture and ICT4D. A fruitful partnership has also been established with the Brazil IFAD country team and the Inter-American Institute for Cooperation on Agriculture with a view to replicating the Brazilian country-based M&E system (DATA.FIDA)³⁵ in the Malawi portfolio at a lower cost in terms of both funding and time. Several joint initiatives have been set up with the IFAD country programme for Zambia and the African Union Development Agency/New Partnership for Africa's Development, such as the CoP, ICT4D pilots, joint learning events and exchanges. These efforts will be scaled up in the subregion. Opportunities are being explored for collaboration with the Malawi Forum for Agricultural Advisory Services in spurring KM linkages regionally and globally and stimulating SSTC learning networks for rural advisory services and digital networks for youth.

V. Innovations and scaling up for sustainable results

48. The COSOP will invest in innovations that will enhance the effectiveness and efficiency of the IFAD portfolio, taking into account the CSPE recommendations to take a more focused approach in the promotion of innovations. Priority areas are KM&C (digital platforms, e-extension and financial services, M&E of biophysical and climate data), institutions (water catchment management, the Social Tenure Domain Model for land administration, district capacity), CSA and nutrition technologies.
49. The selection of innovations to be scaled up will be conducted by means of participatory processes. Avenues for ensuring the institutional sustainability of the

³⁴ <https://ifad-buildproc.org>.

³⁵ This system provides a way to upload live data for specific programmes using IFAD templates for annual workplans and budgets, and logical frameworks.

country programme and facilitating its scaling up will ensure that: (i) supported community-based institutions are financially viable before project completion; (ii) market linkages are secured and are self-financing before project completion; (iii) operation and maintenance costs are included in national budgets; and (iv) effective channels are in place for communication regarding successfully tested mechanisms (e.g. the Agricultural Commercialization Fund under TRADE; the farmer-to-farmer extension approach, the pass-on model and the Village Challenge Fund under SAPP; the Innovation and Outreach Facility and the focus on platforms and apex institutions being promoted by FARMSE; and the Malawi Innovation Challenge Fund being administered by PRIDE).

50. Specifically in the case of FARMSE, the Digital Advisory Services to Support Accelerated Rural Transformation grant will provide customized technical advisory services for the expansion of the existing mobile platform for community-based savings through the use of a digital wallet linked to a financial service provider. The grant will broker partnerships with private financial institutions and enterprises and with mobile network operators such as Airtel and Telekom Networks Malawi.

VI. COSOP implementation

A. Financial envelope and cofinancing targets

51. The COSOP will cover three performance-based allocation system (PBAS) cycles (IFAD12, IFAD13 and IFAD14). The IFAD12 allocation is US\$75.78 million. At this point in time, Malawi does not meet the Borrowed Resource Access Mechanism eligibility criteria due to its debt status, but its eligibility status could be reviewed during the cycle if the economic situation changes. The IFAD13 and IFAD14 allocations are still to be defined. Cofinanciers to supplement IFAD resources will be identified. Current cofinanciers are the Fund for International Development of the Organization of the Petroleum Exporting Countries (OPEC Fund), the ASAP, the GEF Trust Fund and the Foreign, Commonwealth and Development Office of the United Kingdom. Potential new partners include the ASAP+, the GCF and the AfDB.

Table 1

IFAD financing and cofinancing of ongoing and planned projects
(Millions of United States dollars)

Programmes	IFAD financing	Cofinancing		Cofinancing ratio
		Domestic	International	
Ongoing				
SAPP	60.03	11.8	1.4	
PRIDE	60.09	23	0.50	
ERASP	0.00	1.6	7.20	
FARMSE	42.00	15.7	0.4	
TRADE	70.01	35.34	20.00	
Planned				
Additional financing - FARMSE	30	10	-	
Additional financing - PRIDE	28	9	7	
Additional financing - TRADE	17.8	-	-	
Total	308.13	106.4	36.5	1:0.46

52. In 2022, 80 per cent of Malawi's PBAS allocation will be provided on super highly concessional terms and 20 per cent will be on highly concessional terms. Given the economic projections for Malawi and its dependence on external financing, its fiscal space is expected to become tighter and its level of debt distress is expected to increase. If this occurs, it is likely that 100 per cent of the country's lending terms will be shifted to a Debt Sustainability Framework grant in 2023.

B. Resources for non-lending activities

53. Non-lending activities will continue to be mobilized under the country programme. They will include: (i) technical expertise from IFAD, FAO and SSTC;

(ii) participation in IFAD's national and regional grant portfolios; (iii) participation of national staff in IFAD's learning and training events, international platforms and meetings; and (iv) implementation support for the IFAD portfolio.

C. Key strategic partnerships and development coordination

54. The country programme will deepen IFAD's partnerships at the national level with the Ministry of Agriculture, the Ministry of Finance, the Ministry of Economic Planning and Development and the Ministry of Local Government and Rural Development. At the local level, district councils will continue to act as key implementation partners.
55. The establishment of a new IFAD Country Office (ICO) in Malawi will enhance IFAD's participation in the DCAFS and lay the foundation for a more structured form of collaboration with partners.³⁶
56. Strategic partnerships have expanded and have played an instrumental role in the delivery of results. FARMSE will continue working closely with rural financial sector stakeholders to increase the outreach of financial services, with microfinance institutions to assist them to scale up the outreach of their entrepreneurship services and with NGOs to support their efforts to scale up village savings and loan groups. TRADE will also build on the FARMSE approach to expand public-private partnerships. Its partnerships in the area of climate change and environmental management with the Environmental Affairs Department and Total LandCare have been effective and will be continued.
57. IFAD will continue its close collaboration with other United Nations agencies and will participate in the second UNSDCF (2019-2023) and its successor UNSDCF (2024-2029). It will also continue to pursue its coordination of the COVID-19 response with the United Nations Resident Coordinator and its collaboration in the Innovation Challenge Fund with the UNDP. Particular attention will be devoted to collaboration among the Rome-based agencies in order to lock in synergies and ensure the inclusion of the Global Gender Transformative Approaches initiative. Collaboration with FAO will also include support for the Government's efforts to combat the fall armyworm; mobilization of expertise from the FAO Investment Centre/IFAD cooperative programme; and the Food Systems Summit transformation agenda. With respect to the latter initiative, IFAD will follow the guidance provided by the Malawi Food Systems Summit Dialogue, as recommended in the CSPE. Potential partnerships with the AfDB and the OPEC Fund for International Development to promote investments in infrastructure will be explored.

D. Beneficiary engagement and transparency

58. **Beneficiary engagement.** Civil society organizations, farmers' organizations and their apex institutions, and youth and women's associations in rural areas will be consulted through participatory processes at each stage of the COSOP process, including design, implementation, monitoring, impact assessment and project evaluation. Exclusion patterns and power dynamics will be analysed with a view to gathering feedback from vulnerable and marginalized segments of rural society. The process involved in designing this COSOP was based on this approach, and all key stakeholders participated in the consultation process. Each investment programme will seek feedback from beneficiaries through focus groups, satisfaction surveys and impact surveys. An indicator for tracking beneficiary satisfaction has been included in the COSOP Results Management Framework (RMF).
59. **A framework for transparency and good governance** will be designed to buttress the portfolio against risks and to increase its visibility. This will involve the

³⁶ The Climate Adaptation for Rural Livelihoods and Agriculture Programme, which was approved in 2021 and is financed by the AfDB and the UNDP Malawi Innovation Challenge Fund, will enhance partnerships around the IFAD portfolio.

disclosure of project documents, investments made and results achieved; access to audit and bidding reports; and regular assessments of results. Project stakeholders, especially farmers and their organizations, will be directly involved in the planning, implementation and M&E of project activities. The Data.IFAD-ESA management information system will ensure ready and timely access to the relevant data for all project stakeholders.

E. Programme management arrangements

60. As part of its ongoing decentralization drive, IFAD will establish an ICO in Malawi by August 2022 which will be run by a country director based in Malawi. This will permit closer monitoring and coordination of the IFAD country programme and will facilitate efforts to address performance bottlenecks in order to enhance sustainability and impact, and to strengthen partnerships with the Government, United Nations agencies and other partners. IFAD's regional office in Nairobi will support the country team, particularly in the areas of financial management, M&E, KM&C and policy engagement.

F. Monitoring and evaluation

61. IFAD will work to strengthen the Government's capacity to monitor the performance of its investments. In collaboration with the other Rome-based agencies, IFAD will support the digitalization of the data-collection procedures used by agricultural extension agents. Results will be tracked at the project level and aggregated annually as inputs for reporting on progress against targets in the COSOP RMF. This work will be supported by the integrated Data.IFAD-Malawi M&E system. The COSOP RMF builds on the previous COSOP but on the basis of new and more ambitious targets. The indicators are aligned with the IFAD core indicators and disaggregated by gender, age and disability status. RIA will support the preparation of impact assessments and the monitoring of progress towards the desired outcomes and sustainability.
62. The Ministry of Agriculture will lead an annual COSOP results review with support from the country portfolio performance review group and the PMUs. The Government and IFAD will organize a COSOP midterm review in 2025 to assess progress and make adjustments, if required. The COSOP RMF will be reviewed with the programmes being run in the country on a yearly basis to identify potential implementation delays as early as possible.

VII. Risk management

63. Table 2 summarizes the main risks that have been identified and related mitigation measures.

Table 2

Risks and mitigation measures

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Political/governance	Medium	Alignment of the IFAD portfolio with national programmes and building the required institutional capacity of programme stakeholders at all levels (ministries, districts, farmers' organizations, etc.).
Macroeconomic	Medium	Implementation of investment programmes that will help to narrow the current account gap and reduce rural poverty. Supporting funding/programming opportunities from the crisis in Ukraine.
Sector strategies and policies	Medium	Alignment of the country programme with national policies and strategies. Coordination with other donors.
Institutional capacity	High	Institutional capacity-building of rural financial and non-financial service providers and implementation partners. Capacity-building of line ministries and districts.
Portfolio	Medium	Technical assistance and training workshops to build capacity in project, safeguards and fiduciary management and M&E.
Fiduciary – financial management	Medium	Timely preparation of interim financial reports, which will be required prior to the disbursement of funds to avoid recurrent liquidity problems.

		Timely release of counterpart funds (VAT reimbursement). Exploration of the possibility of securing up-front tax exemptions for major procurement activities.
Fiduciary – procurement	Medium	Measures to ensure that projects refer to IFAD's standard bidding documents when bidding documents are not available at the national level or do not meet IFAD's requirements. Restricted tendering only when justifiable and provided that IFAD has given its no objection.
Environment and climate	High	Promotion of CSA, diversified livelihood strategies, climate and weather information systems, irrigation, water harvesting and reforestation.
Social	Medium	Enhanced targeting of vulnerable people, including persons with disabilities. Establishment of a grievance redress mechanism for beneficiary and stakeholder feedback.
Overall	Medium	

Results management framework

Country strategy alignment <i>What is the country seeking to achieve?</i>	Related SDG UNDAF outcome	Key results for RB-COSOP 2023-203037 <i>How is IFAD going to contribute?</i>			
		Goal		Outreach indicators	Milestone indicators
		Contribute to rural poverty reduction, through the empowered participation of poor rural women, men and youth in the sustainable transformation of agriculture		<ul style="list-style-type: none"> • 753.189 persons receiving services promoted or supported by the project, with 50% women and 30% youth 	<ul style="list-style-type: none"> • 80% households satisfied with project-supported services • 80% Households reporting they can influence decision-making of local authorities and project-supported service providers • Percentage of food insecure households in targeted communities (disaggregated by women headed and child headed households) decreased by 9%. • 300,000 smallholder households reporting decreased incidence of hunger, measured by the Percentage of Women reporting Minimum Dietary Diversity (MDDW)

³⁷ The results outlined in the RMF are an aggregation of: i) results that the ongoing projects in the Malawi portfolio are expected to produce from 2023 to completion with the original funding as approved at design (or revised at MTR); ii) additional results that PRIDE, FARMSE and TRADE are expected to produce with additional funding; iii) results of other interventions that might be introduced in 2025 at the COSOP MTR. The COSOP MTR will assess the need for eventual adjustments to the RMF according to performance and to new interventions planned.

<p>Malawi 2063 Vision for the agricultural sector is to foster productivity and commercialization and supply raw materials for industrial processing, in view of a shift from social consumption to economic growth and infrastructure development</p> <p>Malawi Growth and Development Strategy 2017-2022 (MGDS III): Agriculture and climate change, education and skills development, transport and ICT, health and population Management</p> <p>Agriculture Sector Food and Nutrition Strategy (ASFNS) (2020-2024). Its goal is for productivity and commercialization to produce and supply raw materials for industrial processing and healthy and nutritious food.</p> <p>National Multi-Sector Nutrition Policy 2018-2022</p> <p>National Resilience Strategy 2018-2030</p>		<p>Strategic objectives</p>	<p>Lending and non-lending activities for the COSOP period</p>	<p>Outcome indicators</p>	<p>Output indicators <i>How will progress be tracked during COSOP implementation?</i></p>
	<p>SDG1 (end extreme poverty) SDG2 (zero hunger; improved nutrition, sustainable agriculture) SDG5 (gender equality) SDG8 (decent work, economic growth) SDG 13 (climate action) SDG 15 (terrestrial ecosystems and land).</p>	<p>SO1: Improved food and nutrition security, through increased agricultural productivity and climate-resilience of smallholder farmers</p>	<p>Lending/investment activities</p> <ul style="list-style-type: none"> • SAPP (Jan 2012–Mar 2023) • PRIDE (Jul 2016 – 2023) • ERASP (2016 – 2023) • FARMSE (2019– 2025) • TRADE (2020-2026) <p>Non-lending/non-project activities</p> <ul style="list-style-type: none"> • Policy dialogue • Knowledge management • Partnership building • SSTC, grants and reimbursable technical assistance 	<p>Percentage of food insecure households in targeted communities (disaggregated by women headed and child headed households) decreased by 9%. (UNSCDF indicator)</p> <ul style="list-style-type: none"> • Proportion of smallholder women and men farmers adopting climate smart technologies in targeted areas increased by 15% (UNSCDF indicator) • 12,000 smallholder households with long-term tenure security for at least 0.1 ha of newly irrigated land; • 13,500 hectares of agricultural land improved through soil and water conservation measures (excluding irrigation); • 130,000 smallholder households reporting adoption of one or more good agricultural practices • 100,000 smallholder farmers (at least 40% women and 30% youth) reporting an increase in production • 3,115 incremental hectares of crops 	<ul style="list-style-type: none"> • 3,115 ha of farmland under water-related infrastructure constructed/rehabilitated • 16,660 households reporting improved access to land, forests, water or water bodies for production purposes • 60 newly formed and trained groups for managing infrastructure established • 5,000 groups in NRM formed and strengthened • 160,000 smallholder farmers (at least 50% women and 30% youth) trained in good agricultural practices • 120,000 households provided with targeted support to improve their nutrition • 10,000 households reached with graduation activities • 3,115 hectares of newly irrigated land with tenure arrangements completed

				cultivated in irrigated land throughout seasons	
		<p>SO2: Improved access to remunerative agricultural markets and services, notably for rural women and youth</p>	<p>Lending/investment activities</p> <ul style="list-style-type: none"> • SAPP (Jan 2012–Mar 2023) • PRIDE (Jul 2016 – 2023) • ERASP (2016 – 2023) • FARMSE (2019– 2025) • TRADE (2020-2026) <p>Non-lending/non-project activities</p> <ul style="list-style-type: none"> • Policy dialogue • Knowledge management • Partnership building • SSTC, grants and reimbursable technical assistance 	<ul style="list-style-type: none"> • 300,000 individuals demonstrating an improvement in empowerment • 11 functioning multi-stakeholder platforms supported • 360,000 smallholder farmers (at least 40% women and 30% youth) reporting using financial services • 9,450 new jobs created (for at least 50% women and 30% youth) • 5 existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment 	<ul style="list-style-type: none"> • 2,600 smallholder farmers (at least 50% women and 30% youth) trained in post-production, processing and marketing • 68 market, processing or storage facilities constructed or rehabilitated • 600 rural producers organizations supported • 137,000 persons (at least 50% women and 30% youth) trained in income-generating activities or business management • 8 financial service providers supported in delivering outreach strategies, financial products and services to rural areas • 440 newly formed and trained saving and credit groups • 10 Policy relevant knowledge products completed

Transition scenarios

A. Transition Scenarios

The purpose of this Appendix is to offer an understanding of likely and possible country trajectories and to identify the possible implications of these for IFAD's country program, over the COSOP period.

Table 1: Projections for key macro-economic and demographic variables³⁸

Case	Baseline [i.e. assuming that the external financing gap would be closed by additional borrowing from Regional Development Banks (RDBs)]	Reform Scenario [i.e. with adjustment in current policies]
Avg. GDP growth (%) (2022-2024)	4.0	4.2
Public debt (as % of GDP) (2022-2024)	69.2	69.3
Debt service ratio (2022)	60.2	60.2
Inflation rate (%) (2022)	10.6	8.1
Rural population ³⁹	17,590,000 (2022) 20,168,000 (2028) Annual growth rate: 4.41% (2020-2025)	
Investment Climate for rural business ⁴⁰	3/6 <ul style="list-style-type: none"> IFAD12 Rural Sector Performance Assessment: ranked 26 out of 71 countries (RSPA Score: 3.7/6) The country will continue to implement the current Malawi Growth and Development Strategy (MGDS) III, Building a Productive, Competitive and Resilient Nation, which will run through 2022 and focuses on education, energy, agriculture, health and tourism. In January 2021, the Government launched the Malawi 2063 Vision that aims at transforming Malawi into a wealthy and self-reliant industrialized 'upper middle-income country. Malawi's main challenge is the insufficiency of infrastructures to support economic activity, especially in electricity, with the country being faced with frequent and lengthy electricity shortages; irrigation; and transport. Poor coverage of irrigation systems to support the agriculture sector and inadequate water sources create shortages for households. In addition, limited transport infrastructure and trade logistics induce high transport costs weighing on farmers and businesses. Maintenance of poorly constructed and heavily used roads further hinders government spending on other infrastructures. Finally, there is a need to reform tax policies and administration and business regulations to increase transparency and support value addition. 	
Vulnerability to shocks	3/6 <ul style="list-style-type: none"> Malawi remains vulnerable to significant endogenous and exogenous shocks. Specifically, the country is highly exposed to trade shocks, including higher maize or wheat import bill, the latter being exacerbated by the ongoing Ukraine crisis. Moreover, Malawi remains exposed to natural disasters, such as floods, heavy rainfalls, droughts, or cyclones. Finally, Malawi's households are vulnerable to malaria's high prevalence in the country, as well as the ongoing COVID-19 outbreak. 	

There are two foreseen scenarios for the medium-term economic outlook:

→ **Baseline Scenario**

- Conditional on satisfactory implementation of current policies and the continuation of external financing from RDBs, growth is projected to recover to

³⁸ [Malawi: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Malawi](#)

³⁹ [UN DESA, World Urbanization Prospects 2018](#)

⁴⁰ [World Bank Doing Business Report 2020; Malawi: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Malawi](#)

3.5% in 2022 and pick up to about 4.0-4.5% in the medium-term. However, this outlook depends critically on: (i) a sustained increase in public investment to levels experienced since 2010; (ii) the maintenance of a fiscal deficit of about 10% of GDP over the medium-term; and (iii) continued access to external financing, as well as domestic borrowing to cover large financing gaps. Nevertheless, the debt burden will continue to grow under this scenario, hindering PS investment and medium-term economic prospects.

- In addition, under this scenario, inflation is projected to reach 10.6% in 2022, before stabilizing around 6.8% in the medium-term, provided that the monetary policy stance is well-anchored.
- In terms of the debt situation, the joint IMF-World Bank Debt Sustainability Analysis (DSA) indicates that Malawi's risk of external debt distress has increased to high; and both external and public debt are assessed as unsustainable under current policies. There are sustained threshold breaches on several debt stocks and debt service indicators, including the existence of external arrears from end-2020, which had been rescheduled for 2021.
- Under the baseline scenario, public debt would increase further from 54.8% of GDP in 2020 to 85.7% of GDP in 2026 as the authorities rollover existing domestic and external debt. Covering these financing gaps would be achieved through (i) disbursement of ratified but undisbursed concessional loans in the medium-term; (ii) additional non-concessional external borrowing; and (iii) net domestic financing for the remaining financing gap. The large financing needs over the coming years and low level of international reserves suggest the risk of debt distress will remain high in the medium term.

→ **Reform Scenario** (adjustment in current policies)

- Under this scenario, GDP growth is projected at 5%-6% in the medium-and-long-term, which would be slightly above the baseline levels. Indeed, the sound implementation of new measures by the government and new loans from RDBs would trigger a positive development of the country; in particular in sectors such as agriculture, energy, or transport, which suggests a slightly higher growth rate. In addition, inflation is projected at 8.1% in 2022 and is expected to decrease at around 5-5.5% over the medium-term, faster than in the baseline.
- Malawi's macroeconomic conditions have been significantly impacted by COVID-19, inducing a change in the debt distress rating from moderate to high in 2020. Moreover, substantial development and social spending needs, a high debt burden from the past, and much lower budget support and grants financing are contributing to sustained fiscal and current account deficits in the near to medium term. Thus, total public debt is projected to increase over the near to medium term, but at the same time, Malawi's exposure to financing risks is significant.
- However, this scenario is expected to stabilize the public debt so that Malawi can return to moderate risk of debt distress within the medium term. It envisages rebuilding gross official reserves to return to an adequate level over the medium term. The corresponding size of external sector adjustment is 1.5% of GDP each year, which would be supported by greater exchange rate flexibility and stronger monetary and fiscal policy. The reform scenario still has a financing gap of about 4% of GDP each year in the medium term. If the gap is financed by non-concessional borrowing, the risk of debt distress will remain high. Moreover, shall the financing gap not be filled, it could lead to an abrupt adjustment with significant impacts on growth and financial stability and an adverse effect on the most vulnerable. However, if non-debt-creating flows fill the gap (e.g., debt relief and budget support grants), Malawi could return to moderate risk of debt distress.

Risks to the medium-term outlook. Malawi has been severely affected by COVID-19. Although there are signs of gradual recovery, uncertainty is high, and risks are strongly tilted to the downside for Malawi, making the macroeconomic outlook quite unstable under current policies. The authorities' current policies focus on a gradual and back-loaded pace of fiscal and external adjustment and heavy reliance on non-concessional borrowing from RDBs to address the large financing needs. This policy mix further elevates risks to the outlook. Hence, the main risk under both the baseline and reform scenarios is a sudden stop of available financing, especially from RDBs. Shall this risk materialize, an abruptly forced adjustment with a significant impact on growth, financial stability, and the most vulnerable population would become inevitable.

The risk associated with growing RDB financing, followed by a sudden stop is a high probability and high-impact risk. The attractiveness of on-lending operations by RDBs could be affected by the normalization of monetary policy in advanced economies, which could exacerbate a further worsening of Malawi's outlook. A sudden stop could lead to an abrupt exchange rate adjustment, import compression, significant impacts on growth and financial stability, and an adverse effect on the most vulnerable.

Other risks include uncertainty to the recovery due to the threat of another COVID-19 wave and weather-related events, but also the spillover effects of the Ukraine crisis (i.e. wheat import bill volatility). Finally, domestic risks include governance issues affecting the efficient use of public resources and delays in public financial management reforms and domestic revenue mobilization that can lead to a further widening of macroeconomic imbalances.

Given the considerable uncertainties, the most likely scenario would be the Baseline.

B. Projected Implications for IFAD's country program

(a) Lending terms and conditions

- IFAD 12 Lending Terms for Malawi are as follows:
 - 80% Super Highly Concessional (SHC); and
 - 20% Highly Concessional (HC).

These lending terms are subject to change depending on IMF/World Bank DSA classification.

- In line with projected implications for the lending terms and conditions, if the country remains in the baseline, it is likely that the country would opt for a full utilization of its IFAD12 PBAS allocations. It is, nonetheless, foreseen that it may be challenging for the Government to meet domestic counterpart funding commitments, under such a scenario, given that government spending rely a lot on external financing, and that domestic resources could be channelled to other priority sectors such as health.

(b) COSOP priorities and products

- Although it is foreseen that Malawi would remain within the "Baseline Scenario" for part of the COSOP period, which could make the authorities focus on other priority areas (e.g. health) than agriculture, it is not foreseen that the country would not request another investment project from IFAD, under IFAD12, or a top-up of an already existing project.

(c) Co-financing opportunities and partnerships

- The World Bank decreased its lending commitments to Malawi two years in a row from US\$469 million in 2020 to US\$221 million in 2021, and US\$138 million in

2022.⁴¹ However, the World Bank Group approved, in June 2021, a project to support increased access, particularly for female students, to skills development programs in priority areas of the economy (including agriculture) that are most relevant to the labour market. This could represent strong co-financing opportunities with the World Bank, but also the IDA, the IFC, as well as the IBRD.

- IFAD could also explore the possibility to engage with the OPEC Fund for International Development, which recently (January 2021) signed a US\$20 million loan with Malawi to improve the livelihoods of around 1.3 million people living in rural areas. The objective is to strengthen value chains and improve the resilience and capacity of Malawi's smallholder farmers and rural organizations. The project will provide better infrastructure (including new roads) and access to rural financial schemes, as well as enhanced partnerships with the PS and inclusive business development services. Climate smart interventions will help combat land degradation and improve agricultural productivity.
- In addition, the African Development Fund and Malawi have signed a grant agreement (February 2022) for US\$14.2 million to undertake infrastructure upgrades and create a more efficient and transparent digital payment system. The project will widen financial inclusion in the country, in particular to women, youth and rural dwellers. It will also allow for efficient business transactions, offering small businesses the opportunity to gain access to new national and international markets. This could offer another co-financing opportunity with the AfDB.
- Other opportunities for co-financing exist with AfDB on irrigation infrastructures (e.g. through PRIDE), and with NORFUND in supporting rural MSMEs (e.g. in dairy sector, potentially under TRADE).

⁴¹ [World Bank Overview for Malawi, Nov. 2021](#)

Agricultural and rural sector issues

Agriculture overview

Malawi is a land-locked country bordered by Tanzania, Mozambique and Zambia. The 2020 population was estimated as 19.1 million people and is expected to double by 2038. The national poverty rate showed remains high at 51.5 percent in 2015/16 and 50.7 percent in 2019/20. Poverty in Malawi is driven by low productivity in the agriculture sector, limited opportunities in non-farm activities, volatile economic growth, rapid population growth, and limited coverage of safety net programs and targeting challenges.⁴² Eighty one percent of the population live in rural areas, the remaining 19 percent in urban centres. Malawi's has a sub-tropical climate, with two main seasons. The warm, wet season from October to April and the cooler, dry season from May until August. Average temperatures for the hottest months, October to December are 27-28.4°C and the coolest month, July 19.2°C. Malawi has a uni-modal rainfall pattern, with rains occurring from October to March, with an average annual rainfall of 725-2,500mm depending on location. The country covers a total area of about 118,484 km², of which about a 21 percent is Lake Malawi. It is one of the most densely populated countries in Africa, with 103 people km⁻². The total land area is 94,100 km² (9.4 million ha) of which 60 percent is agricultural land. Agricultural land is therefore very scarce in Malawi. With 206 people km⁻² of agricultural land, there are 2.7 rural people ha⁻² of agricultural land, compared to 0.4 people ha⁻¹ for all of Sub-Saharan Africa. Due to this land scarcity, expansion is unlikely, particularly in the central and south regions. Therefore, government policies focus on increasing productivity per unit land area through expanded use of modern farm inputs, as well as improving market infrastructure.⁴³

Agricultural production

Malawi's agricultural sector relies on numerous cash crops such as tobacco, macadamia, beans, tea, rice, sorghum, maize, and cassava, in addition to subsistence, small-scale crop and livestock production. Small-scale farmers play a vital role in Malawi's agricultural sector and produce 80 percent of food consumed in the country, which contributes to 70 percent of the agricultural GDP. Maize is grown by 95 percent of farmers and is produced on 28 percent of the total harvested area of land. Agriculture, mainly tobacco, tea, and sugar contribute 40 percent of GDP and 80 percent of export earnings. Fisheries plays an equally important role in food security, with fish contributing 40 percent of total protein consumption in Malawi. Numerous freshwater sources are fished - Lake Malawi, Chilwa, Malombe, Chiuta and the Shire River. Most fisheries are small-scale and contribute 80 percent to Malawi's total fish production. Most fishers use small boats, canoes and traditional nets or other open-water fish traps and gillnets. Small and large cichlids, as well as catfish are the primary freshwater fish species caught. Fishing contributes 4 percent to the country's GDP. Malawi has approximately 3.98 million households, 45 percent of which keep at least one type of livestock. 33 percent of all household keep chickens, while 18 percent keep goats. Except for poultry (30 percent), more than 95 percent of beef, dairy and pig are raised in low-input systems, with little or no feed supplementation. There are several feed manufacturers making feed for their own farms and for other farmers, but smallholder farmers tend to find these feeds too expensive. With increasing population, increased use of land for crop production and climate change, livestock access to water is becoming a problem.⁴⁴ Livestock's share in agriculture expenditure was about 1.2 percent in 2019.

⁴² <https://www.worldbank.org/en/country/malawi/overview#1>

⁴³ <https://www.ifpri.org/publication/determinants-food-insecurity-rural-malawi>

⁴⁴ <https://livestockinmalawi.page.tl/Overview.htm>

Agriculture and food security

Climatic and world price fluctuations of Malawi's few cash crops for export (tobacco, tea, cotton) expose families and the economy to external shocks which can undermine economic growth. Partly as a result of these challenges, 70 percent of the population of Malawi lives below the poverty line. Malawi's food security is defined by adequate production of and access to maize, the country's staple food. Maize is grown by over 90 percent of households but due to dependence on rainfed agriculture, small farm size, limited use of inputs and poor access to markets, most households cannot meet their subsistence requirements and remain net buyers of maize. Despite recent bumper crops of maize, acute and chronic food insecurity are major challenges. Malawi's annual maize requirement is approximately 3.1 million tons. In recent years this has been exceeded (2018, 3.4 million tons; 2019, 3.3 million tons; 2020 over 3.8 million tons estimated). Unfortunately this has not translated into food security, in fact the opposite has occurred, with high levels of food insecurity reported (2018, 3.3 million people; 2019 1.8 million; 2020 an estimated 2.6 million).⁴⁵ This has occurred due to several factors, e.g. bumper harvests leading to low maize market prices, low purchases by the national grain buyer and large post-harvest losses at household level as farmers can't/don't want to sell their maize. This period of excess is soon replaced with low maize supply, with an associated higher maize price, making it unaffordable for most households.

Constraints to agriculture production

Malawi has an irrigation potential of at least 162,000 ha but currently only two percent of Malawi's cropland is irrigated. The remaining rainfed and low-input smallholder agricultural system is, highly vulnerable to climate change and in particular frequent droughts and floods, which destroy livelihoods and reduce the asset base of rural households. Most natural resources, including arable land, have been degraded by years of un-sustainable use and poor management caused by persistent rural poverty. A changing climate is only one factor influencing household vulnerability, which is also limited by low levels of adoption of productivity-enhancing technologies, over-reliance on rainfall, unsustainable exploitation of fisheries resources, insufficient storage and value-addition facilities, poor infrastructure, limited access to rural finance and markets and poor entrepreneurial skills.

Climate change and impacts on the agricultural sector

For a detailed review and analysis of the current and future impacts of a changing climate on Malawian agriculture, see the COSOP SECAP document.

Government policy and institutional framework

The Malawi Growth and Development Strategy (MGDS), a series of five-year plans, guides the country's development. The current MGDS III, Building a Productive, Competitive and Resilient Nation, will run through 2022 and focuses on education, energy, agriculture, health and tourism. In January 2021, the government launched the Malawi Vision 2063 that aims at transforming Malawi into a wealthy and self-reliant industrialized upper middle-income country. The Malawi Vision 2063 is Malawi's development framework for aligning the country's development to the AU Agenda 2063. Since the mid 2000's the government of Malawi has invested heavily in input subsidies to achieve food self-sufficiency and to improve food availability. Initially focusing on maize seed and fertilisers, the current Affordable Inputs Programme (2021 season) covered maize, sorghum, rice and beans, as well as fertilisers. These changes have taken the

⁴⁵ <https://blogs.worldbank.org/africacan/amid-maize-bumper-harvests-malawi-food-insecurity-reigns>

donor group many years of discussion and there is an opportunity for IFAD to join the donor group and to support evolution of the subsidy program. Many studies have indicated inefficiencies in beneficiary targeting, elite capture, high fiscal burden on the national budget and its promotion of monoculture crop production. Despite this, large maize purchases are needed every year. Approximately 75 percent of the agriculture budget is devoted to subsidies and maize purchases in Malawi.⁴

The MoA recognizes the growing importance of developing policies that move away from a dependence on subsidised maize production and that contribute to farm diversification, increased income levels and food and nutrition security and potential contributions to the country's economy. Development of the The Agriculture Sector Food and Nutrition Strategy (ASFNS, 2020-2024) and National Agriculture Investment Program (NAIP, 2018-2023) were key steps in this process.

Public sector institutions supporting smallholder agricultural development

Amongst the key public institutions in the agricultural sector are the Department of Agricultural Research Services (DARS), Department of Fisheries (DoF), Department of Animal Health and livestock Development (DAHLD) and the Department of Agriculture Extension Services (DAES). Their mandate is to develop and disseminate climate resilient and productivity enhancing technologies for across the different farming systems of the country. The National Bank of Malawi recently launched a Development Bank to provide debt and equity capital to SMEs. The Development Bank will assist enterprises with business support services. Applicants need to demonstrate development impact in terms of promoting environmental and social-economic sustainability. Areas to be financed that are of interest to IFAD are: (i) agribusiness: processing of grain, fruits and cotton and value addition to primary agricultural produce, (ii) energy: production and provision of small scale energy from biogas or using renewable resources and (iii) ICT: development of software and applications; provision of services that enhance consumer access to internet; data processing and activities related to mobile telephony and mobile internet usage.

Role of the PS in market and service provision

The Government of Malawi has set a very ambitious goal of PS co-financing 46 percent of the NAIP budget. To support this and to engage with the PS the GoM launched in 2019 the Country Agribusiness Partnerships Framework (CAP-F) and the Investment Facilitation Platform (IFP). The CAP-F is the government tool to foster PS investment in the Malawian agricultural sector. A thriving PS in agriculture requires efficient supply chains where smallholder, processors and traders/exporters meet existing internal and export market demand with the right quality and quantity of products. Unfortunately, as a result of weak market linkages, limited access to market information and inadequate aggregation and storage opportunities, most smallholders sell their produce to local traders when the market value is lowest. Currently the smallholder sector is constrained from linking to the PS as they have small land sizes, are unable to invest to increase land area productivity, contract farming is not widely practiced, with end buyers buying from aggregators/traders rather than directly from smallholders. Some PS actors provide inputs and other extension services on credit but it is very limited, with most smallholders unable to afford rural finance loans.

Key policy areas

Critical policy areas that can contribute to reduce food insecurity are: (i) increasing the appropriate use of inputs to increase agricultural productivity; (ii) increasing investment

in rural feeder road infrastructure to improve market access; (iii) expanding irrigation, (iv) agricultural extension activities, and (v) investing in skills training and education for farmers.

It is important to ensure that these policies target the poorest farmers, are cost effective and fiscally sustainable, and avoid negative impacts on private sector participation.

SECAP background study

Introduction

1. The Social Environment Climate Assessment Procedures (SECAP) study supports the development and decision-making process for IFAD's new Results-Based Country Strategic Opportunities Programme (RB-COSOP) for Malawi, 2023 – 2030. The study guides climate change (CC) mitigation, aligning with the Government's existing sustainable national development policies, environmental action plans, and climate change strategies. Most importantly, the SECAP also guides the establishment of outcome-driven national development strategies and systems that address sustainable environmental and natural resources management (ENRM), promote more significant social equity in rural communities, and encourage appropriate measures for adaptation.

The main **objectives** of the background study are:

- a) To conduct a strategic evaluation of the current and future environmental and social impact on Malawi's performance of the poverty reduction and community resilience activities in the COSOP;
 - b) To propose climate change adaptation and mitigation measures and strategic opportunities for the COSOP and national/rural sector development plans and the country's contribution to achieving the Sustainable Development Goals (SDGs) and nationally determined contributions (NDCs).
2. This SECAP is based on documents and statistical data reviews from various secondary sources, including the Government of Malawi's country reports, legal, institutional, policy, and programme documents. Furthermore, the study includes a review of IFAD strategy papers and action plans and reports from other multilateral agencies and development partners, together with findings from consultations of key stakeholders in-country and virtually.

Part 1 - Situational analysis and main challenges

Socio-economic situation and underlying causes

3. Malawi, with a total area of 118,484 square kilometres and five inland lakes accounting for 24,208 sq km, is a small landlocked country located in Southern Africa. The country shares borders with the United Republic of Tanzania to the north, the Republic of Zambia to the west, and the Republic of Mozambique to the east and south. The capital of the country is Lilongwe, with a population of about 2,626,000 people.
4. The average household size in Malawi is 4.5 members with 3 out of the 10 households that are headed by women. 84.4 per cent of the population reside in the rural area and the remaining 15.6 per cent in the urban area.
5. It ranks 174 out of 189 in the global Human Development Index (HDI)⁴⁶. Malawi is one of the poorest and most densely populated countries in Sub-Saharan Africa with a gross domestic product (GDP) per capita (PPP) of USD 636.8 in 2020⁴⁷. Malawi has a long history of food insecurity - productivity for the staple crop of maize has stagnated over the last decade - and it is vulnerable to external shocks, particularly climatic shocks. However, the country has made progress in reducing

⁴⁶ UNDP (2020), [Human development report](#).

⁴⁷ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MW>

poverty and increasing agriculture yield. In 2021, favourable weather and agricultural input subsidies have contributed to a strong agriculture season - particularly in the maize harvest - and robust food supplies with high returns in terms of employment rates in rural areas. Moderate and severe food insecurity has also reduced by June 2021, although poorest households continue to be the most insecure. Poverty and inequality remain stubbornly high.

6. The national poverty rate has slightly declined from 52.4 per cent in 2015 to 50.7 per cent in 2019/2020, while the incidence of ultra-poor increased from 22.4 to 25 per cent in the same period. Huge gaps remain between urban and rural areas: ultra-poverty is predominantly rural, affecting 23.6 per cent of the population compared to only 3.3 per cent in urban areas in 2019/2020. Analysis by sex of household head shows that female-headed households tend to be poorer with 56.8 percent of them who were poor in 2019/2020 compared to 48.5 percent in male-headed households. Poverty dynamics are also significantly influenced by household size with 60.6 percent of the people in households that had five or more members who were poor in 2019/2020 compared to 44.2 percent in households with four members⁴⁸. At regional level, the central region had the highest ultra-poverty rate (25.4 per cent) followed by the Southern (19.1 per cent) and Northern region (8.6 per cent)⁴⁹. Poverty in Malawi is driven by low productivity in the agriculture sector, limited opportunities in non-farm activities, rapid population growth, and limited coverage of safety net programs.
7. The indicators that contribute most to multidimensional poverty in Malawi are literacy and schooling (14.9 per cent), electricity (11.4 per cent), and job diversity (11.3 per cent), with 61.7 per cent of Malawi's population are multidimensional poor in 2016/2017. Multidimensional Poverty is particularly found in rural areas (70 per cent) and in female-headed households at 72.3 per cent⁵⁰.
8. Malawi's economy is among the top 15 economies most dependent on agriculture, employing nearly 88 per cent of the employed working-age population⁵¹. Malawi continues to rely on subsistence, rainfed and limited diversified agriculture, which limits its growth potential. Maize is the main food crop, which is often grown continuously, without crop rotations, and using a low-input rainfed system, which are among the main causes leading to the depletion of soil fertility and crop yields reductions. Other important food crops are rice, cassava, sweet potato, Irish potato, sorghum, and millet. Smallholder farmers in Malawi - who contribute more than 70 per cent to agricultural GDP - focus on food crops for domestic consumption and are faced with the challenge of adapting to volatile agroecological conditions. Agricultural productivity is far below its potential, with prioritisation of resource-use over technological changes. The current yield gaps (the difference between the actual and potential yields) in most smallholder crops could be reduced with investment in technology advances and adaptation. Erratic electricity and inadequate water supply further limit value addition efforts and slows agricultural diversification. Extension services remain weak owing to low staffing levels and poorly trained personnel, with limited use of ICT based methods to disseminate good agricultural practices.

⁴⁸ Malawi Poverty Report, 2020.

⁴⁹ Malawi Poverty Report, 2020.

⁵⁰ Malawi Multidimensional Poverty Report, 2021.

⁵¹ Ministry of Agriculture Irrigation and Water Development, 2017.

Table 1 - Averages: Area Planted, Production, and Yield, Selected Crops, 2006–2016

Crop	Area Planted, '000s ha	Total Production, '000s Mt	Yield, kg/ha	Potential Maximum yield Smallholder Yield, kg/ha
Maize (all)	1,647	3,147	1,910	6,500 (hybrid)
Rice	61	111	1,820	5,000 (lowland)
Sorghum	84	68	810	1,700
Millet	46	31	674	2,300 (pearl); 2,000 (finger)
Groundnut	310	293	945	2,800
Soya bean	97	91	938	2,000
Common bean	288	159	552	1,200
Pigeon pea	195	233	1,195	1,500
Cowpea	68	30	441	1,200

Source: Benson and Edelman 2016 and calculations using MoAIWD crop estimates data (2006–2016).

9. **Land.** In relation to the Sustainable Development Goal, land ownership has been defined as having either documented ownership, right to bequest, or right to sell⁵². In Malawi, these rights tend to not overlap: 52 per cent of landowners do not have the right to use their land as collateral, with women being less likely to have these rights⁵³. With few resources that can be used as collateral, this has tremendous consequences on the ability of smallholders to access loans and invest in commercial farming. Although microfinance institutions are available in rural areas, access to credit is limited due to stringent requirements regarding assets and income and high-interest rates (25–40 per cent for both commercial banks and microfinance institutions).
10. In Malawi, tensions exist between statutory and customary law. More than half of landowners do not have all land rights. Due to high rural population densities, more fragile upper catchment areas have been opened for cultivation, accelerated soil erosion and rapid loss of soil fertility. A recent soil-mapping exercise revealed that almost 40 per cent of agricultural land in Malawi has become highly acidic⁵⁴. Degradation of agricultural land and forests also poses a major threat to productivity and economic development: its annual cost is estimated as equivalent to 5.3 percent of GDP⁵⁵, with soil degradation identified as one of the main factors pushing down agricultural yields.
11. **Digital economy** has been identified as a central pillar for reducing poverty and accelerating growth. Malawi has recently made improvements in the digital infrastructure. Nearly all of the population live within 50km of fiber nodes⁵⁶ and around 78 per cent of Malawi's population has 3G coverage⁵⁷. However, despite these advances, the country is at a nascent stage of its digital transformation journey and its digital skills ecosystem is currently characterized by low illiteracy and digital skills rates, with a significant gender gap as further detailed in paragraphs below, inadequate ICT infrastructure, high investment cost for ICT infrastructure, lack of awareness of ICT and e-services. These challenges, coupled with low electricity coverage, have contributed to inequitable access to and use of internet services and ICT devices across social and economic groups. Currently, only 11 per cent of the population has access to electricity at home and for many,

⁵² https://unstats.un.org/edge/publications/docs/Guidelines_final.pdf

⁵³ World Bank (2022), Multidimensionality of Land Ownership among Men and Women in Sub-Saharan Africa.

⁵⁴ Ministry of Agriculture Irrigation and Water Development (2017).

⁵⁵ World Bank (2021), Malawi Economic Monitor.

⁵⁶ CTO (2019) ICT Market Access Gap Report for MACRA. London, UK: Commonwealth Telecommunications Organisation.

⁵⁷ Research ICT Solutions. 2021. ICT Evidence Portal – Malawi Country Data. Available at: https://researchictsolutions.com/ict-evidence-portal-africa/ict_evidence_portal_africa.php.

electricity is unaffordable⁵⁸. High Internet prices, high cost of smart devices, and lack of digital skills have also prevented Malawi from realizing the full potential of its digital infrastructure. Ownership and use of ICT devices varies by geographic factors. Only 37.3 per cent of the rural population own a mobile phone and 60.5 per cent of the ones who use a mobile device indicate that this happens through friends, family, or work (MACRA survey, 2020). However, 40.7 per cent of individuals in urban areas use the Internet, this number falls to 9.3 percent for individuals in rural areas. According to the 2019 National Survey on ICT Access and Usage, over 90 per cent of households reported being unable to afford to own a mobile phone, with the percentage reaching 96.6 per cent for computer, laptop, or tablet.

12. Malawi is lagging across several indicators related to women's economic opportunities. However, the country has one of the highest labor force participation rates (WB, 2021). The country ranks 111 out of 151 countries in the Economic Participation and Opportunity index, lagging many other countries in Sub-Saharan Africa. It remains a challenge for development partners investing in digital skills training schemes without reliable and affordable underlying infrastructure.
13. **Agriculture** - being it the backbone of the Malawian economy - employs around 59 per cent of women and 44 per cent of men. However, significant gender productivity gaps remain and are mainly linked to unequal use of land inputs, lower access to farm labor, inferior access to improved agricultural inputs and technology, and lower participation in the cash crop/export crop value chains. Gender gaps also exist in the education sector. Nearly half of the girls in Malawi are married and drop out of school by eighteen. Low levels of education and high levels of child marriage in Malawi are associated with decreased levels of human capital accumulation, affecting women's school-to-work transition, and hampers their capacity to participate in the workforce, which is key to breaking the cycle of poverty among many families. In relation to improving digital skills of women and girls, several programmes support their path in digital employment and entrepreneurship (Dzuka Africa StartUp Hub, Digital Malawi project).
14. The struggle for women does not end after completing their education. Women continue to struggle with lower earnings, limited voice and agency.
15. In addition to the socio-economic constraints, there are also traditional-cultural views that withhold women from their development. Women lose much time carrying out domestic duties, like collecting water, cooking, and child rearing. Due to these traditional gender roles, most of them depend entirely on men. This makes vulnerable women in Malawi an easy target for gender discrimination and violence. Malawi has a high Gender-Based Violence (GBV) and Intimate Partner Violence (IPV) and the proportion of women experiencing physical violence was 34 per cent in 2015-2016. These are associated with uneven intra-household gendered dynamics - only 47 per cent of women participate in family decision-making - which further constrains their ability to exert agency and hampers their capacity to seek out economic opportunities. The costs of tackling GBV also exert a heavy financial drain on the economy⁵⁹.
16. In Malawi, youth is defined as all persons from age 10 to 35. Malawi's population is very youthful, with the population's median age being 17 years and 56.2 percent of people younger than 19 years⁶⁰. Malawi's population is expected to double in 23 years from 17.2 million in 2015 to 34.4 million in 2038⁶¹. This represents an important opportunity to reap the potential growth that could come with a demographic dividend if investment will strengthen human capital and economic

⁵⁸ Government of Malawi (2021), Malawi's Digital Economy Strategy 2021-2026: Supporting Inclusive Wealth Creation.

⁵⁹ Spence, (2020) and Mozambique (Tchamo et al. 2020).

⁶⁰ World Bank (2016) Poverty Assessment Report.

⁶¹ United Nations (2015) World Population Prospects.

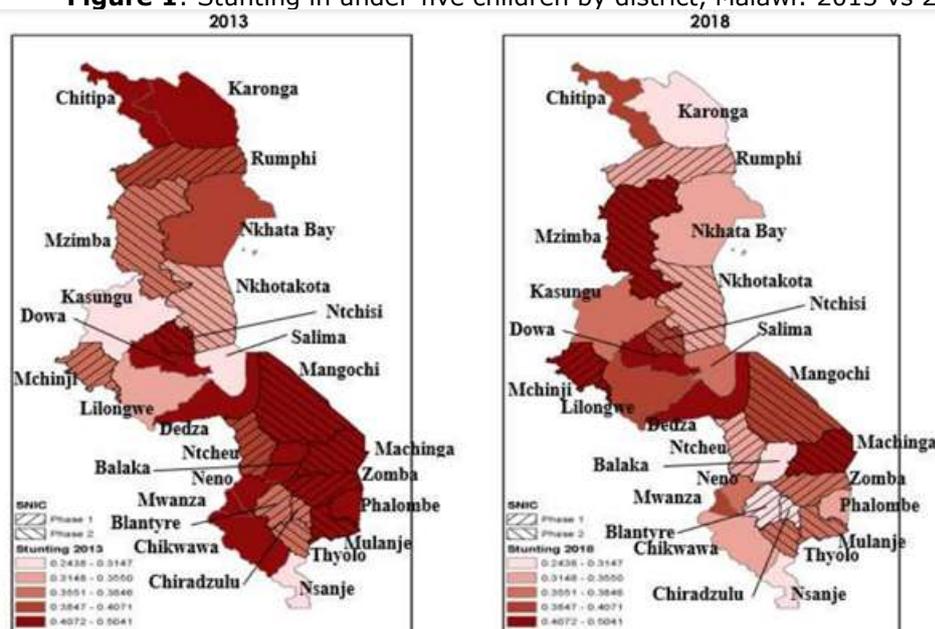
- empowerment by, for example, supporting business enterprise development, employment, and earnings.
17. However, young people, especially those living in rural areas, continue to experience multiple challenges. Given that youth constitute half of the population, poverty remains a major developmental challenge facing most youth. An application of a youth-focused multi-dimensional deprivation index (Y-MDI) by the Organization for Economic Cooperation and Development (OECD)⁶² revealed that more than 20 per cent of Malawi's youth experience multiple deprivations in health, education and employment. The deprivations are higher among young Malawian adults aged 18-29 (28.6 per cent) than adolescents aged 15-17 (5.0 per cent), among young women (27 per cent) rather than men (18 per cent) and among rural (23 per cent) rather than urban youth (18 per cent), mainly explained by employment and education factors. Young women continue to disproportionately experience discriminatory norms, legal loopholes and limited autonomy, despite the existence of a protective legal framework. In Malawi 50 out of 10,000 children between the ages of 10 to 17 years are heads of households¹⁶. HIV/AIDS and maternal mortality remain the two major causes of death among the youth, and access to Sexual Reproductive Health (SRH) remains insufficient.
 18. Women continue to face a series of issues across several economic dimensions. The youth unemployment rate is estimated at 15.2 per cent and young women face the highest probability of being unemployed due mainly to inequality of opportunities. Although Malawi has elevated levels of FLFP among the youth aged between 25 and 34 (83 per cent of female youth and 94 per cent of male youth), there is still a sharp gender divide. 82 per cent of the youth between 15-29 are neither employed nor are they actively seeking work. The share of young women neither in employment nor in education or training (NEET) declined from 25.5 per cent in 2012 to 20.0 per cent in 2014. A School-to-Work Transition Survey carried out by the International Labour Organization in 2014 revealed that while around 22 per cent of the young workers were wage-employed, 60 per cent were self-employed and 17 per cent were unpaid family workers. Over the last year, there has also been an increase in school enrolment. However, the dropout rate remains an issue to be addressed in the country, resulting in young people not acquiring basic skills.
 19. The socio-economic background is a strong driver of educational attainment among young people. In 2014, 49 per cent of young people living in rural areas did not complete primary education. In this regard, the ILO survey⁶³ emerged the pervasive skills mismatch amongst most young workers to the detriment of job quality and which has lowered their job satisfaction levels resulting in low productivity. Therefore, among the youth in the country's formal and informal employment sectors, a large proportion is trapped in low quality and low skilled employment, resulting in being underpaid. The youth's full economic participation is constrained by lack of land for farming, inappropriate technologies to address production challenges, lack of electricity in rural areas, high illiteracy levels, and limited technical skills. Youth with disabilities face numerous forms of discrimination, violence and sexual exclusion despite the various legal instruments Malawi has adopted to protect the rights of persons with disabilities), which affect their full integration in the society. Among the youth with disabilities who have largely been subject to violence are the youth with albinism.
 20. Child labour is widespread in Malawi with the most recent National Child Labour Survey (NCLS 2015) showing that 38 per cent of children aged 5 – 17 are involved in child labour, the majority of whom are working in the agriculture sector, and approximately half of whom are engaged in hazardous child labour.

⁶² <https://www.oecd.org/countries/malawi/Youth-well-being-policyreview-Malawi.pdf>

⁶³ ILO (2014) School-to-Work Transition Survey, Malawi.

21. Children in Malawi also engage in the worst forms of child labor, including in commercial sexual exploitation and the harvesting of tobacco.
22. Childhood stunting is the most significant nutritional challenge facing the country. Substantial progress has been made in reducing childhood stunting in the last decade thanks in part to significant improvements in Water, Sanitation, and Hygiene (WASH) practices and behaviors. However, 37 per cent of children under the age of five continue to suffer from stunting, with significant disparities between geographical areas and wealth brackets. The districts of Mzimba in the northern region; Mchinji, Dowa, and Dedza in the central region; and Machinga in the southern region recorded the highest rates, with a stunting prevalence in excess of 40 per cent in all these districts in 2018 (Figure 1). The prevalence rate is higher among the poor: an estimated 46 per cent of children from poor households are stunted, compared to 24 per cent from well-off households⁶⁴. Diets remain of poor quality dominated mainly by maize and other staples, with insufficient variety and nutrient-dense foods, micronutrient deficiencies persist⁶⁵.

Figure 1: Stunting in under-five children by district, Malawi: 2013 vs 2018



Source: Osendarp, S., Shilpi, F., Gondwe, T., et al (2019)

23. Factors associated with stunting include high fertility, particularly among adolescent girls aged 15-19, low levels of maternal education, and inadequate access to safe drinking water and good sanitation. 29 per cent of adolescent girls aged 15-19 years old have already commenced childbearing, putting them and their children at high risk for poor nutrition outcomes, which exacerbates the intergenerational transmission of stunting and undernutrition, which have negative implications for human and economic development. The combined impact of these factors can contribute to economic losses from foregone income equal to up to 3 per cent of GDP at the country level.
24. The main causes of stunting at the household level in under-five children in Malawi are often interrelated and primarily driven by poverty and vary by age. Poor feeding practices during pregnancy and the low consumption of animal-source foods by pregnant and lactating mothers are other key underlying problems.

⁶⁴ ILO C. 138, Minimum Age, ILO C. 182, Worst Forms of Child Labor, UN Convention on the Rights of the Child (CRC), UN CRC Optional Protocol on Armed Conflict, UN CRC Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography, Palermo Protocol on Trafficking in Persons.

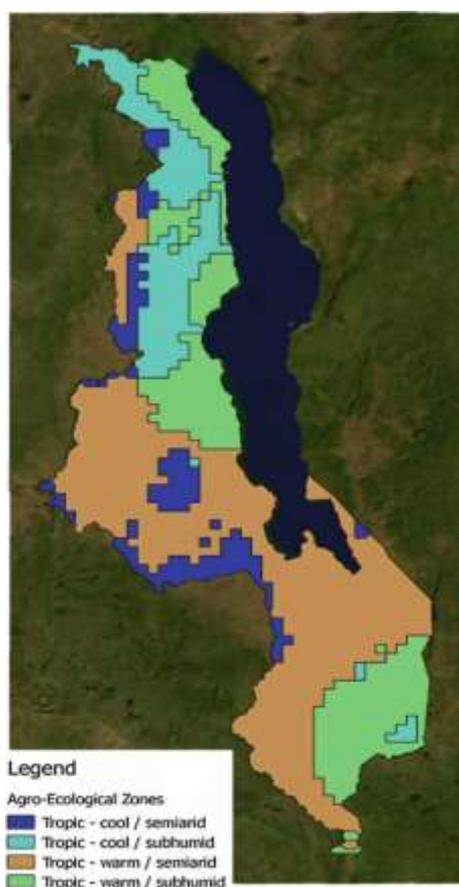
⁶⁵ National Statistical Office (2017) - Malawi.

25. Malawi is a multi-cultural country with the following ethnic composition: Chewa 34.3 per cent, Lomwe 18.9 per cent, Yao 13.2 per cent, Ngoni 10.4 per cent, Tumbuka 9.2 per cent, Sena 3.8 per cent, Mang'anja 3.2 per cent, Tonga 1.8 per cent, Nyanja 1.8 per cent, Nkhonde 1 per cent). The 1994 democratic constitution provides various forms of rights and freedoms for individual citizens and various cultural groups.

Environment and climate context, trends, and implications

26. **Location:** Malawi is a landlocked country in Southeastern Africa bordered by Zambia to the west, Tanzania to the north and northeast, and Mozambique to the east, south, and southwest. The country is located between latitudes 9° 22' and 17° 03' S and longitude 33° 41' and 35° 51' E. It covers over 118,484 km² (45,747 sq. mi)⁶⁶ of which 20% is water. The country is divided into three regions with 28 districts⁶⁷.
27. **Ecology:** The general ecological regions include the: Central Zambebian Miombo woodlands classified under tropical and subtropical grasslands, savannas, and shrublands biome, Lake Malawi (great lakes freshwater), Southern-Rift Montane Forest-Grassland Mosaic (montane grasslands and shrublands biome), Eastern Miombo Woodlands (tropical and subtropical grasslands, savannas, and shrublands biome). Other ecoregions are South Malawi montane forest-grassland mosaic; Southern Miombo woodlands; Zanzibar-Inhambane coastal forest mosaic; Zambebian flooded grasslands, and Zambebian and Mopane woodlands.

Figure 2: Malawi agroecological zones



⁶⁶ Malawi Maps & Facts - World Atlas

⁶⁷ https://en.wikipedia.org/wiki/Regions_of_Malawi

28. **Agroecological zones:** Malawi is classified into three agro-ecological zones (AEZs) based on soil factors, altitude, the amount, duration, and variability of rainfall, and temperature regimes: i) the Lower Shire valley; ii) the lakeshore plains and iii) Upper Shire valley; and the iv) mid-altitude plateau, with the highlands sometimes counted as a fourth (Figure 2). Agricultural potential is much higher in the northern and central parts of the country (Figure 2). Areas including Kasungu, Lilongwe Plain in the central region, and Chitipa in the north enjoy a more suitable agroecology and as well as higher precipitation levels (Maruyama et al., 2018). Other high agricultural potential districts include Dowa, Ntchisi, and Karonga, also located in the Northern and Central Regions. The potential is lower predominantly in the Southern Region including Balaka, Machinga, Zomba, Phalombe, Chiradzulu, and Mulanje districts. The major contributing factor for the low agricultural potential is lower levels of rainfall and generally poor weather conditions that characterize most of the Southern Region.
29. The difference in potential is driving a slow but steady shift in cropland distribution. There has been a notable reduction in the proportion of cropland area between 2010 and 2019 in Southern areas located in Zomba, Phalombe, Chiradzulu, and Mulanje districts. On the other hand, the Northern and Central regions with medium to high agrarian potential have witnessed a notable expansion in cropland areas (Figure 2). The unrealized agricultural potential in the countries lies in the same North and Central Regions. Future strategies to foster agricultural growth, reduce poverty and improve food security in Malawi will need to focus on mobilizing that potential.

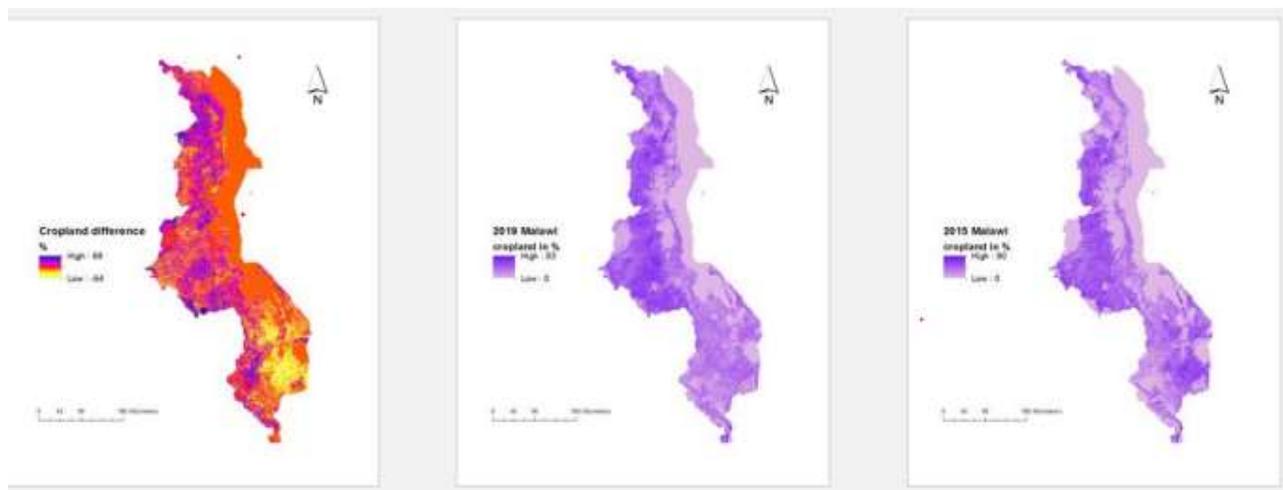


Figure 3: Agricultural potential areas in Malawi

30. **Biodiversity and protected areas:** Malawi has unique and diverse flora, fauna, and ecosystems attributed to its varied climate, soils, and topography. Human society depends on biodiversity as a food, medicine, and fodder source. Despite this importance, biodiversity is threatened by the dramatic loss of habitats, habitat fragmentation, and isolation of the remaining communities. High population density is the most significant cause of biodiversity degradation since more land is cleared for agriculture and settlement in Malawi.⁶⁸ Other threats to biodiversity include invasive species, genetically modified organisms, inadequate policies, and market failures. Climate variability and change and environmental degradation result in significant ecosystem changes, affecting biodiversity through the spread of invasive species and bush encroachment. Recurrent droughts and flash floods are likely to significantly affect the diversity of floral and faunal species. IFAD's investments in

⁶⁸ <https://www.cbd.int/doc/world/mw/mw-nbsap-01-en.pdf>

agroforestry, reforestation and afforestation, wetlands reclamation, and a landscape approach will contribute to biodiversity conservation.

31. Nine percent of the 458 fish species assessed in Lake Malawi are at high risk of extinction, causing concern for regional food security. Three out of the four species of Chambo (*Oreochromis karongae*, *Oreochromis squamipinnis*, *Oreochromis lidole*) – Malawi’s most economically valuable fish – are ‘Critically Endangered’⁶⁹. Focus on conservation, including the protection of fish breeding areas, prohibiting the introduction of exotic species in water bodies, a closed season programme, restrictions on the size of fish caught, the gauge of fishing mesh and gear type, and the prohibition of poisoning and blasting is recommended.
32. The country has several protected areas (national parks, forest reserves and wildlife reserves). The national parks and protected areas, which are spread across the country, include Nyika National Park and Vwaza Marsh Wildlife Reserve in the north of Malawi; Kasungu National Park and Nkhotakota Wildlife Reserve in central Malawi; Liwonde and Lengwe National Parks and Majete and Mwabvi Wildlife Reserves in the southern region of Malawi; and the Lake Malawi National Park.

Environmental and climate challenges

33. Based on the available documentation and discussions with key stakeholders, the team identified the following as the main environmental, and climate changes challenges in Malawi:
34. **Land degradation.** Stakeholders consistently identified the increasing degradation of land resources, particularly forested and arable lands in the critical catchments and watersheds across the country, resulting from continuous cultivation on the same land, encroachment into marginal land and protected areas, deforestation, soil erosion and loss of soil fertility, as a priority concern. In the last decade, chemical land degradation has led to a 15 per cent loss in arable land. In 2014, the average annual national soil loss rates were 29 tons per hectare. The Shire River Basin is a hotspot for land degradation. Sediment in riverbeds and reservoirs impedes irrigation canals and hydropower generation. As fallen sediment mixes into the water at a higher rate, it is more expensive for the country to filter the water to keep it safe.
35. **Pressure on its land resources.** The high population density, poverty and increasing need for infrastructure development have led to significant pressure on the environment and degradation of Malawi’s natural resource base. Pressure on natural resources such as land for cultivation and grazing, timber, and fuelwood is continually increasing. With agriculture remaining as the mainstay of the economy, pressure on land and overexploitation of forests and lakes are a concern. There is an increasing energy demand in Malawi with about 88.5 per cent of total energy consumption met through biomass (firewood and charcoal), which escalates deforestation⁷⁰.
36. **Deforestation.** Closely linked to land degradation, the increasing loss and degradation of forest resources, particularly around rural villages and in upper catchments and watersheds, was also identified as a priority concern. Malawi relies heavily on wood fuel as a significant energy source for cooking and heating. An estimated 96 per cent of the entire population uses fuelwood for cooking in the form of firewood and charcoal⁷¹. Deforestation is recognized as a significant driver of the loss of biodiversity and ecosystem services. It also disturbs natural biogeochemical, hydrological, and ecological cycles. In Malawi, deforestation is estimated to be responsible for the loss of 33,000 ha per year. It is mainly

⁶⁹ [More fish in Lake Malawi at risk of extinction | WWF \(panda.org\)](https://www.panda.org)

⁷⁰ [An Overview of the Energy Sector in Malawi \(scirp.org\)](https://www.scirp.org)

⁷¹ [\(Microsoft Word - \304\243\260\345\JPID.docx\) \(iiste.org\)](#)

attributed to agriculture expansion, tobacco growing, and excessive use of biomass.

37. **Loss of forest and fisheries biodiversity.** Invasive fish species, overfishing lake fisheries, coupled with the loss of fisheries habitat, and the overcutting of forest resources, threatening the rich biodiversity of these resources, were also recognized as a priority concern. Firewood, in particular, is the primary source of thermal energy, with an 87 per cent share, followed by charcoal at 8%⁷²). Such a heavy reliance on fuelwood with a rapidly growing population puts significant pressure on the country's forest resources. As shown in Figure 29, there has been a notable loss of tree cover over the short period between 2010 and 2018, particularly in the highlands of the Northern region. The pace of deforestation and forest degradation exacerbates the risk of desertification, soil erosion, and other deterioration of environmental resources that would further undermine the production potential in the agriculture sector. This, in turn, would reduce the portfolio of available options to successfully transform food systems, boost productivity, reduce vulnerability and improve livelihoods.
38. **Impacts of climate change and variability.** The perceived impacts on rural food security and livelihoods dependent on natural resources of climate change (increasing occurrence of extreme weather events) and variability National Action Programme for the United Nations Convention to Combat Desertification (2001), Malawi State of Environment and Outlook Report (2010), Second National Communication (2011), Climate Change Vulnerability Assessment (2013). (Unpredictability of temperature and precipitation), particularly in fragile catchments and watersheds, were often raised as a priority concern
39. **Water scarcity/stress.** The increasing reduction in surface water resources (perennial rivers becoming seasonal) in catchments and watersheds across the country and resulting threats to groundwater resources were consistently a priority concern. The water crisis in Malawi affects over 11.7 million people, with 1.7 lacking access to safe water and 10 million without adequate sanitation. This causes tragic death from waterborne illness in Malawi to over 3,000 children under 5 annually⁷³.

Impact of climate change on agriculture

40. Malawi has a subtropical climate, which is relatively dry and seasonal. Although Malawi has agro-climatic zones and abundant freshwater resources, its natural ecosystem is highly exposed to natural disasters, climatic variability and climate change. Over the past two decades, drought and flood events have increased in frequency and intensity with severe consequences for food and water security and the well-being and livelihoods of rural people. Changes in seasonality, climate extremes and climate-driven pest and disease outbreaks negatively affect agricultural production and rural livelihoods in Malawi. The direct effects on the agriculture sector include significant declines in output, and concomitant price spikes for most food commodities⁷⁴. In December 2021 and January 2022, temporary spikes of prices of maize occurred in February in the Southern region where moderate tropical storm Ana caused damage to crops and disrupted supply chains. Droughts are estimated to increase poverty levels by 1.3 percentage points (pp), and generate losses of on average 4.6 per cent for maize, the primary food crop⁷⁵. Losses for agricultural GDP due to droughts are estimated to range from 1.1 to 21.5 per cent for return periods of 5 and 25 years, respectively⁷⁶.

⁷² Energypedia, 2021

⁷³ Malawi - Water4

⁷⁴ [EoD_Final_Topic_Guide_CSA_Malawi_Case_Study_April2015-2.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/101234/EoD_Final_Topic_Guide_CSA_Malawi_Case_Study_April2015-2.pdf)

⁷⁵ Available from: https://reliefweb.int/sites/reliefweb.int/files/resources/NIP_Final_Signed.pdf

⁷⁶ [CSA_Profile_Malawi.pdf \(worldbank.org\)](https://www.worldbank.org/publications/csa-profile-malawi)

41. The agricultural sector is the most at risk from direct climate change stressors¹⁹ because it is highly sensitive to changes in temperature and precipitation. This high climate vulnerability is aggravated by limited alternative livelihood options and low governmental budgetary allocations for climate resilience and adaptation. Vulnerability is not uniform as some areas in the Southern region experience floods, while other areas along the Lakeshore Plain (e.g. Karonga) experience droughts. As a predominantly agrarian country where agriculture accounts for a third of the GDP and nearly 80 per cent of employment, it is crucial that the potential impacts of climate change on the agriculture sector are well understood and a range of adaptive measures are taken to increase the economic performance of the country^{77,78}. Infrastructure is also affected substantially. For the roads sector, median climate scenarios for temperature and precipitation changes through to 2050 suggest that, without adaptation measures, Malawi is facing a potential total annual average cost of USD 165 million⁷⁹ for maintenance and repair⁸⁰

Present climate trends

42. Malawi is characterized by a tropical climate with variable temperature and relative humidity. Its high elevation means the temperatures are relatively cool. Malawi has two main seasons: the cool dry season between May and October with mean temperatures of around 13°C in June and July and the hot wet season between November and April with temperatures between 30°- 35°C. The general trend shows a continual increase in mean air temperatures. Rainfall depends on altitude and ranges from 600 mm for the rift valley floors to 1,600 mm per annum for the mountainous areas. Due to complex topography, local differences in rainfall are caused by complex topography causing deflections of moisture-bearing winds responsible for precipitation and rain-shadow effects in various terrains.
43. Observations indicate that average annual temperatures have risen 0.9°C since 1960, an average rate of 0.21°C per decade. Changes in patterns of El Niño and La Niña, have increased climate variability and unpredictability. Since 1961, Malawi has experienced considerable inter-annual climatic variations. These variations have resulted in the occurrence of extreme weather and related events.

Future climate projections

44. Climate change projections indicate that temperatures are likely to increase by 1.5 °C, 2 °C and 2.3 °C by 2030, 2050, and 2070, respectively (Figure 4) The warming trend is likely to continue in the central and southern regions. Projections for annual rainfall have varying results differing with models. Some models predict a decrease by 2070, while others show an increase. On average rainfall is predicted to decrease by 2.2 per cent, 3.0 per cent and 3.2 per cent in 2030, 2050, and 2070 respectively^{81, 82}. The reduction in rainfall is likely to be more pronounced (-5.1 per cent) in the southern region than in the north (-1.8 per cent)⁸³. Despite the inconsistency in future trends in rainfall patterns, rainfall is likely to become increasingly variable, with an increased risk of above-normal rainfall resulting in

⁷⁷ Available from: <https://> and other actors beyond CA to include indigenous and farmer knowledge, and CSA practices optimized for different regions of the country. There are plans underway for CSA capacity building in the national extension system via the KULIMA project and the Strengthening Agricultural and Nutrition Extension in Malawi (SANE) project. These projects also aim to strengthen the extension system for more efficient and timely diffusion of accurate and useful agricultural knowledge, products, and services to farmers. Malawi 29 [cepa.rmportal.net/Library/government-publications/ National Energy Policy for Malawi 2003.pdf](http://cepa.rmportal.net/Library/government-publications/National_Energy_Policy_for_Malawi_2003.pdf)

Robinson S, Mason-D'Croz D, Sulser T, Islam S, Robertson R, Zhu T, et al. The International Model for Policy Analysis of Agricultural Commodities and Trade (IMPACT): Model Description for Version 3. Ssrn. 2016;(November)

⁷⁹ [Malawi 2020/2021 budget at 2.9 billion USD | CGTN Africa](https://www.malawi.gov.mw/~/media/Ministry-of-Finance/2020-2021-Budget-at-a-Glance/2020-2021-Budget-at-a-Glance-2.9-billion-USD-CGTN-Africa)

⁸⁰ World Bank Document

⁸¹ Climate Risk and Adaptation Country Profile: Malawi (2011) . World Bank Group. Online Available:

<https://climateknowledgeportal.worldbank.org/country/malawi/climate-data-historical>

⁸² https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA%20_Profile_Malawi.pdf

⁸³ Available from: www.futureclimateafrica.org

floods and more dry days per year. Such changes are likely to affect the agricultural sector, including reducing the area suitable for agricultural production. More pronounced warming and reduction in rainfall in the southern region make it particularly vulnerable.

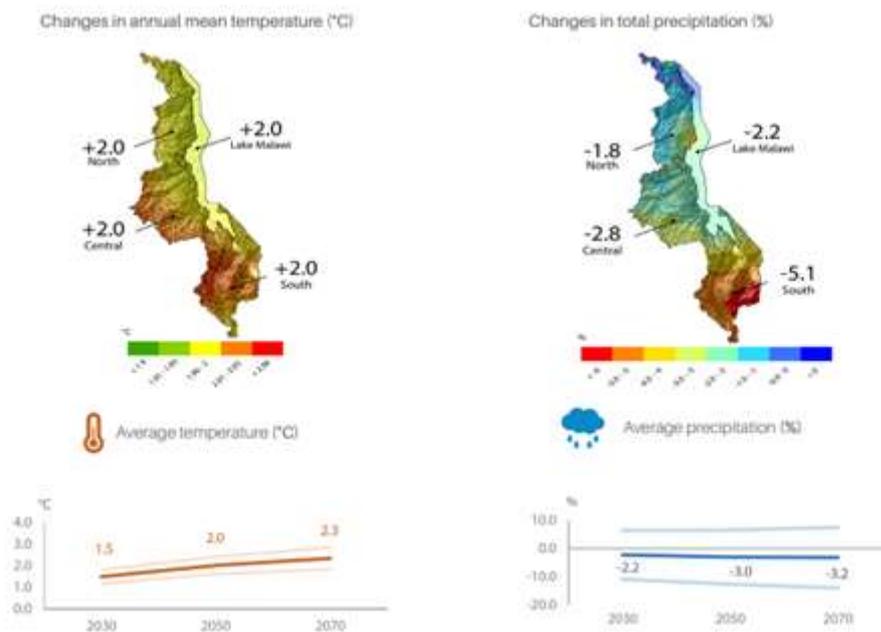


Figure 4. Temperature and climate projections⁸⁴

Impact of climate change on crop yields

45. According to the simulations of the ISIMIP model, the yields of crops will significantly decrease under the high-warming climate projection scenario (RCP8.5). The rainfed crops that will be most affected are maize, rice, groundnuts and soy, whose yields could fall by 7 to 9 per cent by 2040. The yields of irrigated crops (rice, maize and sugarcane) are projected to fall by 6 to 7 per cent by 2040. These projections should be taken into account when choosing the value chains to target with IFAD interventions in Malawi to ensure the resilience of these crops to the multiple impacts of climate change.

Impact of climate change on rainfed crop yields

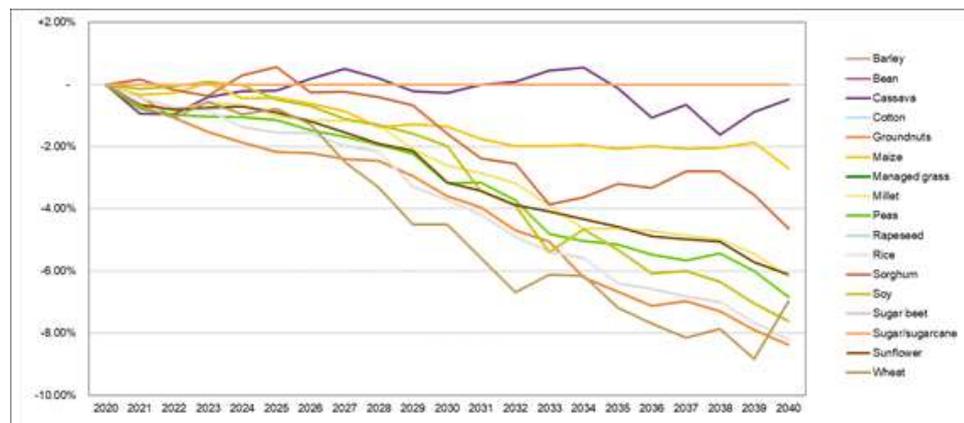


Figure 5 Impact of climate change on rainfed crop yields

⁸⁴ Available from: <https://cepa.rportal.net/Library/inbox/climate-smart-agriculturescoping-study/view>

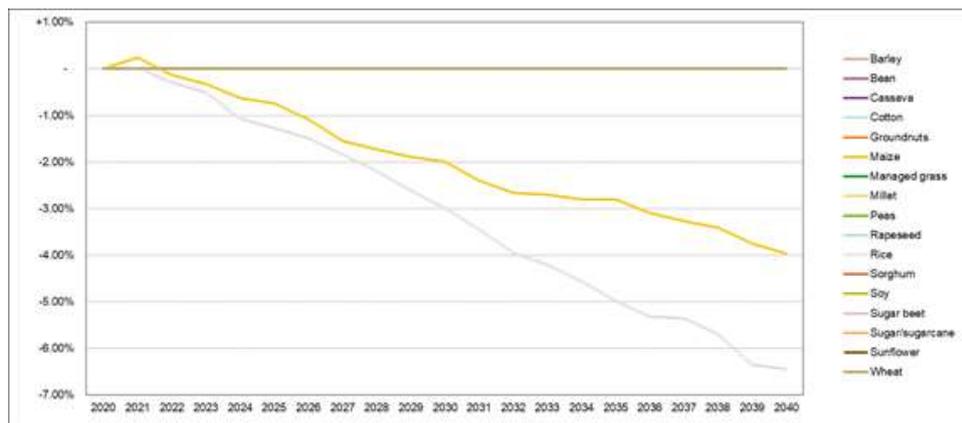


Figure 6. Impact of climate change on irrigated crop yields

Part 2 -Institutions and legal framework

46. **Ministry of Agriculture (MOA)** - The Ministry is organized into six technical Departments (Agriculture Extension Services, Crops Development, Animal Health and Livestock Development, Agriculture Research, Agriculture Planning Services, and Land Resource Conservation). The Ministry also includes Irrigation as the government institution responsible for the irrigation sector and has the Principal Secretary solely designated to oversee irrigation matters
47. **Ministry of Economic Planning, Development and Public Sector Reforms (MOEPD&PSR)** - Total amount of finance mobilized for climate mitigation and adaptation investments (measured type and sector; conditional and unconditional flows). Capacity building, technical support and technology transfer.
48. The **Ministry of Gender, Children, Disability and Social Welfare** has a network of offices in all districts and extension staff down to the community level in many areas. Its mandate is to provide policy direction and lead the formulation, implementation, coordination, monitoring and evaluation of the national *Gender Policy*, which is the Government's gender equality programmes, projects, and activities on all levels. In the 2015/16 fiscal year, the budgetary allocation for the Ministry of Gender was the lowest of all ministries, with less than 0.36 per cent of the national budget. The underfunding is such that the Ministry has a problem in delivering on its mandate⁸⁵.
49. The **Ministry of Youth Development and Sports** is the lead government agency responsible for youth. Its mandate includes providing direction to all stakeholders on mainstreaming youth in national development and capacity-building of youth workers. It maintains the Youth and Sports Management Information System (YOSMIS), a repository of youth-related information in the country. It delivers youth development services through the District Youth Offices across the country. Operationally, the department has 32 District Youth Offices. At community level the Department's services are delivered through the district youth structures such as the Youth Technical Subcommittees (YTSCs), Youth Networks (both at District and Traditional Authority level), Youth Action Committees (YACs), Youth Clubs, Youth Organisations and Youth Associations.
50. **Environment and climate change.** Environmental Affairs Department (EAD) of the Ministry of Forestry and Natural Resources (MOFNR) - formulates and oversees climate policy development in Malawi, including the day-to-day coordination of the NDC development process. EAD is the UNFCCC focal point and serves as the

⁸⁵ Michael Chasukwa (2016), "The Gender Machinery Women in Malawi's Central Government Administration".

secretariat of both the NSCCC and TCCC&DRM. The EAD has the overall responsibility for, chairs the thematic EWGs, and has overall responsibility for preparing and maintaining the national GHG inventory and submitting Malawi's National Communications, BURs, BTRs and NDCs to the UNFCCC.

51. **Ministry of Homeland Security** - holds a vital key to contributing to national socio-economic development by providing a safe and secure environment by providing civilian oversight and advisory services to the security institutions. Disaster risk management-related indicators include flood proofing, drought management, early warning systems, hazard monitoring, and flood management.
52. **Multistakeholder Coordination Committees** are responsible for the implementation of the National Multisector Nutrition Policy and Strategic Plan (NMNPSP) at the district and village levels. They include with these committees nutrition focal points from health, agriculture, education, and civil society organizations, to guide the implementation of activities down to the beneficiaries at the household level. Existing government platforms such as Community-Based Childcare Centers and Care Groups should be enhanced to integrate and deliver a number of nutrition interventions that promote access to nutritious foods and contribute to the implementation of the Nutrition Education and Communication Strategy (NECS) - to address the root causes of stunting and undernutrition in Malawi.
53. **National Smallholder Farmers Association of Malawi (NASFAM)** is the largest smallholder owned membership organisation in Malawi whose priority tasks is to organise smallholders for improving their access to output markets through bulking their produce and enabling them to bargain for better prices. Although the organisation has grown rapidly, it only has about 100,000 members. It was initially primarily an organisation for smallholder tobacco growers, but has evolved in encouraging diversity away from the dominant crops, covering paprika, chillies, cotton, groundnut, rice, soya, beans and sunflower⁸⁶. It has also assumed the role of trade union for smallholders, lobbying for reduced overheads to various intermediaries in the marketing chain and has recently achieved an important success in removing withholding tax on smallholder tobacco sales. The organisation has gained a positive reputation linked to some of the implemented programmes. This includes initiatives in developing new markets information system for collecting and making public information about prices and quantities of inputs and produce at various locations in the country, as well as training members in various organisational skills, literacy and numeracy.
54. **Civil Society Agriculture Network (CISANET)** is a is a locally registered lead policy advocacy network of civil society organizations established in 2001 working in the agriculture and food security sector affecting not only the smallholder farmers but generally the poor people and their livelihoods. Policy advocacy is the central part of CISANET work, which works with its members at both national and district level. The relevance of the experience and structure of CISANET having member organizations working with women in agriculture covering a wide geographic areas of Malawi make it a reliable implementing partner.
55. The **Malawi Forum for Agricultural Advisory Services (MaFAAS)** provides a network and platform for EAS providers from different sectors to share information, collaborate and advocate for EAS nationally. It links to the African Forum for Agricultural Advisory Services and the **Global Forum for Rural Advisory Services (GFRAS)**⁸⁷, thus providing a channel of information between the

⁸⁶ Natural Resources Institute, University of Greenwich (2010), "Longitudinal Impact Assessment Study of Groundnut Producers In Malawi".

⁸⁷ GFRAS developed a [learning kit](#) to improve extension workers' skillsets in the provision of extension services to diverse clientele. This kit includes 13 modules offering knowledge on different dimensions of functional skills that extension workers can use in their work with farmers. MaFAAS, the Malawi chapter of GFRAS, is currently promoting the kit nationally.

different geographic levels. MaFAAS has organized annual events and professional workshops including the consolidation of inputs to reform the 2000 national extension strategy in March 2017. Currently, MaFAAS is heavily involved in the revision of the national agricultural extension policy. Among key results achieved, MaFAAS enabled recruitment and training of 427 trained extensionists who are able to reach over 500,000 farmers. MaFAAS has also initiated the mainstreaming of ICT in extension to provide over 100,000 farmers with accurate and applicable real time advisory services⁸⁸.

56. All IFAD projects will further assess the implementation capacities of selected partner institutions, with particular focus on their capacity to manage environmental and social risks, during supervision missions and identify areas to increase capacity.

Policy and regulatory frameworks

Social policies and regulations

57. Over the medium-term, the Government's Malawi Growth and Development Strategy (MGDS) will mainly guide economic policy. The focus of the plan will be to build basic infrastructure (including roads and a power grid) and connect small farmers to markets. Policy will also focus on boosting agricultural production by means of effective water management and irrigation methods, given climate change and recurring drought.
58. Malawi has a supportive policy and legal framework for the youth; with the National Youth Policy (2013), providing the overarching policy guidance and the Ministry of Youth and Sports is the lead Government agency handling matters related to the youth. Some of the guiding principles have been infused and implicitly expressed in the youth development policies and programmes including (among others): promotion of youth meaningful participation; capacity building; conducive political, social, cultural and economic environment; coordination and collaboration among stakeholders; inclusion of youth in leadership roles; creating a conducive platform for youth voices. The MGDS III considers youth development a crosscutting area, streamlined its key priorities across various sectors (agriculture, water development and climate change, etc.), and identifies skills development as a fundamental requirement for business to realise the country's growth and export potential. In fact, the bulk (95 per cent) of youth-focused budgets are for education and skills development, with youth economic empowerment and leadership and participation programmes receiving an average of less than a tenth of the total youth-focused budgets.
59. The 2016 National Land Policy introduced the concept of equal rights to inheritance for men and women⁸⁹ while the status quo relies on the co-existence of matrilineal and patrilineal inheritance systems. At the local level, whether norms are matrilineal (more common in Central and Southern Malawi) or patrilineal (more common in Northern Malawi) have a bearing on individuals' land rights and land is often not sold outside the family lineage⁹⁰. Within matrilineal marriages, rural women are more likely to own land (50 per cent more likely). However, even among owners in matrilineal marriages, men have a higher share of rights and decision-making — although the gender disparities are smaller than in patrilineal marriages.

⁸⁸ IFAD, *"Delivering Extension Services to the Last-Mile: Improving smallholders' access to innovation and pluralistic, demand-driven extension services"*

⁸⁹ The law aims to demarcate territories controlled by individual traditional leaders as a precondition for documented rights to individuals and establishes customary land committees (CLCs) with at least 50% female participation, normally at Group Village Headman level.

⁹⁰ World Bank (2022) Multidimensionality of Land Ownership among Men and Women in Sub-Saharan Africa.

60. Malawi has ratified all fundamental international conventions concerning child labor⁹¹. In 2019, the Government ratified ILO C.029 Protocol of 2014 to the Forced Labor Convention 1930 and ILO C.184 Safety and Health in Agriculture Convention of 2001. The Government established laws and regulations related to child labor. However, gaps exist in Malawi's legal framework to adequately protect children from the worst forms of child labor, including the minimum age for work and military recruitment by non-state actors. The Employers Consultative Association of Malawi (ECAM) promotes, guides, and protects the interests of employers in Malawi in the areas of labour, employment, and related socio-economic issues and is a member of the International Organization of Employers.
61. In 2018, the Government reviewed and developed the National Multisector Nutrition Policy and Strategic Plan (NMNPSP) to orient nutrition investments and programming in the period from 2018 to 2022. Among the most relevant outcomes for IFAD are: (i) improved maternal nutrition and care; (ii) improved intake of essential micronutrients; and (iii) improved management of acute malnutrition.
62. In seeking to enhance the protection and promotion of local customs and culture, by revising the Arts and Crafts, Act of 1990 and the Copyright Act of 1989, the Malawi government recognized the right of the ethnic communities to participate in and benefit from the safeguarding of their intangible heritage⁹². However, this was not materialized until 2006, when the Chewa people set up their association. To monitor all Integrated Cultural Heritage (ICH) in Malawi, the Government established a National Intangible Cultural Heritage Committee (NICHC). Members comprise of representatives of the media, academic and research institutions, Museums of Malawi, National Commission for UNESCO, Division of Arts and Crafts and non-governmental organizations working in the cultural sector as well as the heritage associations namely: Mulhako wa Alhomwe, Chewa Heritage Foundation, Mzimba Heritage Foundation and Ndamo sya Ayao.
63. Over the past decade, Malawi has emphasized the need to digitize its economy and launched a five-year Digital Economy Strategy⁹³ to improve connectivity by 2026 and create a strong digital ecosystem that can enable critical sectors, such as agriculture and health, with the objective of igniting rapid economic growth and spurring employment opportunities.
64. The Government of Malawi has ratified the Convention on the Rights of Persons with Disabilities to protect the rights and dignity of persons with disabilities. Parties to the Convention are required to promote, protect, and ensure the full enjoyment of human rights by persons with disabilities and ensure that persons with disabilities enjoy full equality under law
65. Within the African region, Malawi has signed The African Charter on Human and Peoples' Rights which is intended to promote and protect human rights and basic freedoms in the African continent.

Climate and environmental policies and regulations.

Malawi International engagement

66. Malawi is a party to various international social and environmental treaties aimed to contribute to sustainable development. These initiatives contribute to Malawi Growth and Development Strategy (MGDS III). To mention but a few Malawi is party to the following environmental treaties:

⁹¹ ILO C. 138, Minimum Age, ILO C. 182, Worst Forms of Child Labor, UN Convention on the Rights of the Child (CRC), UN CRC Optional Protocol on Armed Conflict, UN CRC Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography, Palermo Protocol on Trafficking in Persons

⁹² Ninth session of the Convention for the Safeguarding of the intangible Cultural Heritage Paris, France November 2014.

⁹³ The 2021-2026 strategy sets new targets for different aspects of the digital economy: Network Access, Decide Access, Skills, E-trade, Digital Financial Services and Government, Agriculture, Health, and Digitally Traded Services

- **The United Nations Convention to Combat Desertification** - Focused mainly in Countries Experiencing Serious Drought and/or Desertification, and mitigating the effects of drought through national action programmes that incorporate long-term strategies supported by international cooperation and partnership arrangements.
- **The Kyoto Protocol** - implemented the objective of the United Nations Framework Convention on Climate Change (UNFCCC) to reduce the onset of global warming by reducing greenhouse gas concentrations in the atmosphere to "a level that would prevent dangerous anthropogenic interference with the climate system"
- **The Nagoya Protocol** on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity, also known as the Nagoya Protocol on Access and Benefit Sharing (ABS), is a 2010 supplementary agreement to the 1992 Convention on Biological Diversity (CBD)
- **The Paris Agreement** is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation, and finance
- **The International Plant Protection Convention (IPPC)** aims to secure coordinated, effective action to prevent and control the introduction and spread of pests of plants and plant products.
- **The Cartagena Protocol on Biosafety to the Convention on Biological Diversity** seeks to protect biological diversity from the potential risks posed by genetically modified organisms resulting from modern biotechnology.

National Strategic plans

67. GoM has committed to addressing climate change and promoting resilience. It, therefore, has a range of strategies and policies that seek to tackle the challenges of current climate variability, shocks, and future climate change. These include high-level strategies, such as Malawi's Vision 2020 and the MGDS.
68. Five policy instruments provide the introductory guide to the reduction of climate change risks and disasters:
 - **The Nationally Determined Contribution (NDC)** - The NDC affirms the government "s commitment to fully addressing climate change issues and responding to the adverse effects and impacts in line with provisions established under the Paris Agreement.
 - **The National Climate Change Management Policy (NCCMP)** - The NCCMP aims to promote climate change adaptation and mitigation for sustainable livelihoods through measures that increase levels of knowledge and understanding and improve human well-being and social equity while pursuing economic development that significantly reduces environmental risks and ecological scarcities.
 - **The National Climate Change Investment Plan (NCCIP)** - The Plan identifies four key priority areas to promote climate change management in Malawi adaptation; mitigation; climate change research, technology development and transfer; and capacity building. It details a regulatory framework, financing opportunities and eleven programmes needed for its implementation: 1) **Adaptation Investments**: a. Integrated Watershed Management Programme; b. Improving Climate Change Community Resilience through Agriculture Production; c. Climate Change Proofing of Infrastructure Development; d. Enhancing Disaster Risk Management; 2) **Mitigation Investments**: a. Enhance Reduction of Emissions from Deforestation and Forest Degradation (REDD+); b. Waste Management and Pollution Control

Programme; c. Enhancing Energy-Saving Technology Programme; 3) Research, Technology Development and Transfer Investments: a. Climate Change Adaptation Technology Development; b. mitigation technology, c. Adaptation and Mitigation Technology Transfer; and 4) capacity development.

- **The National Adaptation Programme of Action (NAPA)** - The NAPA has top 4 priority areas: (1) Sustaining life and livelihoods for the most vulnerable communities, (2) Enhancing food security and developing community-based storage systems for seed and food, (3) Improving crop production through the use of appropriate technologies, (4) Increasing the resilience of food production systems to erratic rains by promoting sustainable production of maize and vegetables. The NAP has four pillars on institutional development, resilient smallholder farmers, production and productivity (focused on infrastructure development), and market access.
- **The National Disaster Risk Management (NDRM) Policy** - overall goal to sustainably reduce disaster losses in lives and in the social, economic and environmental assets of communities and of the nation. The policy covers Disaster Risk Reduction (DRR), preparedness, mitigation, response and recovery.

69. Three main environmental-based policies support these main instruments:

- **Environmental Management Act (EMA) (2017).** EMA aligns Malawi's environmental and natural resources management with modern global standards. It also allows for creating a semiautonomous EPA with broad and substantial powers. The EMA, along with the forthcoming establishment of the EPA, provides for a more localized distribution of funding and decision-making and an opportunity to speed up the decentralization process and improve coordination between officers and institutions at district levels and below. The EMA Makes Environmental Impact Assessments (EIAs) a statutory requirement and outlines the EIA process found in Sections 24, 25, 26, 27, 29 and 63, 69 and 76.
- **National Environmental Policy (NEP) 2014** - The NEP aims at the promotion of sustainable development through an efficient and sound management of the country's Environment; (iii) Environment Management Act (1996) outlines the specific legislation providing guidelines and procedures for the EIA legislation. EIA is a statutory requirement, and listed projects cannot be licensed and implemented until a satisfactory EIA study has been completed and approved; (iv) Guidelines for Environmental Impact Assessment (1997) in line with the EMA, were established for all programmes and projects to be followed. The Guidelines outline specific roles for institutions in managing environmental impact assessment and the mechanisms for integrating into project planning, including standards for formatting and structuring the EIA reports. Malawi's National Guidelines on Integrated Catchment Management and Rural Infrastructure (2016) introduces catchment management principles, the institutions involved, and the planning process in Vol I. Vol II contains the technical activity guidelines targeted at village-level communities.
- **The National Environment Action Plan (NEAP)** - The NEAP is the Malawi framework mainstreaming environmental planning and management into the country's socio-economic development, including stakeholders' participation. NEAP focuses on deforestation, natural resources, including biodiversity loss and habitat degradation, soil depletion and erosion, deforestation combined with social issues such as demographic growth, poverty and general lack of human-environment conditions; (ii) National Environmental Policy (1996 & 2004) providing a comprehensive policy framework on environmental planning for development programmes introducing environmental impact assessment for projects.

70. Other climate change-focused policies include the National Agricultural Policy and the National Resilience Strategy (2018–2030).
- The Ministry of Finance, Economic Planning, and Development (MoFEPD) coordinates climate change activities under the National Climate Change Programme (NCCP). The activities of the NCCP are primarily supported and directed by the National Climate Change Technical and Steering Committees.
 - The MoNREM leads on climate change policy development in Malawi. This is exercised through the EAD, responsible for coordinating national and international climate-change-related issues.
 - The DoCCMS collaborates with the EAD to coordinate national and international climate change issues. The EAD, in turn, corresponds closely to climate change with the MoAIWD, MoLGRD, and MoFEPD.
 - The Department of Disaster Management Affairs (DoDMA) coordinates the implementation of disaster risk management at the national level. It is responsible for preparedness and response to weather and climate-related disasters such as droughts and floods. DoDMA is also drafting a National Resilience Strategy that will include climate resilience.
71. The MGDS establishes working groups to coordinate climate change and other sectoral priority areas. Under the MGDS II 2011–2016, the Working Group on Natural Resource, Land, and Environment was established. It was later renamed 'Climate Change, Environment, Natural Resources, Mining, and Energy' (CC and ENRM). GoM approved MGDS III 2017–2022 in September 2017. It makes the need to respond to the challenge of climate change one of the highest priorities for the country and confirms the continuation of special working groups to coordinate policy. It also aims to build a productive, competitive and resilient nation
72. Malawi Growth and Development Strategy (MGDS III) aims at MGDS has five priority areas, including agriculture and climate change management. The National Resilience Strategy (NRS) emphasizes the importance of well-targeted investments that recognize that adaptation to a changing climate must be tackled at multiple scales to strengthen people's capacity for resisting, coping, recovering, and bouncing back from shocks and extreme events.
73. The National Agriculture Policy (NAP) and its National Agricultural Investment Plan (NAIP) are also important. The NAIP, anchored and guided by 19 Specific protocols relevant to TRADE, are the Environmental Quality Standards and the Environmental Management protocols.
74. Malawi has identified a range of climate-change-related projects, but they are not prioritized. The NCCIP identifies 11 major programmatic initiatives, with a notional total budget requirement of just under USD 1 -13824. A significant challenge in the NCCIP is the inclusion of climate change initiatives that are neither prioritized nor linked to sources of finance. GoM's Strategic Programme for Climate Resilience (SPCR) attempts to address this by prioritizing a set of investments to build resilience. There is also a need for better coordination in identifying and selecting climate change adaptation initiatives, to avoid fragmenting efforts and increasing transaction costs. There is a similar need for focused analysis of successful approaches to tackle climate-change-related challenges, to share the lessons learned more effectively, and then scale up successful approaches.
75. **Priority investments**
- **Climate-resilient integrated watershed management:** Scaling up integrated catchment management to the national level as a crosscutting approach to managing several sectors and environmental resources at risk of climate uncertainty—food productivity, forestry, flooding, drought, rural energy access, and the management of waterways, siltation, and ecosystem services.

- **Building climate change resilience in selected agricultural value chains in Malawi:** Improving agricultural production and productivity in the value chains of high-value and drought-tolerant crops through incorporating climate-smart agricultural production systems and managing key agricultural risks, including weather and climate change through scaling up climate-resilient technologies.
 - **Sustainable fisheries sector and fisheries value chain in Malawi** through improved climate-resilient lake ecosystem conservation and management: Ensuring sustainable management of fisheries resources and communities against the impacts of climate change through conserving and sustainably managing immediate lake catchments and shoreline ecosystems.
 - **Strengthening climate resilience of smallholder farmers in Malawi:** Increasing the resilience of smallholder farmers and related livelihoods to the effects of climate change, thereby enhancing food and nutrition security and contributing to poverty reduction in rural areas of Malawi under a changing climate.
 - **Operationalizing Malawi's climate services center:** Establishing and operationalizing a climate services center for Malawi and improving climate data management at the national level.
76. In addition, several subnational strategies and district development strategies will inform the design and implementation of the proposed Programme interventions. These include: (i) District Development Plans (DDP) which are the overarching development strategy frameworks at district level; (ii) Socio-Economic Profiles (SEP), which are a snapshot of the overall physical, social and economic situation of the districts that paves way for a better appreciation of the socio-economic situation. Other sub-national development strategies that feed into DDP, include: i) Decentralized Environment Management Guidelines; ii) District State of the Environment Reporting (DSOER); iii) District Contingency Plans; iv) District Environmental Action Plans; v) District Development Investment Plan.

Programmes and partnerships

Current programmes

77. The COSOP's implementation is being carried out primarily through the programme of loans and grants. Indeed, the active portfolio in Malawi currently includes four programmes (ERASP, FARMS, PRIDE, SAPP and TRADE). The total cost for all programmes is USD 356.2 million.
78. Sustainable Agricultural Production Programme's (SAPP) mainly focuses on enhancing agricultural productivity based on promoting affordable and straightforward good agricultural practices (GAPs), which will help bridge the large gap between actual and potential crop yields.
79. Programme for Rural Irrigation Development (PRIDE) PRIDE's focus is on: (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.
80. The Enhancing the Resilience of Agro-Ecological Systems (ERASP) grant, financed by GEF and implemented by PRIDE, complements PRIDE by improving the provision of ecosystem services
81. Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) supports access to a range of sustainable financial services by rural households and small and medium enterprises. This objective is to be achieved through the implementation of three components: (i) Ultra-poor graduation model development and testing at scale, (ii) Support to Financial Innovation and Outreach, and (iii) Strategic Partnerships, Knowledge Generation, and Policy.

82. Transforming Agriculture through Diversification and Entrepreneurship Programme (TRADE) focuses on value chain development for seven commodities – groundnuts, soybean, sunflower, Irish potato, dairy, beef, and honey. The programme will strengthen the capacity of smallholder farmers, organize them into producers' organizations and promote partnerships with small and medium enterprises.

Part 3 - Strategic recommendations

83. Agricultural performance has more significant implications for the economic growth and poverty reduction in Malawi, especially in rural areas, than any other sector. However, most of the increase in Malawi's agricultural development in recent years has come from factor accumulation - opening uncultivated land to production⁹⁴ - rather than productivity gains.
84. This development model is not sustainable in the long-term spectrum owing to population pressure and shrinking farm sizes.
85. The Government of Malawi has been increasing efforts to enhance agricultural productivity with continuing public investment - through, for instance, the Farm Input Subsidy Programme (FISP). Notwithstanding these efforts, there is little evidence to show that there has been any growth in employment in higher productivity jobs. Boosting agricultural productivity will require more comprehensive and targeted support to the rural poor, focusing on climate-smart agriculture, irrigation, and water management. More in particular, transitioning subsistence agriculture to more diversified, commercial agriculture will be critical to support increased incomes.
86. Investments in nutrition must involve a multisectoral approach, leveraging activities and efforts in other sectors. Diversification of crops could more efficiently address nutrition insecurity that, combined with investment in digital infrastructure and expansion of reliable electricity supply, will help provide a more resilient path for economic development. Key intervention areas include homestead food production systems, home vegetable gardens, bio-fortified crops, small animal husbandry, livestock, fisheries, and dairy production, and improved access to markets, prioritizing women's and adolescents' health and nutrition to interrupt intergenerational transmission. Agriculture programmes that improve livelihoods and resilience to weather-related shocks and enable households to minimize post-harvest losses through improved storage facilities could also play an essential role in promoting increased food and nutrition security.
87. Reducing gender gaps in women's participation in economic development and promoting gender equality will be central to unlocking Malawi's full inclusive growth potential. To this end, a holistic approach is required, by focusing, among others, on: (i) apprenticeship programmes, which have shown positive effects on increasing employment and delaying child-marriage, as well as socio-emotional and life skills; (ii) bridging the gap in agricultural productivity by ensuring women have equal access to key productive agricultural inputs, farm labor, and expanding access to digital technology. These should be incorporated into agriculture programming, particularly given women's vital role in child feeding and care in Malawi; (iii) a multi-pronged approach to increase women's security and decrease GBV and IPV, is needed⁹⁵. One strategy is to engage men regarding gender roles and acceptability of IPV directly.
88. Given the high public expenditures on education and skills development (95 per cent of government youth-focused budgets), investment should ensure appropriate

⁹⁴ World Bank (2021), Malawi Economic Monitor.

⁹⁵ As documented in a recent qualitative study on GBV conducted by the World Bank in Malawi, one strategy to achieve this objective is to increase investments in the development or capacity strengthening of systems, structures, and mechanisms for GBV response/service delivery (World Bank, Forthcoming).

and balanced targeting of all three key priority areas of MGDS, namely education and skills development, youth economic empowerment through job creation and youth leadership and participation. As already mentioned throughout the analysis, youth face challenges in accessing land for farming, appropriate technologies, and technical skills. Therefore, interventions should include action toward improving access to land by the youth and integration of literacy programmes. Further studies on the most promising youth employment opportunities that have remained under/untapped in the rural areas of Malawi should be carried out.

89. Youth participation in the wider agri-food system is substantial and increased from 73 to 80 per cent and 15 per cent of them as self or wage-employed in agri-food enterprises. Investments in the agri-food system offer a unique opportunity to reap the potential growth with a demographic dividend. IFAD's experience on the topic revealed that projects that deliver the best results on youth employment adopt tailored rural enterprise and finance development support. More specifically, incubation approaches that offer comprehensive support packages to emerging micro-entrepreneurs have been paramount in creating new jobs and achieving positive spillover employment outcomes. For instance, in Kenya, the SDCP project developed the Youth Mentorship Model by contracting learning centers managed by successful youth-led enterprises to nurture and wean youth to becoming independent entrepreneurs through training, mentoring and coaching period, and capacity building. The objective was also to promote networking and peer-to-peer learning. The model entails a one-week mentorship programme that includes a wide range of capacity-building support, from technical training to motivational and mentorship. The mentees are then charged with mentoring at least 5 other youths in the Programme area and model best practices in dairying. All mentees are still benefiting from follow-up mentoring through a WhatsApp platform with the facilitators. Learning at those centres is at a cost; hence, it represents a source of income and employment creation. Other organisations like Kenya Commercial Bank, Equity, GIZ and Ustadi have emulated the practice and supported their young farmers to be trained at SDCP learning centres. The training, coaching, mentoring and networking resulted in 19,382 youth being employed (4,113 women and 15,269 men) within various nodes of the dairy value chain. Around 15,000 young entrepreneurs set up their own enterprises and have contributed to create wage employment for other 4,475 youths. Building on the evidence from youth-sensitive projects, future investment projects should enhance the incubation experience and test innovative approaches to youth employment.
90. To grow an inclusive digital entrepreneurship ecosystem, key areas of interventions include working with service providers to subsidize smartphone costs, provide discounted data packages, and offer basic Internet services at community centers to help address barriers to access. Communications campaigns coordinated with mobile operators and other stakeholders can help to address restrictive social norms around the usage of mobile phones for girls and women. ICT should be leveraged to improve extension systems, ensuring that farmers are using the most recent technologies to increase productivity and reduce post-harvest waste.

Lessons learned

91. The COSOP is built on lessons and best practices from previous IFAD financed programmes in the country. Lessons are also drawn from the CSPE 2021; other countries in the region and development partners in Malawi. Some of these lessons are highlighted below, and have been incorporated in the design of the COSOPE under the respective components.

Lessons from IFAD investments

92. Loan resources allocated for Environment and Natural Resources Management (ENRM) and CC were inadequate. In order to enhance long-term resilience on CC

- and ENRM additional climate finance should be mobilised and focus more on sustainable practices such as agricultural diversification, climate smart agriculture and ecosystem management. Good agricultural practices should be complemented by a comprehensive catchment management approach. Land tenure insecurity which may undermine the durability of the environmental benefits must be secured before implementing any agricultural activities particularly irrigation works.
93. Climate change continues to expose smallholder agriculture to climate risks as rainfall variability and extreme weather events (floods, storms, and drought). The extreme weather events lead to loss of investments as experienced during 2019 (cyclone Idai and recently cyclone Ana). IFAD programmes should improve risk management and preparedness. Specific mechanisms include early warning systems, drought contingency plans, response to flooding, climate proof infrastructure, irrigation, awareness-raising and water management. Also important is inclusion of crop/livestock insurance guarantee schemes that have great potential to allow farmers to recover from their losses and stabilize their income.
 94. Targeting in terms of gender was strong. However, youth were targeted less effectively: More focus should be given to youth considering the national youth unemployment rate is double that of adults. IFAD focus on value chains and cash crops has not yet been able to reach out to the rural poor an enhanced focus on poverty targeting was identified as a gap in CSPE analysis and needs to be improved. In addition, stronger reference to intentionally address gender disparities which continue to plague the programmes and a comprehensive approach to avail economic opportunities (on/off farm) to marginalized groups.
 95. PRIDE and SAPP have learned the lessons and directly support CCA. SAPP has promoted climate resilient practices including sustainable land management (minimum tillage, crop rotation, and agroforestry), livelihood diversification and improved cooking stoves. However, some practices, such as permanent soil cover and mulching are not well adopted. Promotion of rocket stoves reduces wood harvesting and saves CO² emission. Supervision missions of PRIDE and ERASP saw noticeable improvements in land, forestry and water resource management, with a reduction in sediment yield being observed, although not quantitatively measured. The combined efforts may ultimately reduce pressure on the resource base if the practices are fully rolled out and adopted.
 96. Cropping intensity increased yields in new irrigation schemes, especially in small ones, from 80 per cent (baseline) to 160 per cent. Water users' associations ensure long-term management, secure smallholder access to land and enable contract farming. New irrigation projects include PRIDE need to build on IRLADP's approach to securing land access. Catchment soil and water management are important in sustaining the irrigation infrastructure and ecosystem.
 97. Nutrition and food security. The outcome of IFAD's Food Knowledge Attitude and Practices survey provided a baseline for the COSOP in mainstreaming nutrition. The need for a more rigorous nutrition intervention was confirmed, and districts with high rates of stunting should be targeted. Project interventions should lead to improved feeding practices for infants and young children and should ensure regular growth monitoring and promotion to identify risks for remedial intervention at an early stage. All projects should be nutrition-sensitive, which could entail promotion of: (i) nutritious plant products for subsistence and in value chains; (ii) good post-harvest and food processing technologies; and (iii) awareness through large-scale campaigns and household-level training.

Strategic orientation

98. The Nationally Determined Contribution (NDC). The revised NDC in 2021 outlines Malawi's climate change priorities for the period from 2020 - 2040 prioritises.

Prioritised need for agriculture includes (i) land restoration for improved land productivity, (ii) integrated crop-livestock –aquaculture production, (iii) community based agricultural extension.

NDC PRIORITY	IFAD contributions to the national agriculture related NDC targets
Land restoration for improved land productivity	SAPP, PRIDE/ERASP and TRADE focuses enhancement of agricultural productivity based on simple/affordable GAPs which will help to bridge the large gap between actual and potential crop yield Adoption of Sustainable Land Management practices and climate resilient practices using catchment management approach Reforestation and natural regeneration of vegetation cover
Integrated crop-livestock – aquaculture production	FARMSE/ ERASP promotes integrated integrated agroforestry and livestock systems production on small scale
Community based agricultural extension.	SAPP, PRIDE/ERASP focuses on improved agricultural extension services accessible to women, men and youth groups (raising awareness and sensitizing about use of GAPs)

Mitigation

99. An indicative emissions reduction contribution has been estimated at 59.8 million tCO₂e of reductions through a range of FOLU interventions covering an area of up to 2 million hectares (Ha), of which 22 per cent is unconditional and 78 per cent conditional on international support. has provided concrete strategies for addressing the causes of climate change to reduce the vulnerability of its people and ecosystems while contributing to socio-economic development
100. The NDC identified and prioritised activities for urgent and immediate adaptation. Five critical activities were identified and developed into project concepts or actions. These are given in order of priority as follows:
- a) Improving community resilience to climate change through the development of sustainable rural livelihoods:
 - b) Improving access to water, including water treatment works,
 - c) Improving water management to withstand erratic rains through water harvesting, water conservation, and small-scale irrigation,
 - d) Improving community storage systems for seed and food reserves,
 - e) Promoting sustainable utilization of dambos, wetlands and river valleys under sustainable dimba cultivation,
 - f) Diversifying crops and livestock to improve nutrition and food security,
 - g) Promoting low-cost nutrition supplements, and
 - h) Raising and enhancing awareness.

Strategic actions and targeting

101. Targeting strategies will rely on socio-economic analysis of available data (poverty line data, mapping of production, market demand, social and demographic trends) to identify areas with high concentrations of poor and ultra-poor household. A self-targeting approach based on tailored financial schemes and the selection of commodities with credible potential for the inclusion of vulnerable groups will be used.

102. Pro-poor gender and youth-sensitive targeting strategies will be further enhanced and harmonised throughout the IFAD Country Programme. More in particular, IFAD will sharpen its methods to target ultra-poor populations through graduation programming and supporting smallholders through pro-poor value chain development interventions sensitive to gender and youth-specific challenges and opportunities. Key empowering features based on the adoption of household methodologies and capacity-building measures will promote gender equality and increase participation and voice of youth in household and community affairs. Targeting effectiveness will be monitored using gender, youth, persons with disabilities-disaggregated indicators, and participatory monitoring and evaluation measures. By leveraging on NORAD grant resources, the linkage between social and economic empowerment and nutrition will be strengthened, particularly in the frame of GALS, addressing those intra-household dynamics that may compromise improvements in diets. Interventions will also promote access to and consumption of nutritious food through the integration in value-chains of commodities directly linked to food and nutrition security.

Opportunities to access environment and climate financing

103. There is an opportunity for mobilising supplementary resources from climate and environment funds, especially the Green Climate Fund (GCF), the Adaptation Fund (AF), the Global Environment Facility (GEF) and the Adaptation Smallholder Agricultural Programme (ASAP)+. The GCF remains the main window for mobilising additional resources for the next three years and implementing adaptation and mitigation measures. Within the framework of this COSOP, Malawi could mobilise funds from ASAP+, GCF with FAO and GCF private sector facility, Adaptation Fund for a regional programme in collaboration with SADC-GMI, in addition to the GEF-8 STAR allocation. Climate finance will enhance climate change adaptation initiatives to increase resilience to climatic shocks in Malawi.

SECAP Strategic Actions for Supplemental Financing for relevant SECAP activities from ASAP, GEF, and Green Climate Fund (GCF) sources.

104. Both the National Climate Change Policy (2015) and the National Climate Change Investment Plan (2013 – 2018) target promotion of alternative (renewable) energy sources for fuelwood for cooking to (i) relieve the pressure on forests from fuelwood production and (ii) reduce exposure to indoor air pollution. A range of alternatives, including solar and micro-hydroelectric power and fuelwood saving cooking stoves, need to be evaluated for feasibility in rural areas. GEF financing under its climate change mitigation focal area may present opportunities to demonstrate the feasibility of alternative energy sources in the Malawian context. An example of such a GEF project is UNDP's "Increasing Access to Clean and Affordable Decentralized Energy Services in Selected Vulnerable Areas of Malawi," approved in 2014. Identify appropriate activities for GEF, ASAP+ and GCF financing.
105. ASAP and GEF funding could help strengthen Catchment committees through appropriate training and have them as focal points for IFAD's work at catchment level. Resources, Department of Land Resources, and Conservation, reinforcing efforts to coordinate at the national level. Identify appropriate activities for GEF, ASAP+ and GCF financing. Work with the GEF focal point in the Environmental Affairs Department and GEF counterparts to evaluate opportunities for GEF financing for demonstrating alternative energy sources in rural Malawi.
106. Aquaculture has significant potential in Malawi for providing smallholder farmers with alternative income generation and supplying them with a source of protein to meet their food security and nutritional needs. For this reason, the Fisheries Master Plan (2012) identifies increased aquaculture production and productivity as a strategic priority for Malawi. The Master Plan includes a Fish Farming Community Livelihood Programme, whose objective is "to develop a self-supporting rural fish

farming development model that improves integrated livelihoods of rural smallholder farmers." IFAD has extensive experience in sub-Saharan Africa with inland fisheries and aquaculture programmes benefiting the rural poor. The RB-COSOP team should investigate opportunities for benefiting smallholder farmers by developing an aquaculture project with ASAP+ financing. Collaboration with the Department of Fisheries is recommended.

107. Maize is the staple crop for smallholders and continues to be the principal crop promoted by IFAD interventions in Malawi (e.g. PRIDE). Climate change projections for Malawi indicate a future decline in maize yields. Yet, smallholder farmers prefer to use the non-hybrid varieties, which are less resilient to CC impacts. Because climate change impacts will increasingly threaten the sustainability of maize harvests in the future, IFAD will need to promote crop diversification and raise farming community awareness through training on this issue. The RB-COSOP team should consider ASAP+ financing for this sort of climate adaptation and awareness raising, perhaps in the context of the additional finance for PRIDE. Deforestation for charcoal production is one of the main drivers of catchment degradation. Urban demand for charcoal, increasing population pressures and lack of lucrative alternative livelihoods exacerbate the problem. Because IFAD's mandate will not allow it to directly address the urban demand for charcoal, IFAD should consider mechanisms for collaboration with another development partner, an international NGO or a UN organization, to address this issue. The RB-COSOP team should consider a partnership where IFAD would address forest protection issues in rural areas. In contrast, the partner would address alternative energy sources to suppress urban demand for charcoal. IFAD's role would involve promoting alternative livelihoods, like beekeeping for honey production or small poultry through the involvement of the private sector (e.g. National Smallholder Farmers' Association of Malawi) or PPPS for creation of cooperatives, improved access to markets and training on business practices. Identify appropriate activities for GEF, ASAP+ and GCF financing. Work with the GEF focal point in the Environmental Affairs Department and GEF counterparts to evaluate opportunities for GEF financing for demonstrating alternative energy sources in rural Malawi.
108. Other activities aimed at addressing deforestation and catchment degradation to ensure adequate water flows and soil fertility include reforestation, promotion of natural regeneration of forests, forest conservation through beekeeping, environmental committees and community trainings, training on sustainable agricultural practices (agroforestry, conservation agriculture, riverbank buffer zones, among others). It is essential to link these activities to appropriate incentives (see point above on alternative livelihoods) for smallholder farmers to ensure adoption, ownership and sustainability over time.
109. This activity can be achieved by working with catchment committees and identifying appropriate GoM departments at the national level, e.g., Land Resources and Conservation or Water Resources (which created the catchment committees) in MoAIWD. Work with the private sector and extension workers to sustain farmers in their new alternative livelihoods activities.
110. Malawi has ratified the Paris Agreement on climate change and has submitted its Nationally Determined Contribution (NDC). The NDC outlines Malawi's climate change priorities for the period from 2020 - 2040 prioritises. Prioritised need for agriculture includes (i) land restoration for improved land productivity, (ii) integrated crop-livestock –aquaculture production, (iii) community-based agricultural extensions. An indicative emissions reduction contribution has been estimated at 59.8 million tCO₂e of reductions through a range of FOLU interventions covering an area of up to 2 million ha, of which 22 per cent is unconditional and 78 per cent conditional on international support.

111. Concrete strategies for addressing the causes of climate change to reduce the vulnerability of its people and ecosystems, while contributing to socio-economic development are pertinent.

Recommendations

112. IFAD proposed investments would likely have a **moderate** social and environmental impact, considering the challenges identified during the review. The impact of the climate on the targeted populations is considered as high, especially in the zones considered most vulnerable. Programmes under this COSOP should systematically include mitigation and adaptation measures in their design to reduce vulnerability and manage the various climate related risks. All mitigation and adaptation should be aligned to the country's priorities in the national strategies and the NDC.
113. There is a need to explore opportunities to access environment and climate financing (e.g., from the Global Environmental Facility, Green Climate Fund, Adaptation Fund, ASAP+) to provide additional resources to help the country build resilience in the agricultural sector.

Beneficiary engagement and transparency

114. IFAD projects will consult and engage with relevant stakeholders in all stages of the project cycle. IFAD projects will create governance structures such as the project steering committee, which includes public and private sector players. The projects will also work closely with community forest associations and water resource user associations, including local communities to ensure they are well engaged and represented in the project cycle. The projects will also conduct an inventory of other development partners working in the country to enhance cooperation, synergy and close working relationships. Through the ESCMP's developed for each project stakeholder consultations will be done to discuss the reports, obtain feedback and validation of reports. A stakeholder engagement plan in Table 2 gives a general overview of the types of information needs and communication techniques for various stakeholder groups. This will be reinforced for IFAD lending Portfolio under 2023 -2030. Comprehensive strategic stakeholder framework that supports stakeholder engagement is included in Appendix VIII Strategic partnership.

Table 2: Stakeholder engagement Plan

Stakeholders	Information to be disclosed	Consultation means
Communities, associations, general public	Current and new activities and how these relate to them in terms of opportunities and threats	Local leaders i.e., Chief's or district offices, Churches, national media, social media, Forestry website etc.
	Forum to express community / health fears and get feedback e.g., accidental release/escape; contamination; emergencies (fire)	Public consultations, focal group discussions, social media. Training specific members of the communities, awareness, education
Staff / workers at target Districts	How project work will affect their work environments including Occupational Health & Safety rules	Staff newsletters, bulletin boards, email, website, meetings with management, staff sensitization & inhouse training programmes.
Farmers Groups, Agricultural NGOs Farmer Union Agrochemical companies, community	Consultation on agricultural needs / food security issues. Climate, Social, Environmental issues, sustainable management of water	District Extension services, Baseline surveys/subsequent surveys to monitor impacts, emails, bulletins

Stakeholders	Information to be disclosed	Consultation means
forest associations, water resource user associations		
Intergovernmental Institutions	Setting project activities and agenda for participating Districts	Intergovernmental meetings and consultations
	Capacity building for participating Districts.	Build partnerships through meetings, seminars, workshops
Youths	Opportunities for employment during project implementation	District Agricultural Offices, public consultations

Grievance Redress Mechanism

115. Malawi has outlined referral services and pathways to sustain community-based complaint mechanisms (CBCMs), blending both formal and informal structures and actors, including the communities, acting at different levels (traditional leadership, community -based actors/extension workers, State and Non-State Actors, etc.)⁹⁶.
116. The government has pointed out how the success of the CBCM heavily relies on all the members of the mechanisms being clear on their roles and responsibilities. This usually requires a mapping of the responsible actors and available services at the most relevant level together with an assessment of the effectiveness of such services with the objective of identifying gaps and preventing bottlenecks through existing or additional partners or resources (see Figure 7 below).

Figure 7. Members of the Community-Based Complaints Mechanisms⁹⁷



117. Some of the structures that operate at the district level include, for instance, the Committees in the District Councils that are responsible for managing development programmes in a district or the District management programmes at the district level. Other community structures include the District Child Protection Committee, the Community Victim Support Unit committee and community mentors who conduct regular monitoring of the referral pathways and the provision and quality of assistance provided.

⁹⁶ The Government of Malawi (2019), "Community-Based Complaints Mechanisms in Malawi".

⁹⁷ Ibid.

118. IFAD-funded projects in Malawi have successfully established Grievance Redress Mechanisms (GRMs) with the objective of providing an enabling environment for communities and/or individuals to channel and resolve their grievances and related platforms where to voice their complaints and express concerns. These GRMs leverage (PRIDE⁹⁸) and sometime directly use (TRADE) existing traditional structures and social regulatory systems - such as the Village Development Committees, community policing, Religious Groups, CBOs, Tribunals, Faith Based Leaders, etc. - that are more relevant at the different levels (community, district, and national level).
119. In fact, communities tend to rely substantially on their own internal arrangements including mechanisms to deal with grievances, which work in parallel - and in a complementary and mutually reinforcing way - with more formal systems established by the projects. **Good practices** at design have shown the importance of allocating appropriate resources to ensure easy access to project-level structures and mechanisms through culturally appropriate means and language of communication, which need to be in line with the norms of the communities as well as laws of the country (TRADE⁹⁹). **Recurrent issues and recommendations** have also pointed to the need to raise awareness and orient beneficiaries on the complaint handling and feedback mechanism and to promote synergies with partners and service providers to ensure that all beneficiary groups and individuals are aware of the avenues (formal and informal) available to them for feedback and complaints (FARMSE¹⁰⁰). This will also require appropriate capacity development investment to ensure all stakeholders are trained in managing grievances appropriately.

Monitoring

120. Monitoring systems with specific indicators for social and environmental conditions will need to be set up at programme level under the COSOP. To enable monitoring an M&E budget will need to be set up for each programme. A participatory monitoring process is recommended, including representatives of leadership structures and other influential people at the local level and representatives of all significant target groups. Issues that pertain to targeting, environmental and climate, social issues, gender inequality, people with disabilities, youth and poor people, and nutrition should be discussed. The inputs from the discussions can be integrated into project management documents to enhance projects performance.
121. A Geographic Information System (GIS) database to integrate social, environmental and climate themes and data layers. The database can form the basis of assessment and evaluations of the baseline environmental conditions of projects and subprojects to which subsequent project-specific impacts will be compared for monitoring. The SECAP will guide qualitative studies to improve the understanding of the effectiveness of the activities and constraints encountered around social and environmental issues.

⁹⁸ Programme for Rural Irrigation Development, "Grievance Redress Mechanism (GRM)".

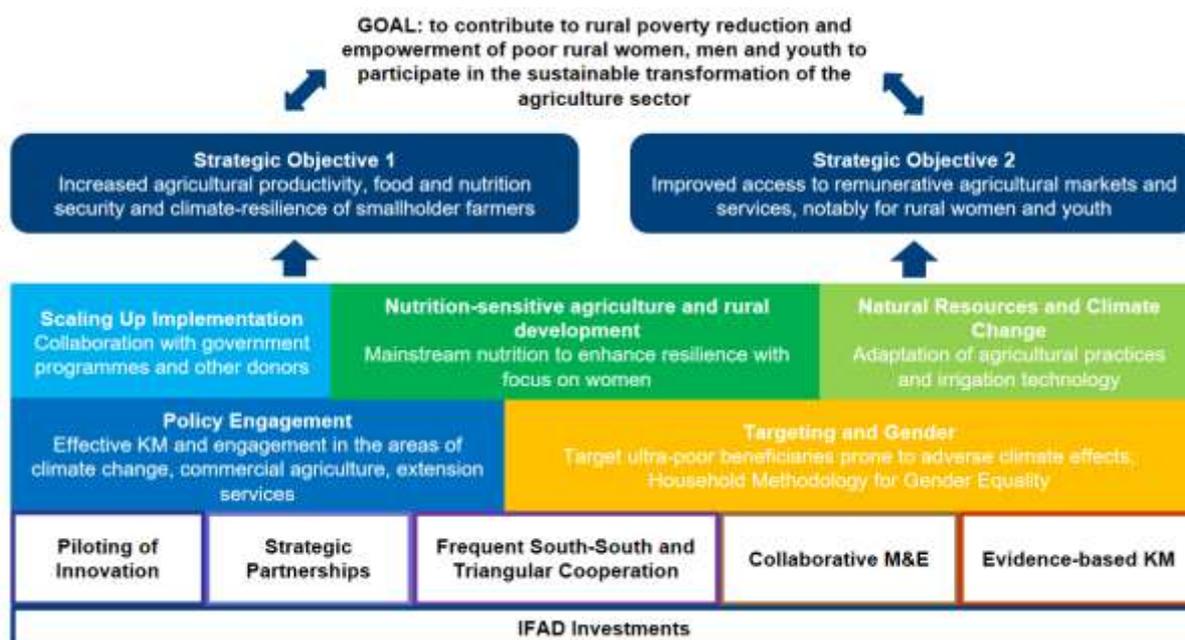
⁹⁹ Transforming Agriculture through Diversification and Entrepreneurship programme, "Project Design Report".

¹⁰⁰ Financial Access for Rural Markets, Smallholders and Enterprise Programme, "Supervision Report, 2022".

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Theory of Change



Main causes of rural poverty and food and nutrition insecurity

The main underlying causes of rural poverty and food and nutrition insecurity to be addressed lie in low agricultural productivity and insufficient access to remunerative markets, combined with high vulnerability to external shocks, in particular climate change. In addition, the predominantly rainfed agriculture is prone to drought and flooding, which destroy livelihoods, keeping or pushing back people into poverty and hunger. Natural resources, including arable land and forests, have degraded due to overuse and poor management. Smallholders are price-takers and face difficulties in adjusting to changing market demands.

Programme Goal

The COSOP's overarching goal is to contribute to rural poverty reduction and empowerment of poor rural women, men and youth to participate in the sustainable transformation of the agriculture sector.

Drivers of scaling-up to enhance the outreach

Building on the achievements of the IFAD Country Programme, the COSOP 2023-2029 will scale up its interventions to tackle these challenges in a cost effective way, based on three drivers, namely:

- using a broad range of tested innovative tools and approaches developed under the ongoing and past Programmes that are available at the level of the implementing partners (supply side);
- strong demand for these innovative tools from the grassroots level as demonstrated by ongoing programmes;
- mobilization of additional financing for scaling-up under the current PBAS; additional financing is foreseen for FARMSE (IFAD US\$30 million), PRIDE (IFAD US\$27.8 million and US\$7 million from the Adaptation Smallholder Agricultural Programme ASAP+) and TRADE (IFAD US\$17.8 million); and

Reaching out to beneficiaries

This approach will allow further rolling-out and deepening of good practices and successful initiatives and linking them into coherent approaches. This approach should allow reaching out to new beneficiaries while continuing to support the current portfolio of beneficiaries. The interventions under the COSOP aim to benefit 700,000 rural households or 3.50 million people, of which 50 percent women and 30 percent youth and young adults (between 18 and 35 years).

Strategic objectives and scaling-up of underlying investments

Under SO1, the focus will continue to be on agriculture productivity improvements and promotion of irrigation, resilience to natural shocks, as well as enhanced food and nutrition security, using successful practices including GAPs promoted under RLSP, SAPP and PRIDE; and community seed production and farm radio under RLEEP. The RIA impact assessment of SAPP, for instance, confirmed GAPs were able to considerably increase the productivity of several crops among beneficiaries. Aligned to the NRS, SO1 also aims to reduce the vulnerability of smallholders to weather extremes and natural disasters. Underlying investments include amongst others: (i) climate-smart agriculture (CSA), soil and water conservation technologies, GAPs, improved on-farm post-harvest storage; (ii) climate-proof infrastructure, disaster risk management, irrigation schemes and management; (iii) nutrition-sensitive agriculture; and (iv) improving access to land, especially for women and youth. SO1 will support Malawi's NDC through investments in climate adaptation actions with mitigation co-benefits e.g. renewable energy, climate smart agricultural, irrigation, water harvesting and climate and weather information systems. IFAD will also mobilize climate and environment resources from the GEF and GCF to co-finance SO1.

SO2 would focus on improved access to remunerative markets and services, as well as on and off-farm opportunities, which will allow enhanced productivity and surpluses to be marketed. This is aligned with the conclusion of the recent RIA impact assessment of SAPP that the project needed to improve how it linked beneficiaries to markets in order to maximise economic benefits. SO2 aims to enable smallholder farmers to benefit from remunerative agricultural value chains and provide off-farm employment opportunities for the youth and women. Producer groups will be assisted to address national and regional market opportunities with goods of the required quantity and quality standards. Underlying investments include amongst others: (i) marketing and value-addition facilities; (ii) financial and non-financial business services, as well as insurance; (iii) capacity building of professional organisations and their apex structures; (iv) innovative value chain platforms and digital information systems. Particular attention will be given to the tools developed under FARMSE and TRADE.

Innovations and scaling up for sustainable results

The COSOP will invest in innovations with a focus on integrating in and contributing to the effectiveness and efficiency of the IFAD Portfolio. Innovations will be promoted in KM&C (digital platforms, E-extension and financial services, M&E on biophysical and climate data), institutions (water catchment management, the Social Tenure Domain Model for land administration), CSA and nutrition technologies. With only 37.3 percent of the rural population owning a mobile phone and 9.3 percent of individuals in rural areas using the internet, all approaches to promote connectivity and digitalization will be supported.

Innovations for scaling-up will be selected using participatory processes. Avenues for ensuring the institutional sustainability of the programme and facilitate its scaling up will ensuring that: (i) the supported community-based institutions are financially viable before projects complete; (ii) market linkages are secured and self-financing before projects complete; (iii) operation and maintenance costs are budgeted in national budgets so that when large infrastructure is completed, the Government has set aside

the necessary funds for O&M, communication approaches, public-private-partnerships and tested mechanism, e.g. the Agricultural Commercialization Fund by TRADE, Farmer-to-Farmer Extension and the Pass-On Model by SAPP, the Village Challenge Fund by SAPP, the Innovation Outreach Facility, platforms and apex institutions by FARMSE, and the Malawi Innovation Challenge Fund by PRIDE.

Accompanying measures

The COSOP will support non-lending instruments (innovation grants, policy dialogue, capacity building, knowledge management and SSTC) to ensure optimal implementation and scaling-up of the lending programme. Details are presented in the main text of the COSOP.

Efficiency of coordination capacity for implementation

To ensure efficient and effective implementation, the Country Programme will use as much as possible the existing implementation and coordination capacity of the ongoing Programmes to fast track interventions. Further expanding on the existing programmes will allow addressing implementation bottlenecks through strengthening of capacity at various levels.

The CSPE highlighted: (i) the persistent capacity gaps of project management, despite the high investment in capacity building undertaken by IFAD and (ii) high staff turnover, particularly at district level.

The Country Programme would lever Malawi's possible participation in the African Agricultural Transformation Initiative, which is expected to support country programmes through the strengthening of partner ministries' institutional delivery capacities.

Sustainability of scaled-up initiatives

A strategy for the achievement of sustainable benefits by COSOP-end will be implemented. This strategy should focus on institutions, be it farmer organizations, community-based organizations, water users associations, etc. Through the building of value chains and involvement of private sector, many investments will ensure market access and should be commercially viable after project phase. It will sharpen the institutional space to allow for strengthening the activities that are working well, increasing the capacity of the delivery agents, better understanding the maturity of the farmer organizations, etc. Supporting the GoM's decentralization endeavours, building the capacities of local government and strengthening the linkages between local government services and IFAD's target group will contribute.

Monitoring and impact assessment

IFAD's Research and Impact Assessment (RIA) division will support impact assessments (IAs) in the portfolio, as already planned for the SAPP additional financing.

Agreement at completion point

Republic of Malawi Country Strategy and Programme Evaluation Agreement at Completion Point (ACP)

A. Introduction

1. The Independent Office of Evaluation of IFAD (IOE) undertook a country strategy and programme evaluation (CSPE) in Malawi in 2021. This CSPE was the first country-level evaluation conducted in Malawi; it covered the period from 2011 to 2021.
2. The **main objectives of the CSPE** were: (i) to assess the results and performance of the ongoing COSOP 2016-2022; and (ii) to generate findings, conclusions and recommendations for the next COSOP in 2022. The evaluation assessed the overall strategy pursued, implicit and explicit, and explored the synergies and interlinkages between different elements of the country strategy and programme, the extent to which the lending and non-lending portfolio (including grants) contributed to the achievement of the strategy, and the role played by the Government and IFAD.
3. This **Agreement at Completion Point (ACP)** contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for Malawi. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations and proposed follow-up actions

4. **Recommendation 1: Adopt an explicit approach to addressing chronic food insecurity and malnutrition through diversified and sustainable production system as COSOP objective.**
5. The programme would need to pursue this objective through a multi-pronged approach: policy engagement, partnerships and practices on the ground. Malawi's Food Systems Dialogue outlines priorities and pathways for partners to align their support. IFAD should work with the RBAs identifying bottlenecks that prevent wider adoption of diversified production systems. The programme would need to develop methodologies to understand the reasons behind the partial adoption or discontinuation of sustainable agricultural practices and address them effectively to ensure the long-term positive impacts. At implementation level, the programme should apply a two-track approach, supporting cash crops and market access for small-scale commercial farmers and diversified nutritious food production for subsistence-oriented farmers. This would require a differentiated targeting approach, similar to the one developed for SAPP. The role of community-level organisations and farmers networks should be further strengthened, to support them in their key role as multipliers and social safety mechanisms. Digital technologies (mobile networks and apps) may enable farmers to connect with information and institutions that can decrease uncertainty and mitigate risk for food insecure farmers.

¹ <https://sum.mitdialogues.org/wp-content/uploads/2021/09/National-Pathway-Report-Malawi.pdf>

Proposed Follow-up: Agreed. IFAD and the Government of Malawi to collaborate on addressing the bottlenecks prevalent in the food production system in Malawi. It is imperative that local and community level structures (which have been strengthened through deliberate interventions) be integral to both the designing as well as implementation of the approaches that will be developed. Eradicating food insecurity is at the centre of Malawi 2063.

Responsible partners: The Ministry of Finance and Economic Affairs; Ministry of Agriculture; Ministry of Local Government; The Ministry of Foreign Affairs; other relevant line ministries; international cooperating partners (including UN organizations and IFAD).

Timeline: 2022 onward. Government to intensify its interventions in addressing food insecurity in Malawi. This key as outlined in the First 10-Year Implementation Plan (MIP-1) of Malawi 2063.

6. **Recommendation 2: Develop a strategic approach for enhancing the impact and scale of successful practices and initiatives.**
7. The new COSOP should include a clear strategy on how it will enhance the impact of successful practices, support coherent roll out across districts and use the lessons learned to enhance the effectiveness and impact of upcoming initiatives and operations. The individual projects should provide fewer mechanisms of support, but implement them well, supported by strong monitoring. The CSPE provides the following sub-recommendations that should guide the strategy:
 - (a) **Continue rolling out good practices and successful initiatives, but enhance support of institutional mechanisms for sustainability and scaling up.** Partnerships with national structures such as the value chain platforms (RLEEP/TRADE), the national extension services (SAPP) and platforms and apex institutions (FARMSE) could provide avenues for scaling up. Districts will require direct support in scaling up practices. At district level, the programme should focus on fewer support mechanisms, which are coordinated with other development partners, to promote synergism among their interventions and ensure financial sustainability.
 - (b) **Deepen promising approaches and practices that are not yet consistently implemented and link them into coherent approaches.** This includes themes such as household methodologies and nutrition. The COSOP should include an approach to monitor implementation by different service partners, draw lessons from strengths and weaknesses and support (and monitor) a more consistent rollout of the approaches. The programme should also include measures to reduce the drudgery and demand on women's labour, and more youth specific activities that address youth interests and needs.
 - (c) **Review performance of new initiatives on an ongoing base and identify solutions to address bottlenecks swiftly.** This includes, for example, resolving the issue of MFI liquidity, which is holding up access to finance in FARMSE. Solutions might include more complex and time-consuming instruments, such as a guarantee fund or refinancing facility could address the issue. Other options for consideration could include an apex fund; and/or innovation fund supporting partnering of banks, MFIs and CBOs.
 - (d) **Step up efforts to monitor adoption and scale of practices from loans and grants, and track results as part of a comprehensive approach to knowledge management at country programme level.** IFAD would need to step up its technical assistance, to enhance the performance of the M&E systems (including data quality) and lessons learning from success and failure. In addition, the programme might consider external studies to provide more

sophisticated and unbiased methods for monitoring impact and sustainability of IFAD's interventions. External expertise would be required for climate-related interventions reporting and impact measurement, which should follow international standards (e.g. from IPCC), to enable a more accurate interpretation of the results in projects such as SAPP and PRIDE.

Proposed Follow-up: Agreed. The end of a partner financed project should not mean the end of the intervention(s). Government will explore the feasibility of scaling up the tried and tested good practices to maximise impact. For instance, the livestock pass-on has shown huge impact on rural farmers' livelihoods.

It is also imperative that capacity is built in monitoring and evaluation so that project interventions are thoroughly assessed at both impact and outcome levels. This will help generate findings that are crucial for both sustainability and scale-up purposes.

Responsible partners: The Ministry of Finance and Economic Affairs; Ministry of Agriculture; Ministry of Local Government; all projects/programmes; international cooperating partners.

Timeline: 2022 onward. SAPP is ending in March 2023. It is imperative to start exploring ways of scaling up some of the high-impact Good Agricultural Practices that were implemented under the project; as well as the livestock pass-on.

8. **Recommendation 3: Address implementation bottlenecks through targeting specific capacity constraints at various levels.**

The COSOP should include concrete solutions to address capacity gaps within specific institutional set ups. Specific strategies to address recurrent delays in implementation would include, but not be limited to the following:

- (a) **Project coordination units (PCUs)** will require a preparatory phase for the recruitment of external project staff. The PCU should provide the required management skills, but also specialised staff with the technical skills to support implementation, such as M&E, gender and specialism in relevant areas such as agricultural production systems, value chains, financial services and others. Further expertise would also be needed to link the data provided by financial service providers into a comprehensive reporting system in FARMSE. PCUs also need to be provided with tools for assessing implementation capacities and monitoring their performance of service providers.
- (b) **Project offices in government** will need to develop incentives to attract and retain project management staff. Project offices should include dedicated staff to ensure implementation of cross-cutting issues such as gender, nutrition and climate change.
- (c) **District-level coordination** will require a donor-harmonised approach. In addition the COSOP should identify mechanisms to support the government in the implementation of decentralization, for example through the National Local Government Finance Committee, which has a mandate to coordinate donor-support to decentralisation.
- (d) **Infrastructure investments** will require a preparatory phase, to allow time for government approval and technical design. Furthermore, government and IFAD will need to mobilise the technical expertise required for quality assurance and supervision.

Proposed Follow-up: Agreed. Government of Malawi recognises that successful implementation of projects/programmes largely depends on the project coordination units/project offices. As such, the need to recruit qualified staff cannot be over-

emphasised. Drawing from the experience of PRIDE and TRADE projects, it is therefore important that programming of future interventions should indeed have a preparatory phase for recruitment of external staff. The Government of Malawi commits to offer competitive remuneration packages to project staff to curb turnover. The current harmonized remuneration is being reviewed to align with recent development.

Responsible partners: The Office of the President and Cabinet; the Ministry of Finance and Economic Affairs; the Department of Human Resource Management and Development; all projects/programmes; IFAD.

Timeline: 2022 onward, Government is already looking at remuneration package(s) for project staff in public projects. The current packages became effective in 2018 and therefore it is only right to review the same in light of macro-economic as well as market development.

Signed by:


Nations Msowoya

Acting Director of Debt and Aid

For: SECRETARY TO THE TREASURY
Ministry of Finance and Economic Affairs,
Government of Malawi

Date: 09/05/2022





Mr Donal Brown

Associate Vice-President, Programme Management Department
International Fund for Agricultural Development

Date: 16.05.2022

COSOP preparation process

Changes in the programming context

The Malawi Country Strategic Opportunities Programme (COSOP) 2023-2030 consultation process was shaped by two key contextual factors, pertaining both to Government and IFAD:

- Change in lending terms: IFAD12 PBAS resources will be provided as 80 percent on Super Highly Concessional terms and 20 percent on Highly Concessional terms in 2022. Given the economic projections and the dependence of Malawi on external financing, this would become in 2023 a 100 percent DSF grant instead of a loan.
- CSPE process: The design of the COSOP benefited from recommendations by the Independent Office of Evaluation Malawi Country Strategy Programme Evaluation (CSPE) 2011-2020, in particular in the field of innovation, targeting rural poor and vulnerable people, and monitoring and evaluation.

Main steps in the preparation process

The IFAD country team adopted an intensive and gradual consultation process that offered repeated opportunities to engage with a wide range of stakeholders and decision makers at each stage of the process, and gathered a high powered design team composed of senior national and international consultants under the leadership of the Country Director.

A team of consultants conducted a mid-term assessment of the 2016-22 COSOP in September 2019 (CRR) and presented its conclusion to PMUs and stakeholders' through a series of in-person consultations held in September 2019 with selected development partners, private partners, NGOs and government agencies including the three PMUs active at that time. The main output of the CRR was a **revised and remarkably more ambitious results framework for the COSOP**, with the majority of targets being increased by minimum 50%, on the basis of the level of performance of the different programmes of the portfolio.

Subsequently, the CCR exercise was carried out following a similar format in September/October 2021. Consultations were held remotely due to COVID-19 travel restrictions. The CCR was held at the same time of CSPE consultations, thus providing the country team and PMU with a venue to review implementation performance in depth and through a country programme lens, i.e. also identifying venues for the different programmes to cooperate towards the COSOP objectives. The CCR process aimed also at understanding the relevance of the SOs vis-à-vis the Government strategy and plan for the use of IFAD12 resources to optimise the scale up the most performing activities of the current portfolio.

The CCR consultations involved a wide range of stakeholder, including representatives of the Ministries of Agriculture and Finance, beneficiaries of the Country Programme, as well as several implementing entities and partners, including the two RBAs, namely FAO and the World Food Program (WFP), World Bank (WB), GIZ, the European Union (EU) delegation, Oxfam, Nyama World, Heifer International, FIN COOP, all organised in close consultation with the DCAFS secretariat. The outcome of these discussions paved the way towards the formulation of the new COSOP in 2022, as they allowed for a vast brainstorming on the new COSOP goal and strategic objectives.

A COSOP design mission was carried out from 14 to 18 February 2022 to engage in follow up consultations with various stakeholders and to develop a first draft COSOP, in alignment with the proposals for investment projects top ups previously discussed with Government.

The team was predominantly composed of staff and consultants that have been involved in the in the previous COSOP reviews, as well as in other implementation support activities.

During the course of the mission, a series of thematic workshops and target audience specific consultations were held with:

- Government representatives: including representatives from the Ministry of Finance and Economic Planning; Ministry of Local Government and Rural Development (MLGRD); Ministry of Agriculture; Ministry of Finance and Economic Affairs; Ministry of Trade and Ministries of Gender, Environment and Climate, Youth, and Health; and the Economic planning department;
- PMU directors;
- PMU M&E and Knowledge Management experts;
- RBAs representatives;
- World Banks, UNDP, GIZ, the EC and other and DCAF members;
- selected current and prospective NGO service providers including OXFAM, AGRA, World Relief, Total Land Care (TLC), Rumark, Heifer;
- selected prospective private sector players, including Nyama World, Yara, Malawi Milk Producers Association, FinCoop, FHD Bank, New Building Society NBS; Malawi Standard Bank, Malawi Seed Company (MUSCO).

A first draft of the COSOP report was prepared in the 2 weeks that followed the mission. Upon receipt of the country team's feed-back, the mission team leader prepared a revised draft in early March 2022 which was subsequently reviewed presented to the DCAFS members in a dedicated virtual meeting held on 21 March 2022, and subsequently shared with Government and IFAD, to be then followed by an OSC meeting in June 2022.

The COSOP submission to the Executive Board of IFAD is scheduled in September 2022.

Key strategic partnership

Introduction

A range of partnerships have been built under the IFAD financed programmes over the years and there is there need for greater focus on the synergies, combined strengths and complementarities by different partners for the various programmes so that IFAD shows greater presence in the sectors that it is working with—agriculture, nutrition, climate change adaptation, irrigation and rural financial services. Both existing and potential emerging collaboration should be harnessed.

Partnership with Government

IFAD has continued to work closely with lead implementing agencies of the Government of Malawi (GoM) at national level mostly with Ministry of Finance and Economic Affairs (MoF), Ministry of Agriculture (MoA) and Ministry of Local Government (MoLG). These government ministries and the directorates under them, using independent programme implementation Units have successfully led programme implementation and supported the realisation of COSOP outcomes. These partnerships will continue to be strengthened during the period 2023-2030 to ensure further success of the programmes.

Partnership with District Councils

The key entry points for the implementation of IFAD financed programmes have been the district councils, which directly fall under the Ministry of Local Government (MoLG). IFAD-supported programmes will continue to be implemented through the structures of the District Councils through the District Planning and Implementation Support teams (DPISTs). This pivotal partnership will facilitate close collaboration as IFAD Programmes will continue to provide financial, material and technical support to facilitate provision of effective programme coordination, implementation, monitoring and providing technical support to a wide range implementation partners under FARMSE, PRIDE, SAPP and TRADE. There is need to ensure that the involvement of the District councils is consistently similar among the different districts in Malawi. There is also need to ensure effective linkages at the district council among the IFAD supported programmes and with other programmes supported by other development partners.

Implementing partners

Implementing partners for FARMSE, SAPP and PRIDE have been crucial in realising the COSOP outcomes.

Potential implementing partners for **TRADE** under its value chains interventions will also support achievement of expected programme outcomes. The various NGOs and Civil Society Organisations, which are active in both rainfed and irrigation agriculture, rural finance and nutrition have been crucial in scaling up results through close collaboration. The partnerships in climate change and environmental management, including catchment conservation with Environmental Affairs Department (EAD), Total Land Care (TLC) have been effective but need to be further strengthened and provided with appropriate capacity building. This should include developing systems and structures for effective programme implementation. There is a potential partnership development with CGIAR. Areas of collaboration are: i) improved sunflower seed breeding and creation of a sustainable seed system; ii) improved and affordable potato seed storage system for smallholder farmers; iii) improved and affordable post-harvest management technologies for groundnuts for smallholder farmers beyond the Mandela cock.

FARMSE will continue to work closely with many stakeholders in the rural financial sector, including (i) commercial banks to increase outreach of financial access

innovations, (ii) microfinance institutions to scale up outreach of entrepreneurship training, loans and savings products, (iii) with NGOs to further scale up and strengthen village SLGs.

PRIDE will continue to collaborate closely with key stakeholders in the irrigation sector a) Department of Irrigation (DoI) and development partners for mobilisation of additional resources towards construction of irrigation schemes not yet targeted for the irrigation infrastructure, b) Department of Agricultural Research Services for adaptive research trials to generate good agricultural practices specific to irrigation farming, c) stakeholders in the environmental sector including EAD and VNRMCS for conserving micro catchments adjacent to the targeted irrigation schemes to put the catchments under soil and water conservation measures for effective management of various physical and biological interventions, d) rolling out formation, registration and capacity building of Water Users Associations (WUAs), e) collaborate with 12 countries in the West, East and Southern Africa that are part of the Resilient Food Systems Programme on green Value Chains

Another area of partnership with implementing partners is nutrition. Scaling up collaboration with institutions that drive nutritional interventions, including MoA, development partners such as FAO, WFP and UNICEF and exploring synergies with IFAD programmes need to be appropriately strengthened.

Community level partnerships

This is a crucial partnership level at which COSOP interventions are implemented and results experienced by the beneficiaries and, therefore, require on-going strengthening, scaling up, closer collaboration and capacity building for sustaining results. Partnerships by the programmes with community based institutions, including Village Development Committees (VDCs), Village Natural Resources Committees (VNRMCS) and Catchment Management Committee (CAC) are an important component for the success of COSOP interventions. However, most of these community based institutions have inadequate capacity to deliver on their mandates. This needs to be strengthened to enhance their performance.

Partnership with the private sector

This is another partnership area of great importance for agricultural development, especially as it relates to the marketing function and the development of innovative rain-fed and irrigation farming technologies, seed services and other practices that increase agricultural productivity. Regarding marketing, smallholder farmers in Malawi continue to experience unfavourable markets, they are on the whole **price takers**. Therefore, it is very important to collaborate with private sector partners and to link smallholder farmers to stable, functional and profitable markets. The collaboration with MUSECO through its provision of high quality seed (maize, soybeans, common beans and groundnuts), seed multiplication and marketing should be strengthened. The partnership between SAPP and RUMARK, an agro-dealer needs to be further scaled up and the collaboration strengthened. The partnerships with private sector players should provide relevant incentives to the private sector to participate in various government-owned programmes supported by IFAD and other development partners.

Partnerships with YARA for fertilizer distribution to smallholder farmers as a response to COVID-19 was timely for improving food security and should be strengthened to allow for a potential support on a response to cyclone ANA.

Partnership with Development Partners

IFAD will actively participate in the Donor Committee on Agriculture and Food Security (DCAFS) in Malawi. Partnerships with the development partners and IFAD is an on-going arrangement through the DCAFS, coordinating donor efforts around agriculture, food security and policy relevant to agriculture transformation and productivity. This coordination requires further and much closer collaboration to allow for finding space for synergies among DP's specific programmes. IFAD's participation in the DCAFS will be enhanced and a more structural collaboration with other development partners will take place thanks to the new Country Office.

Partnerships with UN Agencies

IFAD will continue its close collaboration with other UN agencies, including its participation in the second United Nations Development Assistance Plan for Malawi (UNDAF 2019-2023), and its successor (UNDAF 2024-2029), the COVID-19 coordination with UNRC, and the Innovation Challenge Fund with UNDP. The collaboration with Rome-based UN agencies (IFAD, FAO, WFP) will continue to receive particular attention to ensure complementarities and synergies between projects, including the Gender Transformative Approaches (GTA) initiative. In addition to the areas mentioned above, collaboration with FAO will include (i) support to Government efforts to combat the fall armyworm; (ii) technical support from the FAO Investment Centre through the FAO/IFAD cooperation programme. Potential partnerships with AfDB and OFID for investments in infrastructure may be explored.

Strategic partnerships framework

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>
Engaging in policy and influencing development agendas	Ministry of Finance and Economic Affairs	Development of Financial inclusion instruments strengthened	Key partner for providing overall programme implementation oversight and direction for all IFAD financed programmes. IFAD will also collaborate with MoA as the lead implementing agency for FARMSE.
	Reserve Bank of Malawi	Improving legal and regulatory environment for rural finance and enhancing access to financial services	Key strategic partner for FARMSE and crucial for close collaboration on financial inclusion and access to create a conducive environment to improve access to financial services
	Ministry of Agriculture	Strengthened programme coordination and implementation	Lead agency for implementation of PRIDE and SAPP. IFAD will continue to work closely with MoA.
	Ministry of Local government	Strengthened coordination and implementation of TRADE	Lead agency in the implementation of TRADE. IFAD will collaborate with the Ministry
Leveraging Co-financing	FAO/GCF	Climate finance realised under partnership with FARMSE	IFAD participants in environmental friendly interventions
	NORAD	Collaborative initiative on nutrition with FARMSE.	IFAD mainstreaming agenda
	AFDB		Possible investments in infrastructure
	OFID		Possible investments in infrastructure
Enabling coordinated country-led processes	DCAFS	Better coordination on agricultural and food security programmes and policies	Many partners participating in policy making and implementation and, a platform for coordinating activities and engaging government
	UNCT	Joint implementation in UNDAF 2019-2024 and Development of UNDAF 2024-2029 and improved monitoring and reporting	IFAD contribution to UNDAF tracked and documented

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>
	RBA	Collaborative initiative on nutrition and gender and, exploring synergies with IFAD financed programmes	RBAs have agreed to collaborate closely in areas in a number of areas where synergies are identified
Developing and brokering knowledge and innovation (including SSTC)	JICA/SHEP	Strengthened marketing of smallholder produce by producing for sale	Many smallholder farmers need a stable market for their agricultural output
	UNDP	Collaboration with PRIDE using challenge fund for irrigation innovation systems	Innovative irrigation systems for smallholder farmers to increase their resilience.
Strengthening private sector engagement	MUSECO	Better access to seed and seed multiplication	High quality seeds are crucial for improved agricultural productivity
	RUMARK	Strengthened partnership and improved access to agricultural inputs	RUAMRK is an important agro-dealer for reaching out to smallholder farmers
	YARA	Strengthened partnership and potential support of effects of cyclone Ana	To explore further areas of collaboration and support to smallholder farmers
Enhancing visibility	District Councils	Improved coordination and implementation as IFAD programme interventions reach out to the beneficiaries	Close collaboration between the district council and community based organisations improves implementation
	VDCs/VNRM/CACs	Improved participation of beneficiaries in IFAD supported programmes	Close interface and capacity building of beneficiaries is critical so sustainability of interventions.

South-South and Triangular Cooperation strategy

I. Introduction

For IFAD12, SSTC represents a key instrument for promoting sustainable and inclusive food systems transformation and the recovery, rebuilding and resilience of rural livelihoods and support Member States in their development pathway.

The IFAD South-South and Triangular Cooperation Strategy 2022-2027 considers it an integral part of a comprehensive country-level approach promoting the four mainstreaming themes, through strengthened partnerships, policy engagement and generated innovation and knowledge. Its two objectives are (SO1) to systematically identify and disseminate knowledge and innovations at the country programme and project level; and (SO2) support enhanced policy engagement to build rural poor people's productive capacity, market access and resilience.

The SSTC strategy of the Malawi COSOP is aligned to both SOs with particular emphasis on SO1. Extensive efforts were made by the country programme over the past COSOP (2016-2022) towards the identification and dissemination of knowledge and ICT4D solutions at the country and project level and the creation of learning opportunities across projects. The outputs of these efforts include:

- A. The creation of a Malawi/Zambia Community of Practice (CoP), i.e. a forum for IFAD PMU members in Malawi and Zambia to discuss programme implementation issues with their peers from other programmes, with the overall objective to create venues for peer to peer exchanges of programme management lessons and best practices, with a particular focus on the areas of Knowledge Management and M&E.
- B. The DATA.IFAD ESA results management dashboard, another initiative covering the whole IFAD portfolio in Malawi and resulting from a transfer of knowledge and tools with the IFAD Brazil country team. The system, which has been integrated in the first half of 2021, offers a space for the provision of live data that can be automatically uploaded by programmes through standardized formats that follow the IFAD templates for annual work plans and budgets (AWPBs) and logframes. Programmes are enabled to provide impact and financial data more frequently, thus enabling the prompt identification of implementation bottlenecks that can then be jointly addressed by the IFAD country team and programmes, thus improving programme management and performance. The partnership with LAC allowed the IFAD Malawi country team to build on existing in-house experience in establishing such systems, thereby reducing the implementation time and resources needed for the initial investment for this pilot.
- C. The testing of several ICT4D solutions in the context of the COVID-19 pandemic, to support the dissemination of learnings and knowledge within and across programmes. Some of them have the potential to be expanded to other portfolios in the sub-region, as outlined below.

II. SSTC engagement rationale

SSTC is playing a greater role than ever before in the development cooperation landscape and innovation in Southern Africa and is generating new tools and partnerships for tackling a series of complex rural development issues.

Of particular interest to Malawi is the area of **ICT for Development (ICT4D)**. Among the core objectives set out in the "Malawi National ICT4D Policy" is to facilitate the deployment, utilisation and exploitation of ICT in order to improve access, quality, relevance and delivery at all levels. Of particular interest is the development and

provision of ICT services in software development, financial services and other ICT services targeted at the export market.

III. Opportunities for rural development investment promotion and technical exchanges

In IFAD11, **ICT4D** has been gaining relevance in the country programming of IFAD operations in Malawi, and the COSOP 2023-2030 will undertake a range of SSTC activities that build on the success of activities already tested by single programmes with a view to expand their scope and disseminate their learnings to neighbouring countries.

The ICT4D tools to be considered for this purpose are the e-extension platforms for the delivery and exchange of information to and between programme beneficiaries through basic mobile phones, promoted by FARMSE; the digital learning tool for household training and GAPs dissemination promoted by SAPP.

Some of these solutions have proved to be fast-to-implement and cost effective solutions to address challenges related to the scarcity of extension staff, Agricultural Extension Development Officers (AEDOs) and Agricultural Extension Development Coordinators (AEDCs), in addition to being crucial mechanisms for business continuity during the COVID-19 crisis.

The above good practices were systematised in a series of KM notes and disseminated internally through a tracking system led by PMI, and a learning and sharing event involving PMU staff and other IFAD country teams within PMD, thus allowing for inter/intra-regional share of best practices¹⁰¹.

In addition, under the **Rural Poor Stimulus Facility (RPSF)**, multiple projects have integrated an ICT4D dimension to address the physical restrictions imposed during the pandemic.

- a. In Burkina Faso: the Agricultural Value Chains Promotion Project which added a digital marketing platform and market information call centre and promote partnerships along vegetable value chains.
- b. In Madagascar: support was provided to the Ministry of Agriculture, Livestock and Fisheries to set up a digital platform for information on prices and market opportunities.
- c. In Sierra Leone through the Agricultural Value Chain Development Project, a digital platform was established to serve as a repository for extension and market information.

Other relevant ICT4D solutions reported in the **IFAD's Rural Solutions Portal** are:

- a. The [Smart Nkunganire System \(SNS\)](#) in Rwanda which offers interactive features to monitor all operations of the national subsidy programme and provides instant advisory content for upcoming events and markets.
- b. [AgriPredict](#) in Zambia which uses a cell phone app to offer advice to smallholder farmers on challenges that hinder their activities.
- c. [The Amplio Talking Book audio device](#) in WCA which provides access to information that enables low-literate populations to gain new skills and knowledge to improve their lives.
- d. [Access Agriculture](#) A wealth of freely downloadable, quality training videos on ecological farming and food processing in international and local languages

In collaboration with the Global Engagement, Partnership and Resource Mobilization (GPR) division, opportunities to link with some of these initiatives will be sought for the

¹⁰¹ <https://drive.google.com/file/d/1GBY3SB85DmfLEd7bKy74yxUI3LN6G3CG/view?usp=sharing>

Malawi portfolio to both contribute to and learn from their best-practices and replicate their success as part of the SSTC activities.

Other partnership venues to be expanded during the 2023-2030 COSOP in an effort to boost SSTC include: the collaboration with UNDP established by PRIDE in the use of the Malawi challenge fund for the development of innovative irrigation systems; and the partnership with commercial banks (FHD being one promising perspective) for the dissemination and expansion to neighbouring countries of good financial practices, such as the FDH Ufulu digital account, an easy-to-open account offering absolute convenience to the rural community promoted by FARMSE.

IV. Conclusions

Through SSTC, IFAD is well positioned to advance the global ICT4D agenda in Malawi and other neighbouring countries. Digital and financial literacy have the potential to help move the digital agenda forward among rural communities and make it easier to develop sustainable digital offerings. IFAD will continue to invest in areas that can help move these efforts forward, such as public-private partnerships and capacity development initiatives.

Procurement risk matrix – Part A: Country Level

Division		ESA - East and Southern Africa				
Country		Republic of Malawi				
Project		Country Strategic Opportunities Programme (COSOP)				
Date		16-Feb-22			NET RISK RATING	
INHERENT RISK RATING		2.00			2.20	
#	Description of Risk Feature	Rating	Assessment Basis	Remarks	Recommendation /Mitigation	Rating
A	COUNTRY RISK ASSESSMENT	2.00				2.20
1	Legal and Regulatory Framework	1.60				2.00
a	Country procurement law, regulations and manual exist	3	3 they all exist, 2 only two exist, 1 only one exist or none	They all exist. The 2017 Public Procurement Act is in force and is a revision of the 2003 act. Procurement Regulations were approved in 2020 and were updated to be consistent with PPDA Act 2017, while desk instructions are still based on the PPA 2003 and are being updated.		3

b	Existence of Standard Bidding Documents for Goods, Works and Services	2	3 all exist, 2 only for NCB & ICB, none for Shopping, 1 none exists	The desk instructions on public procurements make reference to Standard Bidding Document but no templates are contained in the instructions. Some templates are available on the PPDA website, while most of them are obtained from the PPDA Authority upon request. The SBDs are still based on the PPA 2003 and need to be updated to be consistent with the 2017 Act and 2020 Regulations.	IFAD should engage in policy dialogue so as to explore the possibility for the PPDA to publish all SBDs templates on the website, for easy access and transparency. IFAD SBDs should be used when national SBDs are not available or not compliant with IFAD requirements	2
c	Procurement Monitoring	1	Use PEFA Framework, see worksheet for details	According to the PEFA assessment carried out in 2018, there are no comprehensive databases available in procuring entities at the level of Public Procurement and Disposal Authority (formerly known as Office of the Director of Public Procurement - ODPP). Specifically, records are not accurately maintained for contracts in procuring entities, including data on what has been procured, the value of the procurement and to whom the contract was awarded	According to the PEFA report, National Audit Office (which is responsible for procurement audit) has no resources and capacity to properly exercise its functions, IFAD should liaise with GoM to find a better solution	1

d	Procurement Methods	1	Use PEFA Framework, see worksheet for details	According to PEFA assessment, no data is available on which to judge the extent to which various procurement methods are used for the award of contracts. The assessment found that at least 80% of contracts awarded in the period under review followed the 'restricted tender' procedure, even though open tender is the default method of procurement. However, the PEFA assessment also highlights that adequate data for other methods was not available at the time of assessment.	Based on the IFAD project procurement guidelines, projects should limit the use of restricted tendering to only those cases where it is absolutely justifiable and only after receiving IFAD's No Objection	2
e	Public access to procurement information	1	Use PEFA Framework, see worksheet for details	The latest PEFA assessment states that key procurement information is not made available to the public, beyond legislation in the Government Gazette and bidding opportunities in newspapers. The government does not have a functional system to generate substantial and reliable coverage of key procurement information. In addition, websites of PPDA and procuring entities are non-functional and most procurement entities do not have resources to place advertisements relating to publically awarded contracts.	Projects should ensure to publish advertisements related to contracts awarded in the most widely circulated newspapers in country. Furthermore, as part of their institutional support, projects should enhance the Internal Procurement Committee's website, to ensure that when needed,	2

					procurement notices can also be published on the website.	
2	Accountability and Transparency	2.40				2.40

a	Procurement Complaints Management	3	Use PEFA Framework, see worksheet for details	<p>Malawi scored B on the 2018 PEFA framework which states that there are complaint mechanisms in place. There is a well-structured legislation with a three-tier process through Procuring and Disposing Entity, then ODPP and finally High Court. Section 38 (4) of the Public Procurement Act 2003 provides that appeals against the decision of the head of procuring entity shall be made to the concerned Minister or, in the case of procurement whose value exceeds the threshold prescribed in the Regulations, to the Director of the Office of Public Procurement. Section 38 (6) of the Act provides for the establishment of a Review Committee by the Director of Public Procurement. The Review Committee is formed by the Director to whom it reports its findings. Section 38 (13) of the Act empowers the High Court to have jurisdiction over actions of both the procuring entity and Review Committee, and over petitions for judicial review of decisions made by review bodies (the procuring entity and Review Committee) or of the failure of those bodies to make a decision within the prescribed time-limit.</p>		3
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b	Country Corruption Perception Index score	2	The score is published on Transparency.org. 0 to 29 = 1, 30 to 60 = 2, 61 to 100 = 3	Malawi has a score of 35/100 in the 2021 CPI and ranked 110th out of 180 countries. Over the past few years some of the corruption measurement metrics indicate that Malawi has been making progress on the anti-corruption front.	Lead Project Agency to ensure that any individuals, firms and Government stakeholders involved in the implementation of projects in Malawi are well informed of IFAD's policy on preventing fraude and anti-corruption in its activities and operations.	2
c	2-tiered system to handle complaints	3	3 as stated, 2 only a single level system, 1 no system	The Malawian Procurement Act establishes a 3-tiered complaint management system: through the Procuring and Disposing Entity (PDE), then the PPDA and finally the High Court. Based on the threshold of the procurement process the complaint is presented either to the Minister of the concerned PDE or to the Director, PPDA. Furthermore, the Act also prescribes the creation of an ad-hoc Review Committee to decide on the outcome of the complaint. The Act also gives ample jurisdiction to the High Court on jurisdiction on the actions of both PDE and Review Committee. However, the PEFA review shows that Complaints Reviews are not effectively handled by either the procuring entity or ODPP, thereby leading to lack of trust in the system by the private sector.		3

d	Existence of a debarment system	2	3 full existence, 2 existence of complaints body that is the authority, 1 does not exist	The PPDA is mandated under s. 56 (1) of the Public Procurement Act, 2017, to debar or exclude from public procurement a bidder or supplier who has committed a misconduct prescribed in the regulations. Compared to the Procurement Act of 2013, the 2017 Act establishes penalties for misconduct on the part of officials of Procuring Entities.	Programme and the Lead Implementing Agency to ensure IFAD has access to the list of debarred suppliers/bidders.	2
e	Existence of an independent and competent local authority responsible for investigating corruption allegations	2	3 existence of independent Anti-Corruption agency, 2 existence of an office within a government ministry/agency that carries out some/all of these functions, 1 does not exist	The 1995 Anti-Corrupt Practices Act established the creation of the Anti-Corruption Bureau. The Anti-Corruption Bureau responds directly to the Minister of Justice, and reports yearly to Parliament. Furthermore, the Procurement Act establishes that Single Source method of procurement or any high value procurement shall be subject to vetting by the Anti-Corruption Bureau, pursuant to the powers conferred on the Bureau under section 10 of the Corrupt Practices Act.	Project to ensure that all project stakeholders, including service providers and other parties providing services to the project, are aware of IFAD's hotline to report misconduct of any kind and corruption.	2

Risk Rating System

- 3 **L: Low Risk**
- 2 **M: Medium Risk**
- 1 **H: High Risk**

Country at a glance

Country Portfolio Summary

Region	East & Southern Africa	Member of Country Groups :	
Country	Malawi	Least Developed country	Yes
Current Financing Terms	SHC/HC	Low-income, food deficit	Yes
Ranking all Countries	30	HIPC DI Eligible	Yes
Ranking within region	8		

Country Indicator	Value	Year	Source
Agriculture, value added (% of GDP)	26.10	2017	World Bank
GNI per capita, Atlas method (current US\$)	320.00	2017	World Bank
Human development index (HDI) value	0.48	2017	UNDP
Population, total	18,622,104.00	2017	World Bank
Rural population	15,509,606.00	2017	World Bank

Key Dates	
Last RB-COSOP Approved AVP/PMD	04 Nov 2016
First Project Approved	08 Sep 1981
Last Project Approved	11 Dec 2019

IFAD Interventions		
	Number of Projects	IFAD Approved USD ('000)
Available for Disbursement	4	232,128
Financial Closure	10	118,509
Total IFAD commitment	14	350,637

IFAD Interventions Summary									
Project Number	Financing Instrument ID	Currency	Approved Amount	Disbursed	Loan/Grant Status	Project Status	Board Approval	Cooperating Institution	
110000070	1000002620	XDR	9,600,000	80%	Closed	Closed	08 Sep 1981	WB	
110000120	1000001977	XDR	8,500,000	100%	Closed	Closed	21 Apr 1983	WB	
110000120	1000000468	XDR	1,000,000	82%	Closed	Closed	21 Apr 1983	WB	
110000158	1000002018	XDR	13,650,000	90%	Closed	Closed	12 Dec 1984	WB	
1100000212	1000002079	XDR	4,950,000	97%	Closed	Closed	02 Dec 1987	WB	
1100000212	1000000473	XDR	400,000	100%	Closed	Closed	02 Dec 1987	WB	
1100000338	1000002218	XDR	8,650,000	71%	Closed	Closed	02 Dec 1993	UNOPS	
1100000464	1000002683	XDR	9,350,000	62%	Closed	Closed	15 Sep 1993	UNOPS	
1100001047	1000002366	XDR	9,250,000	94%	Closed	Closed	23 Apr 1998	UNOPS	
1100001164	1000002470	XDR	10,700,000	99%	Closed	Closed	12 Sep 2001	IFAD_NB	
1100001334	1000002596	XDR	5,500,000	95%	Closed	Closed	13 Dec 2005	WB	
1100001365	1000002989	XDR	4,950,000	100%	Closed	Closed	13 Dec 2007	IFAD_NB	
1100001365	1000002988	XDR	5,350,000	100%	Closed	Closed	13 Dec 2007	IFAD_NB	
1100001534	1000004178	XDR	14,650,000	99%	Disbursable	Disbursable	13 Dec 2011	IFAD	
1100001534	1000004179	XDR	14,250,000	98%	Disbursable	Disbursable	13 Dec 2011	IFAD	
1100001534	2000003500	XDR	2,700,000	65%	Disbursable	Disbursable	05 Aug 2020	IFAD	
1100001534	2000003499	XDR	7,300,000	71%	Disbursable	Disbursable	05 Aug 2020	IFAD	
1100001670	2000001448	XDR	5,150,000	66%	Disbursable	Disbursable	17 Dec 2015	IFAD	
1100001670	2000001450	XDR	19,300,000	29%	Disbursable	Disbursable	17 Dec 2015	IFAD	
1100001670	2000001449	XDR	19,350,000	52%	Disbursable	Disbursable	17 Dec 2015	IFAD	
2000001501	2000002130	USD	21,000,000	62%	Disbursable	Disbursable	11 Dec 2017	IFAD	
2000001501	2000002129	USD	21,000,000	62%	Disbursable	Disbursable	11 Dec 2017	IFAD	
2000001600	2000003234	XDR	13,700,000	3%	Disbursable	Disbursable	11 Dec 2019	IFAD	
2000001600	2000003233	XDR	37,050,000	3%	Disbursable	Disbursable	11 Dec 2019	IFAD	

Projects In Pipeline		
Current Phase	Number of Projects	IFAD Proposed Financing USD ('000)
Total	0	0

Financial Management Issues Summary



COUNTRY	Malawi	Programme: COSOP	
A. COUNTRY PORTFOLIO PERFORMANCE			
Country – FM KPIs:			
<i>FM Inherent Risk:</i>	Substantial	<p>TI 2021: Malawi scores 35/100, which places the country at the 110th place (out of 180) in the 2021 Corruption Perception Index. The 2021 report reveals a marginal improvement of the CPI index (5 positions) as compared to the year 2020.</p> <p>PEFA (2019): The latest Public Expenditure and Financial Accountability (PEFA) report is dated 2018; it highlights important improvements in the overall management of the annual budget. According to the PEFA, Malawi scores poorly (D score) on 13 indicators, including procurement, financial report, internal and external audit, public asset management, fiscal strategy and multi-year perspective in fiscal planning, expenditure policy and budgeting.</p> <p>In the 2019 World Bank's Ease of Doing Business Report, Malawi is ranked 111 out of 190 countries (110 position in the previous survey).</p> <p>WBG-IMF Debt Sustainability Overview: Malawi is at moderate risk of external debt distress with limited space to absorb shocks and high risk of overall debt distress. A moderate rating is maintained for external debt distress, in spite of the negative macroeconomic impact and rise in fiscal borrowing in 2020 related to the COVID-19 pandemic and a gradual increase in project loans over the medium term; while debt remains sustainable, Malawi is at high overall risk of debt distress. The present value of total public debt-to-GDP is projected to peak at 71.3% in 2024 and remain above the benchmark over the projected period, thus reflecting in a larger domestic primary deficits financed through domestic debt contracted at high interest rates, especially during FY 2020-2021-FY 2021-FY2022. The Debt Sustainability Analysis (DSA) incorporates current projections of the impact from the COVID-19 pandemic.</p>	
¹ Country Disbursement Ratio (rolling-year)	12.70%		
Outstanding Ineligible Expenditure	Nil		
Outstanding Advances (Projects in Expired Status)	Nil		
Applicable PBAS cycle:	IFAD12		
PBAS Available allocation:	75,783,874		
<p>¹Corporate Disbursement Ratio Methodology considers ASAP, AFD, IFAD, KFW and SPA financing sources only.</p>			

CURRENT LENDING TERMS

SHC/HC

B. PORTFOLIO, FM RISK & PERFORMANCE**Existing Portfolio:**

Project	Financing instrument	FLX Status ⁽²⁾	Lending Terms	Currency	Amount (million)	%Disbursed	Completion date
SAPP	200000349900	DSBL	Highly Concessional by currency	XDR	7.3	48.68	30/03/2023
SAPP	200000350000	DSBL	DSF HC grants	XDR	2.7	38.7	30/03/2023
SAPP	200000353000	DSBL	Supplementary Funds Grants	USD	0.62	100	31/12/2021
SAPP	200000392300	DSBL	Supplementary Funds Grants	USD	0.75	100	29/06/2022
SAPP	G-I-DSF-8092-	DSBL	DSF HC grants	XDR	14.25	98.36	30/03/2023
SAPP	L-I--854-	DSBL	Highly Concessional Terms 0.75 pc	XDR	14.65	99.43	30/03/2023
PRIDE	200000144800	DSBL	ASAP Grants	XDR	5.15	51.21	31/12/2023
PRIDE	200000144900	DSBL	DSF HC Grants	XDR	19.35	41.49	31/12/2023
PRIDE	200000145000	DSBL	Highly Concessional Terms 0.75 pc	XDR	19.3	21.31	31/12/2023
ERASP	200000134600	DSBL	ECD Grants	USD	7.16	43.87	31/12/2022
FARMSE	200000212900	DSBL	DSF HC Grants	USD	21	55.12	29/06/2025
FARMSE	200000213000	DSBL	Highly Concessional Terms 0.75 pc	USD	21	55.1	29/06/2025
FARMSE	200000383800	DSBL	Supplementary Funds Grants	USD	0.44	0	30/03/2023
TRADE	14404P	APPR	Loan Administration only	USD	20	0	30/03/2026
TRADE	200000323300	DSBL	Highly Concessional by currency	XDR	37.05	1.74	29/09/2026
TRADE	200000323400	DSBL	DSF HC Grants	XDR	13.7	1.79	29/09/2026

Project	Project FM risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds
SAPP	Moderate	Satisfactory	Satisfactory	Satisfactory	Satisfactory
PRIDE	Moderate	Satisfactory	Satisfactory	Unsatisfactory	Moderately Unsatisfactory
ERASP	Moderate	Satisfactory	Satisfactory	Unsatisfactory	Moderately Unsatisfactory
FARMSE	Moderate	Moderately Satisfactory	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

TRADE	Moderate	Not Specified	Not Specified	Not Specified	Not Specified
<p>The portfolio has four ongoing projects, including TRADE that has recently started its implementation. Quality of FM is satisfactory across the portfolio. Overall, the portfolio presents a moderate risk; the major weaknesses are:</p> <ul style="list-style-type: none"> - The timely release of GOM counterpart funding for VAT refunds. On average VAT refunds are processed at six months intervals, thus generating high outstanding balances to be refunded to projects. Projects discussed the possibility of getting VAT upfront tax exemption certificates but this option does not seem to be viable as MoF wants a direct control on the process to avoid possible abuses; - The 2019 Government circular, introducing salary caps to staff of donors' funded project, has hampered the timely set-up of PMU in TRADE and could potential pose a risk to the projects' capacity to recruit and retain qualified staff; in TRADE, this problem has been addressed by introducing performance-based incentives for project staff; - The system for capturing, recording and reporting the various forms of in kind contribution from the Government and beneficiaries is not well established and needs to be improved; - The Government of Malawi has resolved to change the Fiscal Year (FY) to be 1st April to 31st March, in lieu of the current FY running from 1st July to 30th June; the change will be effective from 1st April 2022. A GoM task force has been deployed to ensure a seamless transition to the new FY; nonetheless, there will be a need to closely follow-up with projects and ensure the process does not hamper the preparation of Financial Statements and audit reports. <p>SAPP. The project has had a marked improvement in the risk rating and quality of FM over the last few years, as a consequence of a better accounting, financial reporting and oversight of implementing partner. The project received and timely spent USD 616,365 from RPSF I; however, the project has to speed-up the implementation of RPSF II (USD 752,874) to ensure that the full grant is utilized by 30/06/2022. SAPP experienced cash flow challenges in second half 2020 due to the delayed approval of the additional financing. Considering that SAPP has 12 months of remaining project implementation, it is utmost important that uses of funds are planned in line with the agricultural seasons.</p> <p>PRIDE. The project's risk environment as well as the quality of the FM has been constantly moderate and satisfactory over the years. Budgeting has been considered as an area of concern in the last SM, due to a low implementation rate. The project improved the quality of internal controls which was identified as an area of risk in the past; this is also a result of the on-the job capacity building programs offered to district accounting personnel and the rolling out of bi-annual internal audit reviews.</p> <p>FARMSE. The risk rating has been constantly moderate, while the quality of FM moderately satisfactory over the past few years. Counterpart financing in form of VAT reimbursement is an area of concern, as the current outstanding VAT refunds amount to USD 101,765. The Internal Audit department and the last SM raised observations in respect of the grant management and oversight of implementing partners (IPs), as disbursements to IPs are not in line with the grant manual.</p> <p>TRADE. The project is still in its start-up phase. The PMU will have a mixed structure with part of the officers been recruited externally, while FMS, PCS and M&E Specialists will be seconded by GoM, after failing to recruit externally. The late recruitment of staff hampered the timely start-up of the project, with the first disbursement executed 16 months after the entry into force.</p> <p>Comments to COSOP</p> <p>The COSOP 2022-2025 allocates additional resources to two ongoing projects, FARMSE and PRIDE, with a well-established PMUs and satisfactory quality of financial management. The design of AFs will assess the incremental fiduciary risks and define specific mitigating actions, taking into consideration the country inherent risk. FARMSE shall address the internal control issues related to oversight of IPs, as highlighted in the last internal audit review and SM. Building on the recent successful experience of FARMSE, the quality of FM can be further strengthened by providing on-the job capacity building programs</p>					

to district accounting personnel.

IFAD will use the available country systems to the extent possible that ensures FM risks are minimized. Specifically, country systems are being used in;

- a) **Budgeting:** The project's total annual budget is captured in the government systems and used for comparison with actuals; project financial assets and liabilities, as well as revenues and expenditure are captured in the national system.
- b) **Internal audit:** Ministries' internal audit units conduct internal audits of the portfolio twice a year. This is a marked improvement as compared to the previous COSOP when internal audit functions were not well defined.
- c) **External audit:** Starting with the audit of the financial year 2015/2016, projects are audited by the Supreme Audit Institution of Malawi. The audit performance in Malawi is rated as satisfactory; it is to be mentioned that the Government benefited from the IFAD-financed INTOSAI Development Initiative (IDI) Grant on capacity-building of SAI.

The Government Integrated Financial Management Information System (IFMIS) is presently not configured to perform project/fund accounting and financial reporting. The projects deploy stand-alone accounting software for accounting and financial reporting; the software produce manual cash control reports based on GoM's chart of accounts that are captured by government officials into the IFMIS. The project's financial information reported in the current IFMIS, however, would not disclose expenditures by component, category, and financier.

Under flow of funds, it is important to highlight that Designated Accounts are currently opened at commercial banks as opposed to the system in use at the time of the previous COSOP preparation, when funds would flow through the Reserve Bank of Malawi (RBM). The use of DAs at commercial banks has satisfactorily addressed the problem related to the delay in RBM release of funds and the difficult monitoring of operations.

IFAD will continue to assess the progress with the implementation of IFMIS and explore the possibility of using IFMIS to support project/fund accounting and financial reporting.

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