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**President's report**  
**Proposed Debt Sustainability Framework grant**  
**Republic of Malawi**  
**Sustainable Agricultural Production Programme –**  
**Phase II**

Project ID:2000004511

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**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 54.

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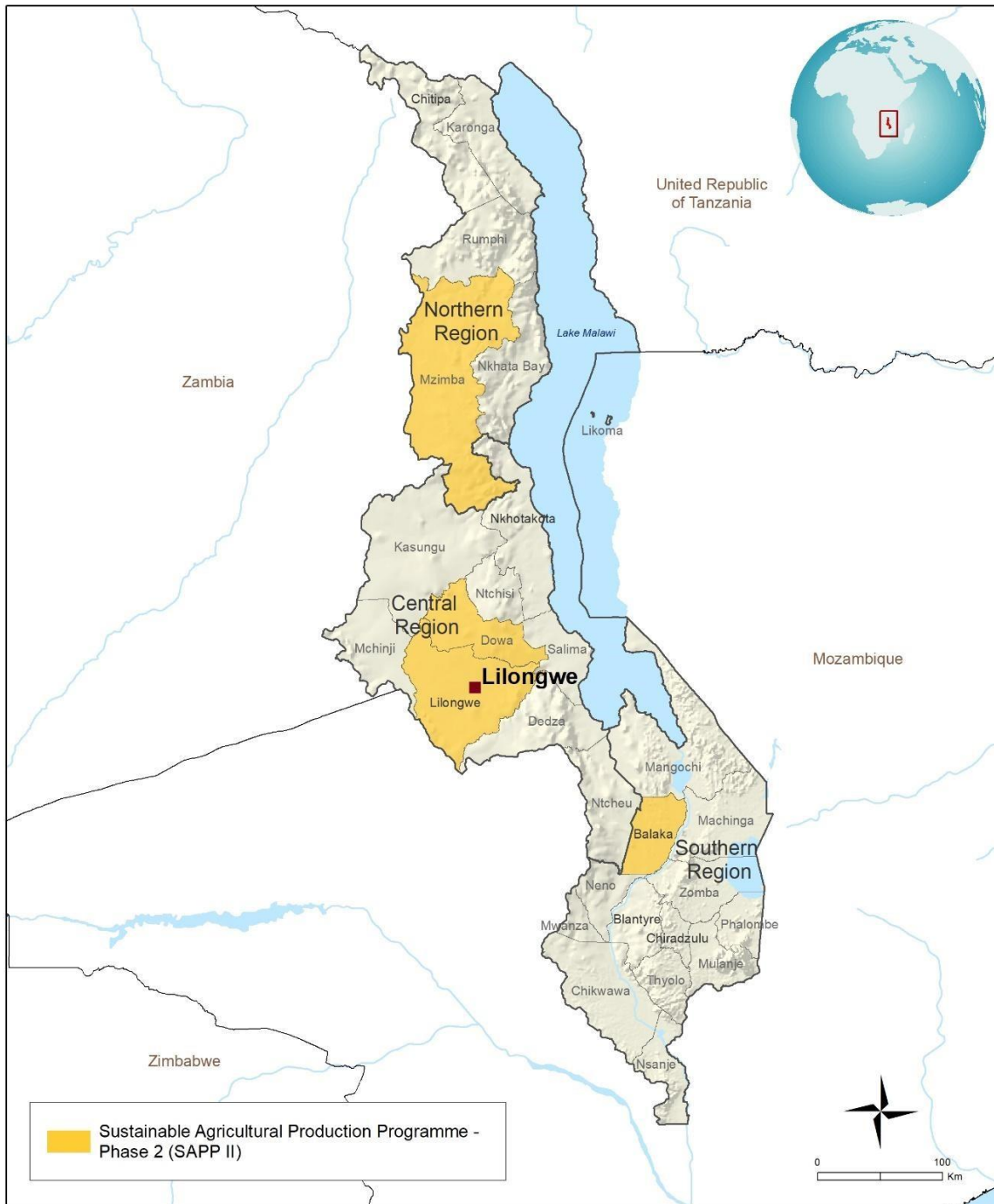
### Programme delivery team

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## Map of the programme area



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 | 07-07-2023

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Republic of Malawi
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total programme cost:</b>	US\$53.34 million
<b>Amount of IFAD Debt Sustainability Framework (DSF) grant:</b>	US\$18.05 million
<b>Cofinanciers:</b>	European Union, Pass-on Programme
<b>Amount of cofinancing:</b>	European Union grant: US\$2.60 million Pass-on Programme: US\$3.04 million
<b>Terms of cofinancing:</b>	Grant
<b>Contribution of recipient:</b>	US\$8.00 million
<b>Contribution of beneficiaries:</b>	US\$6.0 million
<b>Financing gap:</b>	US\$15.6 million
<b>Amount of IFAD climate finance:</b>	US\$7.43 million

## I. Context

### A. National context and rationale for IFAD involvement

#### National context

1. The Republic of Malawi is ranked 164<sup>th</sup> out of 191 countries on the 2023 UNDP Human Development Index. Per capita income remains low, at US\$496.14, according to the International Monetary Fund (IMF) World Economic Outlook report of April 2023. Agriculture is a key sector for the Malawian economy, employing around 85 per cent of the workforce and contributing 22.6 per cent of the country's GDP and 80 per cent of its export earnings. Malawi is a youthful population with the median age of 17 and 78 per cent of the population below the age of 35 (Malawi Population and Housing Census Main Report, 2018).
2. According to the Integrated Food Security Phase Classification (IPC) Chronic Food Insecurity Report (2022), about 5.4 million people in Malawi living in rural areas are facing moderate to severe chronic food insecurity (IPC 3 and 4) due to abject poverty and recurrent shocks, among other drivers. The country ranks 87<sup>th</sup> out of 121 countries on the Global Hunger Index, is not on track to meet the targets under Sustainable Development Goal (SDG) 2 and 37 per cent of children are stunted. A key driver of poverty in Malawi is the underperforming agriculture sector, along with high population growth, lack of structured agricultural markets and limited opportunities for rural people in non-farm activities.
3. Despite these challenges, the smallholder agriculture sector is central to achieving the country's vision, Malawi 2063 (MW2063), which seeks to transform Malawi into a wealthy, self-reliant and industrialized upper-middle-income country by 2063.

#### Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the programme has been validated as:
  - Including climate finance
  - Gender-transformational
  - Nutrition-sensitive
  - Including adaptive capacity
5. Despite significant interventions, **malnutrition** remains a persistent problem in the country's rural areas (IPC 2022). Stunting in children stands at 37 per cent versus only 25 per cent in urban areas.
6. **Climate change** is expected to reduce the country's food supply, with major implications for the lives of the rural poor, further hindering development progress across sectors. Most significant are changes in the start, length and quality of the rainy season and the greater frequency and intensity of climate-related disasters, including droughts and floods.
7. **Women** in Malawi comprise 52 per cent of the population and 80 per cent of the labour force; however, gender productivity gaps in the agriculture sector remain wide. These gaps are due to women having unequal use of productive inputs, such as farm labour, inadequate access to land, inadequate access to improved technology and lower participation in cash/export value chains.
8. Malawi is experiencing a rapid rise in its **young population**, with about two-thirds under the age of 24 and about 45 per cent under the age of 15.

#### Rationale for IFAD involvement

9. Malawi's agriculture commercialization journey is in its very early stages, although a case can be made for supporting smallholder farmers, rendering them productive, sustainable, profitable and able to respond to emerging market

opportunities and contribute towards transformation of the agriculture sector. IFAD's 10-year engagement under the Sustainable Agricultural Production Programme (SAPP) resulted in the development of 10 agriculture productivity enhancement technologies across various commodities, the establishment of an ecosystem of market-ready farmers and strengthened farmer-research-extension linkages.

10. Notwithstanding the powerful national aspiration to commercialize the agriculture sector, the operating context in Malawi is characterized by widespread poverty, food insecurity, low agricultural production and limited diversification. Such a context requires a two-pronged strategy: improving market access for market-ready households, while continuing to stabilize food production for poorer, food-insecure households.
11. SAPP II is therefore designed to build on the productive assets developed under SAPP (agricultural technologies, farmer capacity-building, group formation) and to provide a menu of differentiated interventions (i.e. food security stabilization for the poorer and food-insecure households), while improving market access among beneficiaries with market potential. SAPP II will include a heavy focus on women's empowerment, climate resilience and household food and nutrition, while improving the natural ecosystems of rural smallholder farmers.

## **B. Lessons learned**

12. The Independent Office of Evaluation of IFAD (IOE) country strategy and programme evaluation of IFAD-funded projects in Malawi (2011–2021), together with the Research and Impact Assessment Division (RIA) SAPP impact assessment (2022), project evaluations and mission reports, yielded valuable lessons for the formulation of SAPP:
13. Climate-smart agricultural technologies focused on resilient farming systems and intensification and diversification are key to mitigating climate risk vulnerability and supporting household food security. SAPP II will integrate climate sensitivity and scale up the livestock pass-on scheme as a complementary resilience-building intervention.
14. Commercializing food commodities often leads producers to focus on cash crops at the expense of consumption. SAPP II will integrate nutrition as a key consideration in value chain selection and financing through matching grants.
15. Smallholder farmers under SAPP did not always find a sufficient market for their products, due in part to weak market linkages and limited private sector off-taking capacity. SAPP II will focus on developing farmers' groups and promoting market-focused production, while promoting market linkages through the matching grants.
16. SAPP experienced start-up delays due to the full integration of programme activities in government structures without a dedicated coordination unit responsible for programme implementation. Hence, SAPP II will ensure that a dedicated programme coordination unit (PCU) is set up and the programme is implemented through the district and subdistrict structures.
17. SAPP contributed to an increase in women's economic empowerment, mainly through the household approach, which helped reduce workloads and gender-based violence. SAPP II will scale up these interventions, integrating the Gender Action Learning System into the household approach.

## II. Programme description

### A. Objectives, geographical area of intervention and target groups

18. The programme goal is “to contribute towards wealth creation, and improve food and nutrition security among the rural population of Malawi”. The programme development objective is to “commercialize agriculture production and enhance the resilience<sup>1</sup> and productivity of smallholder farming systems of rural men, women and youth in selected districts of Malawi by 2030.”
19. SAPP II will be implemented in Lilongwe Rural and Balaka, which were part of the SAPP target districts, and Mzimba and Dowa. SAPP II is expected to reach an estimated 80,000 smallholder households. The Pass-on Programme will target an additional 89,448 food-insecure households for food security and resilience. SAPP II target groups are defined as follows: (i) rural food-insecure households; (ii) moderately food-insecure households; and (iii) market potential smallholder households – economically active small and medium-sized enterprises.

### B. Components, outcomes and activities

20. The programme will have the following components: (i) increasing smallholder productivity and climate resilience; (ii) promoting the commercialization of smallholder farming systems; and (iii) strengthening institutional capacity and knowledge management systems.
21. **Component 1: Increasing smallholder productivity and climate resilience.** This component will focus on enhancing a food-focused, market-focused production system, protecting the productive natural resource base and climate proofing investments. Interventions will include the scaling up of good agricultural practices, adaptive research to improve climate resilience and address market-access challenges, pluralistic extension systems that include e-extension to build capacity for climate-smart, nutrition-sensitive production systems and gender-transformative approaches. Food-insecure households will receive support with the establishment of integrated homestead production and the livestock pass-on scheme, while nutrition education will be integrated into all programme delivery mechanisms, such as household approaches, farmers’ organizations and farmer field schools. The livestock pass-on scheme will apply only to the original SAPP districts.
22. **Component 2: Promoting the commercialization of smallholder farming systems.** To fully integrate with the market system and other value chain actors, producers will receive support to align with the market; this will include strengthening farmers’ organizations, increasing the access of producers’ groups to technologies and approaches for production, value addition and processing. The Malawi Bureau of Standards will be engaged as a critical partner for food safety standards, food handling, packaging and labelling. Farmers will be linked in multi-stakeholder platforms to improve value chain coordination. A Farmer Challenge Fund (FCF) will be established and deployed to support farmers’ groups and other value chain actors engage in production and post-production enterprises informed by business plans. Beyond the FCF, SAPP II will also work to connect farmers with financial service providers for sustainability.
23. **Component 3: Strengthening institutional capacity and knowledge management systems.** SAPP II will support capacity-building activities to facilitate effective implementation at the national, district and community level. SAPP II will support relevant strategies, including smallholder mechanization and contract farming. Specifically in disaster risk management, activities will focus on

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<sup>1</sup> Cross-cutting over the entire project will be the need to promote climate resilience and disaster risk reduction, given the Malawian context.

building capacity for early warning system response and disaster risk management through better coordination and climate risk assessment.

24. **The response to emergency and disaster component** will enable the programme to safeguard the development goals of SAPP II and ensure timely response in the event of disasters and other applicable emergency and crisis situations.

### **C. Theory of change**

25. SAPP II aims to support smallholder farmers to improve productivity and increase access to markets, resulting in a sustainable increase in incomes, resilience to climate shocks and food and nutrition security. Considering the early stages of Malawi's agricultural transformation journey, SAPP II will adopt a differentiated strategy through a menu of interventions that will address the different challenges faced by rural communities in the target districts. For poorer households, SAPP II will focus on stabilizing production, ensuring continuous support towards food and nutrition security and resilience, mostly through component 1. For market-ready farmers, it will focus on steering these groups towards market-focused production and value chain engagement.
26. By supporting smallholders and producers' groups in market-focused production, including by addressing production and productivity constraints, among them access to quality seeds, animal genetics and inputs, pluralistic extension systems that include e-extension, and business development services, SAPP II will ensure that smallholders produce beyond subsistence levels and are in a position to interact with markets and achieve food and nutrition security. SAPP II is premised on the assumption that market integration of smallholder farmers will result in win-win business arrangements, sustainably increasing incomes, creating jobs and diversified livelihood opportunities and making food with nutritional value available to the population through the market.
27. Women, youth and vulnerable groups, including persons with disabilities, will receive targeted support to promote efficient production systems and enhance participation and empowerment through the household approach and purposeful targeting of the livestock pass-on scheme. To facilitate access to finance for farmers' groups, the programme will facilitate grant financing through the FCF and partnerships with mainstream financial institutions.

### **D. Alignment, ownership and partnerships**

28. SAPP II is aligned with (i) the Government's national strategies and (ii) SDGs 1, 2, 5, 8, 10, 12, 13 and 15, and the emerging focus of the United Nations Sustainable Development Cooperation Framework (2024–2028). SAPP II is aligned with the Government's vision, MW2063, which seeks to transform the country into an inclusively wealthy and self-reliant industrialized upper-middle-income country by 2063. Key partnerships include: (i) private service providers for market facilitation; (ii) synergies with the ongoing IFAD investment portfolio – i.e. the Financial Access for Rural Markets, Smallholders and Enterprise Programme, the Transforming Agriculture through Diversification and Entrepreneurship Programme and the Programme for Rural Irrigation Development; (iii) the World Bank under the Government of Malawi's Agricultural Commercialisation (AGCOM II) Project; (iv) the Food and Agriculture Organization of the United Nations; and (v) the World Food Programme. The Malawi Bureau of Standards is foreseen as a critical partner in support of value addition and tapping into non-farm interventions.

### **E. Costs, benefits and financing**

29. The financing gap of US\$15.6 million may be sourced through subsequent performance-based allocation system cycles or by cofinancing identified during implementation.



30. Programme components 1, 2 and 3 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is estimated at US\$7.43 million.

**Programme costs**

31. Total programme costs are set at about US\$53.34 million, including contingencies. The details are shown in the summary tables below.

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

Component/ subcomponent	IFAD DSF grant		European Union		Pass-on Programme		Beneficiaries		Government		Financing gap		Total	
	Amount	%	Amount	%	In-kind	%	In-kind	%	In-kind	%	Amount	%	Amount	%
<b>1. Increasing smallholder productivity and climate resilience</b>														
Inclusive value chain and market analysis	346	84							68	17			415	1
Enhancing capacity for climate-smart and nutrition-sensitive production systems	3 754	38	1 966	20	3 041	31			1 130	11			9 892	19
Sustainable management of productive resources (soil, land and water)	965	26	634	17					610	17	1 490	40	3 699	7
<b>Subtotal</b>	<b>5 065</b>	<b>36</b>	<b>2 600</b>	<b>19</b>	<b>3 041</b>	<b>22</b>			<b>1 809</b>	<b>13</b>	<b>1 490</b>	<b>11</b>	<b>14 005</b>	<b>26</b>
<b>2. Promoting the commercialization of smallholder farming systems</b>														
Strengthening farmers' organizations	1 965	70							842	30			2 807	5
Promoting market linkages based on opportunities to unlock value	2 790	70							1 196	30			3 985	8
Farmer Challenge Fund	1 016	4							6 000	25	3 358	14	14 122	58
<b>Subtotal</b>	<b>5 770</b>	<b>19</b>							<b>6 000</b>	<b>19</b>	<b>5 358</b>	<b>17</b>	<b>14 122</b>	<b>45</b>
<b>3. Strengthening institutional capacity and knowledge management systems</b>														
Strengthening the capacity of staff and partner institutions for SAPP II coordination, communication, knowledge management (KM) and monitoring and evaluation (M&E) and the Social, Environmental and Climate Assessment Procedures (SECAP)	2 256	84							446	17			2 702	
Institution building of government structures for better disaster risk management	1 084	84							214	17			1 298	2
<b>Subtotal</b>	<b>3 340</b>	<b>84</b>							<b>660</b>	<b>17</b>			<b>4 000</b>	<b>8</b>
<b>4. Programme management</b>	3 907	96							173	4			4 080	8
<b>5. Response to emergency and disaster</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18 083</b>	<b>34</b>	<b>2 600</b>	<b>5</b>	<b>3 041</b>	<b>6</b>	<b>6 000</b>	<b>11</b>	<b>8 000</b>	<b>15</b>	<b>15 611</b>	<b>29</b>	<b>53 336</b>	<b>100</b>

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

<i>Expenditure category</i>	<i>IFAD DSF grant</i>		<i>European Union</i>		<i>Pass-on Programme</i>		<i>Beneficiaries</i>		<i>Government</i>		<i>Financing gap</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>In-kind</i>	<i>%</i>	<i>In-kind</i>	<i>%</i>	<i>In-kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>Investment costs</b>														
A. Civil works	361	73	-	-	-	-	-	-	134	27	-	-	495	1
B. Consultancies	3 909	74	-	-	-	-	-	-	1 237	24	110	2	5 256	10
C. Equipment and materials	531	25	9	0.1	-	-	-	-	348	17	1 223	58	2 111	4
D. Goods, services, and inputs	3 471	62	1 187	21	-	-	-	-	920	17	-	-	5 578	11
E. Training and workshops	5 712	61	1 404	15	-	-	-	-	2 040	22	157	2	9 314	18
F. Grants and subsidies	1 016	4	-	-	3 041	11	6 000	22	3 321	12	14 122	51	27 499	52
<b>Total investment costs</b>	<b>15 000</b>	<b>30</b>	<b>2 600</b>	<b>5</b>	<b>3 041</b>	<b>6</b>	<b>6 000</b>	<b>12</b>	<b>8 000</b>	<b>16</b>	<b>15 611</b>	<b>31</b>	<b>50 253</b>	<b>94</b>
<b>Recurrent costs</b>														
A. Salaries and allowances	2 688	100	-	-	-	-	-	-	-	-	-	-	2 688	5
B. Operating costs	394	100	-	-	-	-	-	-	-	-	-	-	394	1
<b>Total recurrent costs</b>	<b>3 083</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 083</b>	<b>6</b>
<b>Total</b>	<b>18 083</b>	<b>34</b>	<b>2 600</b>	<b>5</b>	<b>3 041</b>	<b>6</b>	<b>6 000</b>	<b>11</b>	<b>8 000</b>	<b>15</b>	<b>15 611</b>	<b>29</b>	<b>53 336</b>	<b>100</b>

Table 3

**Programme costs by component and subcomponent and programme year (PY)**

(Thousands of United States dollars)

<i>Component/ subcomponent]</i>	<i>PY1</i>		<i>PY2</i>		<i>PY3</i>		<i>PY4</i>		<i>PY5</i>		<i>PY6</i>		<i>PY7</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
<b>1. Increasing smallholder productivity and climate resilience</b>															
Inclusive value chain and market analysis	163		16		17		73		130		17		-		415
Enhancing capacity for climate-smart and nutrition-sensitive production systems	319		1 622		2 209		2 658		2 332		687		65		9 892
Sustainable management of productive resources (soil, land and water)	989		2 116		430		81		82		-		-		3 699
<b>Subtotal</b>	<b>1 470</b>		<b>3 754</b>		<b>2 656</b>		<b>2 812</b>		<b>2 544</b>		<b>704</b>		<b>65</b>		<b>14 005</b>
<b>2. Promoting the commercialization of smallholder farming systems</b>															
Strengthening farmers' organizations	723		411		442		386		417		292		136		2 807
Promoting market linkages based on opportunities to unlock value	471		585		646		628		634		640		381		3 985
Farmer Challenge Fund	-		2 536		4 096		6 512		6 574		4 740		-		24 458
<b>Subtotal</b>	<b>1 194</b>		<b>3 532</b>		<b>5 183</b>		<b>7 526</b>		<b>7 625</b>		<b>5 672</b>		<b>517</b>		<b>31 250</b>
<b>3. Strengthening institutional capacity and knowledge management systems</b>															
Strengthening the capacity of staff and partner institutions for SAPP II coordination, communication, KM and M&E and SECAP	609		275		233		363		558		336		328		2 702
Institution building of government structures for better disaster risk management	326		323		133		268		135		114		-		1 298
<b>Subtotal</b>	<b>935</b>		<b>598</b>		<b>366</b>		<b>631</b>		<b>693</b>		<b>450</b>		<b>328</b>		<b>4 000</b>
<b>4. Programme management</b>	<b>1 098</b>		<b>485</b>		<b>490</b>		<b>495</b>		<b>499</b>		<b>504</b>		<b>509</b>		<b>4 080</b>
<b>5. Response to emergency and disaster</b>	<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>
<b>Total</b>	<b>4 697</b>		<b>8 368</b>		<b>8 694</b>		<b>11 464</b>		<b>11 362</b>		<b>7 331</b>		<b>1 419</b>		<b>53 336</b>

### **Financing and cofinancing strategy and plan**

32. At design finalization, the Government of Malawi provided a “no objection” for IFAD to pursue US\$10 million in cofinancing from the Adaptation Fund to partially cover the SAPP II financing gap (US\$15.6 million). Furthermore, IFAD is in discussions with the European Union for additional financing for the SAPP II programme. The financing gap is associated with the FCF under component 2, which will not compromise implementation. Programme interventions can be scaled up as funds are received.

### **Disbursement**

33. SAPP II disbursement procedures will be based on quarterly interim financial reports (IFRs) and the submission of withdrawal applications (WAs) in the ICP. The Ministry of Agriculture will open separate designated United States dollar accounts at the Reserve Bank of Malawi for IFAD and each counterpart financier to avoid the comingling of funds. SAPP II will open an operations account in Malawian kwacha for each instrument at a reputable commercial bank acceptable to IFAD. The funds from IFAD and other financiers will flow directly from their respective accounts to their respective SAPP II designated accounts on quarterly revolving fund requests. The FCF fund will follow the IFAD imprest disbursement method between farmers’ groups and the programme management unit (PMU), where authorized budget-based allocation advances will be disbursed upfront and continuously and constantly replenished upon accounting for at least 60 per cent spent. The FCF disbursement will be subject to frequent verification during IFAD missions, as well as internal audits and annual external audits. The PMU should also maintain a separate local currency account to receive government cash disbursements.

### **Summary of benefits and economic analysis**

34. Overall costs for SAPP II have been estimated at US\$53.34 million, and the number of beneficiary households at 169,448. All models show positive financial viability in terms of measurement using the benefit-cost ratio, economic internal rate of return (EIRR) and net present value discounted for 10 years using a rate of 3.6 per cent. SAPP II is projected to yield a baseline EIRR of 23 per cent, with a positive net present value of US\$11.9 million (MWK 12.3 billion). The baseline EIRR of 23 per cent is higher than the discount rate used for economic analysis, confirming the justification of the proposed investment. The results of the sensitivity analysis indicate that the programme remains economically viable under the various assumptions considered.

### **Exit strategy and sustainability**

35. Sustainability is gauged in terms of institutional, financial, environmental and farming systems considerations. Building institutional capacity and providing training and support to government institutions and departments at the national and subnational levels will enhance the capacity of key line ministries to deliver on the agriculture commercialization agenda. The promotion of good agricultural practices, environmental protection and support for the productive natural base will ensure the sustainability of natural resources and ecosystems as farmers’ critical resource base.
36. Commercialization and a heavy focus on private sector participation will ensure sustainable access to inputs, production and productivity technologies and private sector driven-extension support services, creating an enabling environment for transformation of the agriculture sector from subsistence towards market-focused production. Financial institutions’ engagement in managing the FCF will leverage sustainable financing through blended finance and incentives for banks to unlock additional financing for the rural agriculture sector.

### III. Risk management

#### A. Risks and mitigation measures

37. The overall inherent and residual risks are classified as **moderate**. Major risks and corresponding mitigation measures are presented in the integrated programme risk matrix.

Table 4

##### Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Moderate
Sector strategies and policies	Substantial	Moderate
Environment and climate context	Substantial	Substantial
Programme scope	Low	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Substantial	Substantial
Programme procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
<b>Overall</b>	Moderate	Moderate

#### B. Environment and social category

38. The preliminary environment and social category is rated as **moderate**. Most of the anticipated effects will be mitigated by prevention and mitigation plans. The detailed climate risk analysis revealed significant climate change impacts in the country. As a result, an Environmental, Social, and Climate Management Plan (ESCMP) has been developed and will serve as a monitoring plan to avert negative environmental impacts. The ESCMP matrix will be included in the implementation manual.

#### C. Climate risk classification

39. The climate risk category is **substantial**. The following are the main themes and steps taken to assess climate risks. A targeted adaptation assessment spells out specific adaptation actions to take throughout the life of the programme. The CLEAR tool will be used to assess climate hazard hotspots and determine appropriate adaptive measures to integrate into programme interventions. Similarly, climate scenarios forecast changes in temperature, variability, and the intensity and frequency of extreme events.

#### D. Debt sustainability

40. Based on the latest IMF Debt Sustainability Analysis (DSA) (July 2023) Malawi's external and overall public debt is assessed as "in distress" – a downgrade since the previous DSA in December 2021. Malawi is eligible for an IFAD grant under the Debt Sustainability Framework.

### IV. Implementation

#### A. Organizational framework

##### Programme management and coordination

41. The Ministry of Finance and Economic Affairs will formally represent the Government of Malawi in matters related to SAPP II as the recipient of the grant from IFAD, while the Ministry of Agriculture will be the lead implementing agency, providing strategic policy guidance and oversight. The Principal Secretary of the Ministry of Agriculture will chair the programme steering committee (PSC). The programme technical committee (PTC) will provide technical support to both the PSC and the PMU. The Director of Agricultural Planning Services will chair the PTC.

The PTC will mirror the membership of the PSC and include other technical directors of the Ministry of Agriculture, including the Head of the National Agriculture Investment Plan. Day-to-day programme implementation will be the responsibility of an independent PMU under the Ministry of Agriculture. The FCF will be managed by a competent fund manager, a competitively recruited financial institution with direct oversight of FCF implementation.

**Financial management, procurement and governance**

42. **Financial management.** SAPP II financial management will be the responsibility of a dedicated finance team within the PMU that will be headed by the programme accountant and assisted by an assistant programme accountant and account assistants/clerks. Each participating district will also have designated finance staff to ensure efficient and effective financial management oversight and control at the district level. SAPP II disbursement procedures will be based on quarterly interim financial reports and the submission of WAs in the ICP. The IFRs will be submitted quarterly within 45 days of period end.
  43. Programme budgeting will be the responsibility of the SAPP II PMU, following current IFAD procedures and government financial laws and policies. The annual workplan and budget (AWPB) will be prepared in adequate detail, indicating the financiers and proportion of financing for each activity. It shall be approved by the PSC and provided with a “no objection” by IFAD prior to implementation. Due to the high risks associated with the value-added tax (VAT) claiming process, SAPP II has included the VAT in IFAD’s design costs, considering it an eligible expenditure throughout the life of the programme. SAPP II will migrate into TOMPRO accounting software (web version), an improvement over SAPP, and be configured so it can produce all financial statements required by IFAD. A start-up advance will be included in the financing agreement to cover procurement of the software and other costs required to ensure implementation readiness. SAPP II will continue using the Ministry of Agriculture Internal Audit Department. The external audit will be performed by the Auditor General, with the terms of reference approved by IFAD. Implementing entities are expected to follow IFAD’s anti-corruption guidelines, as outlined under IFAD policy and procedure.
  44. **The procurement of goods, works and services** will adhere to the provisions of the Malawi Public Procurement and Disposal of Public Assets Act of 2016 and the Public Procurement Regulations of 2020, in the understanding that the national legal framework should comply with IFAD requirements to be specified in the financing agreement and the procurement arrangements letter. The programme will prepare a procurement plan covering at least the first 18 months of the programme, followed by successive 12-month plans. The procurement of goods, works and services will be subject to IFAD’s prior or post review to ensure that the procurement process follows IFAD’s procurement guidelines and financing agreement.
- Target group engagement and feedback and grievance redress**
45. SAPP II will engage in community mobilization through participatory empowerment approaches to ensure ownership and sustainability of the initiatives. Community orientation sessions will be delivered through district, constituent and village meetings coordinated by the village development committees in consultation with traditional authorities. The target beneficiaries will be organized in farmer field schools and farmers’ organizations, informed about value chain selection and related opportunities and enabled to access extension and other capacity-building support, participate in programme activities, change gender relations and improve their household nutrition and wellness.

**Grievance redress**

46. The grievance redress mechanism (GRM) will consist of three parallel systems: (i) a community/tradition-based system, (ii) a formal system and (iii) the IFAD grievance redress system. The PMU will provide information on the available GRM and convey IFAD's zero tolerance for gender-based violence, sexual exploitation, abuse and harassment and disseminate its fraud and corruption policies. The information will be made available through all SAPP II-related contractual agreements and in other programme documents such as leaflets and call-for-proposal templates.

**B. Planning, monitoring and evaluation, learning, knowledge management and communications**

47. Planning will be integrated in government processes and based on the AWPB through participatory approaches from the national to the decentralized level. The PMU's consolidated AWPB will be submitted to IFAD for review and "no objection" at least 60 days before the start of the programme year. The M&E system will be guided by the National M&E Master Plan. The SAPP II M&E system will enable the disaggregation of data by gender and age. All core indicators will be measured at baseline, mid-line and completion. Data collection approaches will combine qualitative and quantitative survey methods.

**Innovation and scaling up**

48. Several innovations will be promoted under SAPP II, including: (i) organic fertilizer production and distribution, enabled by the EU-ILSA<sup>2</sup> programme, (ii) digital and private sector-led extension systems, (iii) market-focused production within the context of a subsistence farming system, (iv) innovative micro-insurance, in partnership with the Financial Access for Rural Markets, Smallholders and Enterprise Programme, and (v) the engagement of private sector companies like Hello Tractor to pilot smallholder-focused mechanized technologies – asset leasing – to boost agricultural production and productivity.

**C. Implementation plans****Implementation readiness and start-up plans**

49. A comprehensive draft programme implementation manual has been prepared as part of the design process, as well as a draft AWPB and a draft procurement plan for the first 18 months of programme implementation. These documents aim to ensure that programme implementation starts on schedule without unnecessary delays during the first year. A start-up plan has also been prepared.

**Supervision, midterm review and completion plans**

50. **Annual joint supervision and implementation support** missions will be organized by IFAD and the Government to review progress and help implementing partners and the PMU improve programme implementation. The supervision missions will assess overall physical and financial performance, identify implementation challenges and propose measures to address them, in compliance with all the fiduciary requirements of the financing agreement. At midterm, more comprehensive corrective action will be considered in pursuit of the expected outcomes and impacts and the suitability and sustainability of the FCF. At the end of the implementation period, a completion review exercise will be conducted to report on the outcomes and impact achieved.

**V. Legal instruments and authority**

51. A financing agreement between the Republic of Malawi and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as appendix I.

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<sup>2</sup> Investing in Livelihood Resilience and Soil Health in ACP countries programme (ILSA).



52. The Republic of Malawi is empowered under its laws to receive financing from IFAD.
53. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

54. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the Republic of Malawi in an amount of eighteen million fifty thousand United States dollars (US\$18,050,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

## **Negotiated financing agreement**

### **Sustainable Agricultural Production Programme – Phase II (SAPP II)**

(Negotiations concluded on 07 December 2023)

Grant No:

Project name: Sustainable Agricultural Production Programme – Phase II (“SAPP II”/“the Programme”)

The Republic of Malawi (the “Borrower”/“Recipient”)

and

The International Fund for Agricultural Development (the “Fund” or “IFAD”)

(each a “Party” and both of them collectively the “Parties”)

#### **WHEREAS**

- A. At its 104<sup>th</sup> session held on in December 2011, IFAD’s Executive Board (the “EB”) approved the Sustainable Agricultural Production Programme (SAPP) and the relevant financing agreement between IFAD and the Borrower was signed on 24 January 2012 and subsequently amended;
- B. Following a successful review of SAPP and coupled with the Parties’ decision to consolidate and upscale the SAPP achievement, it was determined that a second phase to SAPP was required to be implemented in a bid to support agriculture commercialization and stabilization of household food security;
- C. Consequently, the Recipient requested a Debt Sustainability Framework (DSF) grant from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement and the Fund has agreed to provide such financing;

**NOW THEREFORE**, the Parties hereby agree as follows:

#### **Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a DSF grant to the Recipient, which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

## **Section B**

1. The amount of the DSF grant is eighteen million and fifty thousand United States dollars (USD 18 050 000) (the "Grant/ the "Financing").
2. The first day of the applicable Fiscal Year shall be 1 April.
3. A specific Designated Account in United States Dollars for the exclusive use of the Programme will be opened at the Reserve Bank of Malawi in order to receive funds pertaining to the Grant. The Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
4. The Recipient shall provide counterpart funding for the purpose of the Programme for an amount equivalent to eight million United States dollars (USD 8 000 000) in cash or kind, in the form of taxes and other Programme costs in accordance with the approved Annual Work Plans and Budget (AWPBs). Beneficiaries will also make in kind contributions to the Programme amounting to six million United States dollars (USD 6 000 000) in component 2.2 for Market Linkages promoted based on opportunities to unlock value in the Farmer Challenge Fund (FCF) and three million forty one thousand United States dollars (USD 3 041 000) for the Pass-On programme, under component 1.

## **Section C**

1. The Lead Programme Agency shall be the Ministry of Agriculture (MoA).
2. Additional Programme Parties are described in Part II, Schedule 1 of the Agreement.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be the 7<sup>th</sup> anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be as specified in the General Conditions.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the Recipient's procurement methods and regulations to the extent such are consistent with the IFAD Procurement Guidelines.

## **Section D**

1. The Fund will administer the Grant and supervise the Programme.

## **Section E**

1. The following is designated as an additional ground for suspension of this Agreement:
  - (a) The Programme Implementation Manual (PIM) and/or Farmer Challenge Fund Manual and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Programme.
2. The following is designated as an additional ground for cancellation of this Agreement:
  - (a) In the event that the Recipient did not request a disbursement of the Financing beyond 12 months without justification.

- 3. The following are designated as additional conditions precedent to withdrawal:
  - (a) The IFAD no objection to the PIM shall have been obtained; and
  - (b) The key Programme staff shall have been appointed and approved by the Fund as detailed under Paragraph 13 of Schedule 3.
- 4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Finance and Economic Affairs  
 Ministry of Finance and Economic Affairs  
 P.O. Box 30049, Capital Hill  
 Lilongwe 3  
 Malawi

For the Fund:

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

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

REPUBLIC OF MALAWI

\_\_\_\_\_

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_

Date: \_\_\_\_\_

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### I. Programme Description

1. *Goal.* The goal of the Programme is to improve wealth creation, as well as food and nutrition security among the rural population of Malawi.
2. *Objectives.* The Project Development Objective (PDO) is to promote Commercialised agriculture that enhances the resilience<sup>3</sup> and productivity of smallholder farming systems for improved income, food and nutrition security of rural men, women and youth in selected districts of Malawi by 2030".
3. *Components.* The Programme shall consist of the following three components:
  - 3.1. Component 1: **Increased smallholder productivity and climate resilience.** This component will focus on enhancing production systems that are food-focused, market oriented, protecting the productive natural resource base and climate proofing investments. Interventions will include upscaling good agricultural practices, adaptive research to improve climate-resilience and address market-access challenges, pluralistic extension systems including e-extension, to enhance capacity for climate-smart, nutrition-sensitive production systems and gender transformative approaches. Food insecure households will receive support with establishing integrated homestead production, livestock pass-on while nutrition education will be integrated into all the programme delivery mechanisms, such as household approaches, farmer organizations, Farmer Field Schools. Livestock pass-on will only apply to the original SAPP Districts.
  - 3.2. Component 2: **Commercialisation of smallholder farming systems promoted.** To fully integrate with the market system and other VC actors, producers will be supported to align with the market, including strengthening farmer organisations, enhancing producer groups access to technologies and approaches for production, value addition and processing. Malawi Bureau of Standards will be engaged as a critical partner for food safety standards, food handling, packaging, and labelling. Farmers will be linked into multi-stakeholder platforms to enhance VC coordination. The Farmer Challenge Fund (FCF) will be deployed to support farmer groups and other VC actors, to engage in production and post-production enterprises informed by the business plans. Beyond the FCF SAPP II will also work to link farmers to financial service providers for sustainability
  - 3.3. Component 3: **Strengthened institutional capacity and knowledge management systems.** SAPP II will support capacity building activities to facilitate effective implementation, at national, district and community level. SAPP II will support relevant strategies, including smallholder mechanization and contract farming. Specifically on disaster risk management, activities will focus on building capacity for early warning system response and disaster risk management through improved coordination, as well as climate risks assessment. It is foreseen that output 1.3 of SAPP II Programme Description will be financed through the IFAD-EU partnership under the Investing in Livelihood Resilience and Soil Health in ACP countries (ILSA): IFAD's Contribution to the EU initiative on Food Production and Resilience of Food Systems in African, Caribbean and Pacific (ACP) countries.
  - 3.4. **Response to Emergency and Disaster Component:** The objective of this component is to ensure that in the event of a disaster, whether environmental or man-made, SAPP II can adequately respond to safeguard the developmental gains of the Programme. The most likely emergencies in Malawi are weather-related i.e. extreme weather events such as Cyclones and El Nino.

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<sup>3</sup> Including climate resilience. Cross cutting across the entire Programme will be the need to promote climate-resilience and disaster risk reduction given the Malawian context. This will entail (i) promoting climate-smart agriculture practices and natural resource conservation to reduce sensitivity, (ii) supporting the development and implementation of disaster risk reduction strategies/investments (iii) prevention, mitigation as well as transfer; (iv) risk identification as well as reduction; (v) financial protection. The Programme will benefit from IFAD experience with disaster risk reduction through climate resilient investments as well as recovery.

4. *Target Population.* The Programme is expected to benefit approximately 80,000 rural households corresponding to 400,000 direct beneficiaries. About 50 percent female beneficiaries and 30 per cent youth beneficiaries will be targeted. Special consideration will also be given to women headed households, and HHs with persons with disabilities.

5. *Programme area.* The Programme will be implemented in 4 Districts of Malawi, of which 2 are new and the other 2 were SAPP Districts and within production corridors. The selected districts are Lilongwe Rural and Balaka which were SAPP target districts and two news ones namely Mzimba and Dowa. The previous Districts have been retained to further build on the achievements of SAPP and ensure market ready smallholders can benefit from the commercialization agenda.

## **II. Implementation Arrangements**

6. *Lead Programme Agency.* The Ministry of Agriculture (MoA) will be the lead implementing agency, providing strategic policy guidance and oversight of SAPP II.

7. *Programme Oversight Committee (PSC).* The PSC will be responsible for programme oversight. The Principal Secretary of the Ministry of Agriculture will be the Chairperson of the PSC. Other members of the PSC will include Principal Secretaries for Ministries of Trade and Industry, Local Government, Unity and Culture; Gender, Child Protection and Social Welfare; Youth and Sports; Natural Resources and Climate Change; Health and the Chief Executive Officers for the Lilongwe University of Agriculture and Natural Resources (LUANAR); National Association of Smallholder Farmers in Malawi (NASFAM); Malawi Confederation of Chambers of Commerce and Industry (MCCCI); Farmers Union of Malawi (FUM), Malawi Bureau of Standards and Civil Society Agriculture Network (CISANET). A Programme Technical Committee (PTC) will be established to provide technical support to both the PSC and the Programme Management Unit (PMU). Terms of Reference and nominations to the PSC and PTC will require prior consent from IFAD.

8. *Programme Management Unit (PMU).* The day-to-day implementation and coordination of the Programme will be undertaken by a dedicated Programme Management Unit (PMU). The PMU will be granted authority to undertake all financial and procurement management activities, lead and supervise programme implementation and provide specialist technical inputs. An independent PMU will be established under the aegis of the Ministry of Agriculture. Key Programme Staff will include: National Programme Coordinator, Programme Accountant, Gender, Nutrition and Social Inclusion Officer, Grants Management Officer, Environment and Climate Officer, Procurement Officer and Agribusiness Officer. Some members of the SAPP PMU may be appointed by GoM to the SAPP II PMU based on the availability of two consecutive cycles of satisfactory performance appraisals and an independent suitability assessment for the position determined by a job suitability assessment undertaken by an external party. Where suitable candidates have not been identified from the SAPP PMU, GoM will be recruited competitively from the market. The recruitment and contract renewal of key Programme Staff will require prior consent from IFAD.

9. *Implementing partners.* Technical departments of MoA will closely interface with the PMU and support programme implementation by providing technical expertise in the relevant technical areas of the Programme – including crop development and animal health & livestock development, agriculture extension & agribusiness, research, land resources conservation and natural resources management. At the district level, the District Commissioners will provide programme implementation oversight through the office of the Director of Agriculture, Environment and Natural Resources, working closely with the Directors of Planning and Development. Programme Implementation will follow the existing Decentralized Agriculture Extension Service System (DAESS) including Departments of Gender, Youth and Community Development to reach out to the community. The Agricultural Development Divisions (ADDs) will provide oversight of district councils in the implementation of SAPP II.

10. *Service providers.* SAPP II will mobilize and outsource key services related to commercialisation under component 2. Service providers will provide support in market systems facilitation, capacity building and strengthening of farmer organisations and producer

associations, support groups to develop and implement business plans, brokering partnerships and relationships with aggregators and off takers amongst other potential roles.

**Farmer Challenge Fund Management:** The FCF will be managed by a competent Fund Manager - financial institution, competitively recruited, with direct oversight on review of business plans submitted by groups, provision of technical assistance to the groups to ensure the business plans are bankable and implementable, performance monitoring of the group enterprises, promotion of best practices and knowledge management. The recruitment process of the Fund Manager will be undertaken in line with applicable procurement procedures and will require IFAD's prior consent. The contract with the Fund Manager shall be subject to IFAD's no objection and shall ensure that IFAD's staff and project auditors have access to the FCF's financial records for purposes of supervision and audit respectively.

11. *Monitoring and Evaluation (M&E).* The M&E system will be guided by the National M&E Master Plan. The SAPP II M&E system will enable disaggregated data by gender and age. All the core indicators will be measured at baseline, mid-line and at completion. The data collection approaches will combine qualitative and quantitative survey methods, and should follow IFAD guidelines and definitions of the IFAD core indicators. Key reporting milestones include: i) Baseline Report; ii) Annual Progress Report; iii) Mid-Term Report; iv) Annual Outcome Reports from Mid-term; v) Project Completion Report. A specific Portfolio Performance Report for the Farmer Challenge Fund will be prepared annually as an annex to the Annual Progress Report.

12. *Knowledge Management.* Knowledge management and communication systems will be developed to reflect and capture the programme achievements, the lessons learnt and success stories. A SAPP II website will be created and will be the main channel to share updated information about the Programme.

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

14. *Farmer Challenge Fund Manual.* A specific manual for the management of the Farmer Challenge Fund (FCF) will be developed and finalized by mid-2025, and will require IFAD's prior consent. The manual will govern the transfer mechanism for grants and other financing mechanisms including blended finance.



## Schedule 2

### *Allocation Table*

1. *Allocation of Grant Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

<b>Category</b>	<b>Grant Amount Allocated</b> <b>(expressed in USD)</b>	<b>Percentage</b>
I. Works	320 000	100% net of taxes
II. Consultancies	3 510 000	100% net of taxes
III. Goods, services, and inputs	3 600 000	100% net of taxes
IV. Training & workshops	5 140 000	100% net of taxes
V. Farmer Challenge Fund	910 000	100% net of taxes
VI. Recurrent costs	2 770 000	100%
Unallocated	1 800 000	
<b>TOTAL</b>	<b>18 050 000</b>	

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

- (i) Cat. III Goods services and inputs includes equipment and materials
- (ii) Cat. VI Recurrent costs includes salaries, allowances and operating costs
- (iii) Cat. V Farmer Challenge Fund – Grants & subsidies to support farmer groups and other value chain actors, to engage in production and post-production enterprises informed by business plans. No funds shall be transferred for the FCF until the implementation arrangements for this fund have been documented and approved by IFAD as foreseen in Schedule 1 clause 15

2. *Disbursement arrangements*

- (a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500,000. Activities to be financed by the Start-up Advance will require the no objection from IFAD to be considered eligible.

### Schedule 3

#### *Special Covenants*

#### **I. General Provisions**

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

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. By mid-2025, the Programme shall have developed a Manual for the management of the Farmer Challenge Fund and completed the recruitment of the Fund Manager.
4. Within 12 months of entry into force of the Financing Agreement, the Programme shall have developed a Commercialization Strategy for SAPP II, which integrates food security and nutrition outcomes.
5. *Planning, Monitoring and Evaluation.* The Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement].
6. *Gender.* IFAD shall ensure that the PMU shall develop a Targeting Strategy for the Programme to ensure that women and youth considerations are mainstreamed in all programme activities throughout the implementation period, in order to offer equal opportunities under the Programme to men, women, women headed households, youth and other disadvantaged groups. The Programme should strive to reach more than 40% representation of women among the total outreach beneficiaries
7. *Indigenous People Concerns.* The Recipient shall ensure that the concerns of IPs are given due consideration in implementing the Programme and, to this end, shall ensure that:
  - (a) the Programme is carried out in accordance with the applicable provisions of the relevant IP national legislation;
  - (b) indigenous people are adequately and fairly represented in all local planning for programme activities;
  - (c) IP rights are duly respected;
  - (d) IP communities, participate in policy dialogue and local governance;
  - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Recipient on the subject are respected<sup>4</sup>;
  - (f) The Programme will not involve encroachment on traditional territories used or occupied by indigenous communities.

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<sup>4</sup> Refer to ILO 169, 1989 when ratified.

8. *Land tenure security.* The Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
9. *Anticorruption Measures.* The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
10. *Sexual Harassment, Sexual Exploitation and Abuse.* The Recipient and the Programme Parties shall ensure that the Programme is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
11. *Use of Programme Vehicles [and Other Equipment].* The Recipient shall ensure that:
- (a) all vehicles and other equipment procured under the SAPP II Programme are allocated to the PMU [and other Implementing Agencies] for programme implementation;
  - (b) The types of vehicles [and other equipment] procured under the Programme are appropriate to the needs of the Programme; and
  - (c) All vehicles [and other equipment] transferred to or procured under the Programme are dedicated solely to programme use.
12. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Programme.]
13. The Key Programme Personnel are: National Programme Coordinator, Programme Accountant, Gender, Nutrition and Social Inclusion Officer, Grants Management Officer, Environment and Climate Officer, Procurement Officer and Agribusiness Officer. In order to assist in the implementation of the Programme, the [PIU/PMU], unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Programme Personnel shall be seconded to the [PIU/PMU] in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Programme Personnel is subject to IFAD's prior review as is the dismissal of Key Programme Personnel. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Programme's circumstances.

## II. SECAP Provisions<sup>5</sup>

1. The Recipient shall carry out the preparation, design, construction, implementation, and operation of the Programme in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For projects/programmes presenting high or substantial social, environmental and climate risks, the Recipient shall carry out the implementation of the Programme in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Recipient shall not amend, vary or waive any provision of the ESCMs and Management Plan(s), unless agreed in writing by the Fund and if the Recipient has complied with the same requirements as applicable to the original adoption of the ESCMs and Management Plan(s).

3. The Recipient shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Programme affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Recipient shall cause the Lead Programme Agency to comply at all times while carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with programme stakeholders and interested parties in an accessible place in the programme-affected area, in a form and language understandable to programme-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMs and the Management Plan(s), if any.

7. The Recipient will ensure that a programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Programme's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration)

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<sup>5</sup> New SECA provisions for all projects that pass concept review after 1 September 2021.

related to the environmental and social performance of the Programme for people who may be unduly and adversely affected or potentially harmed if the Programme fails to meet the SECAP standards and related policies. The programme-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during programme implementation that, with respect to the relevant IFAD Programme:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- (i) Notify IFAD promptly;
- (ii) Provide information on such risks, impacts and accidents;
- (iii) Consult with programme-affected parties on how to mitigate the risks and impacts;
- (iv) Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- (v) Adjust, as appropriate, the programme-level grievance mechanism according to the SECAP requirements; and
- (vi) Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

**Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and - violence involving programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in

the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- (i) Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- (ii) Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Programme and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- (iii) Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Programme.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

## Logical framework

Results Hierarchy	Indicators			Means of Verification			Assumptions	
	Name	Baseline	Midterm	End Target	Source	Frequency		Responsibility
<b>Outreach</b>	<b>1 Persons receiving services promoted or supported by the project /1</b>				Project reports	Annually	PMU	Activities start on expected timeline
	Total number of persons receiving services - Number		84724	169448				
	<b>1.a Corresponding number of households reached</b>							
	Women-headed households - Households		21689	43378				
	Non-women-headed households - Households		63035	120070				
	Households - Households		84724	169448				
	<b>1.b Estimated corresponding total number of households members</b>							
Household members - Number of people		423620	847240					
<b>Project Goal</b> To contribute towards wealth creation, and improve food and nutrition security among rural population of Malawi	<b>Moderate/Chronic Food Insecurity</b>				Reports from the IPC report, from HIS and DHS report	Every 3 years	PMU	Activities start on expected timeline
	% Individuals - Percentage (%)	33	30	25				
	<b>Household wealth index</b>							
% of rural population under the two lowest wealth quintiles - Percentage (%)	46	43	35					
<b>Development Objective</b> Commercialise and enhance the resilience and productivity of smallholder farming systems of rural men, women and youth in selected districts of Malawi by 2030	<b>Number of beneficiaries reporting increase in income by at least 25%</b>				Baseline, mid & end-line surveys	Baseline, mid & end-line	PMU	Participating beneficiaries and implementing agencies fully engaged in activities. Sufficient Government buy-in and facilitative policy environment.
	Total - Number		7500	15000				
	Males - Number		3750	7500				
	Females - Number		3750	7500				
	Young - Number		2850	5700				
	<b>Percentage increase of level of commercialisation</b>							
	Percentage increase in volume of commodities marketed by the beneficiaries		10	25				
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				Baseline, mid & end-line surveys/ COI Surveys			
	Total persons - Percentage (%)		24.38	48.75				
	Total persons - Number of people		19500	39000				
	Females - Percentage (%)		24.38	48.75				
	Females - Females		9750	19500				
	Males - Percentage (%)		24.38	48.75				
	Males - Males		9750	19500				
	<b>1.2.8 Women reporting minimum dietary diversity (MDDW)</b>							
	Women (%) - Percentage (%)		40	60				
	Women (number) - Females		12000	36000				
	Households (%) - Percentage (%)		40	60				
	Households (number) - Households		12000	36000				
	Household members - Number of people		60000	180000				
	Women-headed households - Households							
	<b>SF.2.1 Households satisfied with project-supported services /2</b>							
	Households (%) - Percentage (%)		40	80				
Households (number) - Households		32000	64000					
<b>SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers /2</b>								
Households (%) - Percentage (%)		40	80					
Households (number) - Households		32000	64000					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Midterm	End Target	Source	Frequency	Responsibility	
Outcome 1. Increased smallholder productivity and climate resilience	<b>1.2.2 Households reporting adoption of new/improved inputs, technologies or practices</b>				COI surveys	Baseline, mid & end-line	PMU	- Beneficiaries willing to adopt climate smart agriculture and NRM practices - Ability of the project to respond to climate shocks with pro-active adaptive management - Sufficient Government buy-in and facilitative policy environment - Adequate labour and working conditions for women in the target value chains
	Households - Percentage (%)		24.38	48.75				
	Households - Households		19500	39000				
	<b>1.2.4 Households reporting an increase in production</b>							
	Total number of household members - Number		97000	195000				
	Households - Percentage (%)		24.38	48.75				
	Women-headed households - Households		4992	9984				
	Households - Households		19500	39000				
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices /2</b>							
	Households - Percentage (%)		24.38	48.75				
	Households - Households		19500	39000				
	<b>3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered</b>				Baseline, mid & end-line	Baseline, mid & end-line	IFAD ECG	
	Hectares of land - Area (ha)		12220	36660				
tCO2e/20 years - Number		-127938	-383815					
tCO2e/ha - Number		-3.49	-10.47					
tCO2e/ha/year - Number		-0.17	-0.52					
Output 1.1. Inclusive value chain and market analysis conducted	<b>Stakeholders and value chain actors mapped</b>				Projects reports	Annually	PMU	
	Number of mapping exercises conducted - Number		4	8				
Output 1.2. Enhanced capacity for climate smart and nutrition-sensitive production	<b>1.1.8 Households provided with targeted support to improve their nutrition</b>				Project reports	Annually	PMU	
	Total persons participating - Number of people		40000	68000				
	Males - Males		16000	32000				
	Females - Females		24000	36000				
	Households - Households		32000	60000				
	Household members benefitted - Number of people		200000	300000				
	Young - Young people		12000	18000				
	Women-headed households - Households		10400	15600				
	<b>Technologies developed and promoted</b>							
	Number of new technologies developed - Number		5	15				
	Number of new technologies promoted - Number		10	10				
	<b>1.1.3 Rural producers accessing production inputs and/or technological packages /1</b>							
	Total rural producers - Number of people		19500	39000				
	<b>1.1.4 Persons trained in production practices and/or technologies /1</b>							
	Total persons trained in crop - Number of people		19500	39000				
	Total persons trained in livestock - Number of people		7800	15600				
	<b>3.1.2 Persons provided with climate information services /1</b>							
	Persons provided with climate information services - Number of people		29438	58876				
	<b>People who benefited from the pass-on programme</b>							
	Number of beneficiaries from the goat pass-on programme - Number		5364	10728				
	Number of goats passed-on - Number		26864	53728				
	Number of beneficiaries from the chicken pass-on programme - Number		39360	78720				
	Number of chicken passed-on - Number		393600	787200				
<b>People trained on GALS</b>								
Number of extension workers trained as ToT - Number		250	250					



Results Hierarchy	Indicators			Means of Verification			Assumptions
	Name	Baseline	Midterm	End Target	Source	Frequency	
	Number of local facilitators trained - Number		500	500			
	Percentage of women local facilitators trained - Percentage (%)		60	60			
	Number of households mentored - Number		7000	10000			
	<b>Public-private extensions supported</b>						
	Number of extensions officers trained and supported - Number		50	100	Project reports	Annually	PMU
<b>Output 1.3.</b> Sustainable management of productive resources (soil, land and water)	<b>3.1.4 Land brought under climate-resilient practices</b>		2000	4000			
	<b>Hectares of land - Area (ha)</b>						
	<b>Number of HH benefiting from sustainable soil and water conservation practices</b>		5000	10125			
	<b>Number of farming HH trained in micro-catchment and sustainable soil fertility management</b>		5000	10125			
	Number of farming households - Number		5000	10125	Baseline, mid & end-line surveys COI Surveys	Baseline, mid & end-line	PMU
<b>Outcome 2.</b> Commercialisation of smallholder farming systems promoted	<b>Number of beneficiaries who reported increase of sale (quantity of produce sold) by 25% /1</b>		7500	15000			
	<b>Total - Number</b>						
	<b>2.2.4 Supported rural producers' organizations providing new or improved services to their members /1</b>		375	750			
	<b>Number of POs - Organizations</b>						
	Total number of POs members - Number of people		9376	18750	Project reports	Annually	PMU
<b>Output 2.1.</b> Strengthened farmer organizations	<b>2.1.3 Rural producers' organizations supported /1</b>		9376	18750			
	<b>Total size of POs - Organizations</b>		375	730			
	<b>Rural POs supported - Organizations</b>						
	<b>2.1.4 Supported rural producers that are members of a rural producers' organization /1</b>		9376	18750			
	<b>Total number of persons - Number of people</b>						
	<b>1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services /1</b>		9376	18750			
	<b>Persons in rural areas trained in FL and/or use of Prod and Services (total) - Number of people</b>						
<b>Output 2.2.</b> Market linkages promoted based on opportunities to unlock value	<b>Business plan development supported and implemented</b>		25	50	Project reports	Annually	PMU
	<b>Number of market linkages partnership developed between farmer's groups s and market actors (buyers) - Number</b>		75	150			
	<b>Number of farmer's group who declared having taken credit from a rural finance institutions - Number</b>						
	<b>Number of beneficiaries trained on post-harvest handling /1</b>		3750	7500			
	<b>Total number of persons trained - Number</b>						
	<b>2.1.6 Market, processing or storage facilities constructed or rehabilitated</b>		126	250			
	<b>Total number of facilities - Facilities</b>		63	125			
	<b>Processing facilities constructed/rehabilitated - Facilities</b>		63	125			
	<b>Storage facilities constructed/rehabilitated - Facilities</b>						
	<b>Number of beneficiaries who reported having access to new post-harvest facilities /1</b>		1875	3750			
	<b>Total - Number</b>						
<b>Output 2.3.</b> Farmer Challenge Fund (FCF) operationalized	<b>2.1.2 Persons trained in income-generating activities or business management /1</b>		7500	15000	Project reports	Annually	PMU
	<b>Persons trained in IGAs or BM (total) - Number</b>		375	750			
	<b>Number of business plan proposals approved for financing</b>		5000000	5000000			
	<b>Number of business plans approved - Number</b>						
	<b>Volume of funds (USD) - Money (USD' 000)</b>						
	<b>Number of farmer groups/projects accessing FCF</b>						

Results Hierarchy	Indicators			Means of Verification			Assumptions
	Name	Baseline	Midterm	End Target	Source	Frequency	
	Number of farmer groups/projects accessing FCF to promote Production		250	500			
	Number of farmer groups/projects accessing FCF to promote commercialisation - Number		125	250			
<b>Outcome 3.</b> Strengthened institutional capacity and knowledge management systems	<b>Annual disbursement</b>				Project reports	Annually	PMU
	Annual disbursement target met against the AWPB - Number		70	70			
<b>Output 3.1.</b> Capacity of staff, Communication, knowledge management and M&E	<b>Trainings and capacity building of the PMU</b>				Project reports	Annually	PMU
	Number of staff participating - Number		10	20			
	Males - Number		5	10			
	Females - Number		5	10			
	<b>Success stories, best practices and lessons learnt documented and disseminated</b>						
	Number of success stories shared - Number		10	20			
	Number of best practices documented - Number		2	10			
	Number of lessons learnt shared - Number		5	10			
<b>Output 3.2.</b> Institution building and policy engagement for resilient and market-oriented food systems	<b>Government staff trained on disaster preparedness, mitigation and timely response</b>				Project reports	Annually	PMU
	Number of government staff trained - Number		15	30			
	<b>Policy engagement supported</b>						
	Number of workshops organized for policy discussions - Number		2	10			
	Number of policy documents supported - Number		1	3			

/1 Indicators will be disaggregated by 50% Females, 50% Males and 30% Young

/2 Indicators will measure household members (in Malawi the average is 5 members per HH), and number of women-headed HHs (average 25.6% of total HHs)

## Integrated programme risk matrix

Risk categories and subcategories	Inherent	Residual
<b>Country context</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Political commitment</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): The Government has sound policies in place for improving agricultural production and rural development aiming at improving production, productivity and diversification of crops and livestock. Although recent climate related hazards such as Cyclone Freddy have put a strain on the national budget and food security among smallholder farmers. The Government plans to continue promoting increased participation of smallholder farmers to engage in potential profitable agricultural value chains, including soya beans, groundnuts, sunflower, goats and dairy. That notwithstanding, the markets for these value chains are uncertain. Furthermore, the country will soon be moving into political campaigns although the presidential and parliamentary elections are 2 years away.		
Mitigations: The Government is committed to the timely implementation of SAPP II once its design is concluded. Although the financial envelope is beyond the available resources under IFAD 12 resources through climate funds, other potential funding from bilateral partners and possibly IFAD 13 allocation if confirmed.		
<b>Governance</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): Under SAPP II, the Government has already in place a performing project management unit. However, new staff will be seconded/hired to SAPP II who will require orientation and may therefore slow down implementation. Furthermore, new governance structures, the Project Steering Committee and Project Technical Committee will be established unlike under SAPP. This may delay implementation due to time required for orientation and settling down.		
Mitigations: Government will build the capacity of the project management unit by seconding more staff from the Ministry of Agriculture to the project and strengthening the project's mobility for effective coordination and reaching out to target beneficiaries.		
<b>Macroeconomic</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): External shocks and, in particular, the impacts of the war in Ukraine and two cyclones that have affected agricultural production, together with a balance-of-payments has resulted and is further expected to result in foreign exchange scarcity. The risk of exchange rate deterioration of the Malawi Kwacha and rising rate of inflation (double digits) is anticipated. The devastation of road infrastructure due to cyclone Freddy affecting SAPP II target districts in southern Malawi is also a risk that may affect reaching out to project beneficiaries. Malawi's public debt is currently assessed to be in distress, which is a risk factor as it risks crowding out private sector investment.		
Mitigations: Government will assess the effects of the risks and ensure implementation of climate smart infrastructure and agricultural production. Government will continue to focus on agricultural commercialization and placing emphasis on export driven agricultural value chains. Government will consider debt restructuring.		
<b>Fragility and security</b>	<b>Substantial</b>	<b>Moderate</b>

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
Risk(s): Climate change phenomena poses a risk to livelihoods of communities, considering that Malawi is prone to climate related shocks such as cyclones and dry spells. This is a risk that negatively affects crop production and productivity, and the livelihoods of communities in terms of food security.		
Mitigations: Government through the SAPP II has interventions climate resilience to lessen the impact of climate change related disasters.		
<b>Sector strategies and policies</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Policy alignment</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): The agricultural and rural development policies of GoM are generally well aligned with IFAD's COSOP (2023 - 2030) and policies. However, parliamentary processes to approve and ratify financing agreements for projects with IFAD have been very slow. This has posed a risk of delays in project start up and timely implementation, resulting in escalations of project costs and affecting meeting project targets.		
Mitigations: Government through the Debt & Aid division in MFEA will closely work with MoA to ensure relatively quick passage in Malawi parliament to timely ratify SAPP II financing agreement. MFEA will also work closely with the Ministry of Justice & Constitutional Affairs to develop Government /IFAD money bills for presentation in Malawi Parliament in a timely manner.		
<b>Policy development &amp; implementation</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): The national policy framework (MW 2063) is well-developed and supportive of agricultural commercialization and rural development. However, there is slow and limited implementation of most policy elements because of limited budget allocation to ensure implementation of the policies and strategies take place. This is a risk that the MW2063 may not be achieved.		
Mitigations: Government to strengthen capacities for policy implementation by providing adequate budget allocations. The Government to strengthen its monitoring of policy implementation. SAPP II will support some policies, including horticultural development in pursuit of Malawi's agriculture commercialization agenda.		
<b>Environment and climate context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Project vulnerability to environmental conditions</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The project's negative environmental risks include deforestation, land degradation, soil erosion, siltation of water reservoirs and bio-diversity loss because of clearing land for agriculture. In addition, inadequate adherence and limited enforcement to environmental regulations may result in increased vulnerability or deterioration of target populations' livelihoods and ecosystems.		
Mitigations: - Project will ensure screening of project interventions potential impact on environment and formulation of site specific Environmental and Social Climate Management Plans (ESCMPs) where environmental risks exist to minimize negative environmental impacts when risk is identified; - Promoting and building capacity for communities in conservation, restoration and protection of ecosystems and biodiversity; - Strengthening environmental education and co-management through capacity building of community groups to sustainably use of common		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
resources; - Targeted conservation and restoration activities at micro-catchment level; - The project interventions will target existing agricultural land, and land clearing will not be required for the project direct activities; - Screening of FCF business plans against climate and environmental criteria.		
<b>Project vulnerability to climate change impacts</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): The targeted population is vulnerable to increased frequency of extreme weather events (floods, droughts, and cyclones), extreme temperatures, erratic rainfall as a result of climate change. The impacts of climate change will impact productivity in terms of crop yields, loss of livestock and undermine the sustainability of project interventions. There are limited climate smart technologies or good agricultural practices.		
Mitigations: - Strengthen research, development and farmer evaluation of climate adapted crop varieties, new livestock production technologies promotion of Good Agricultural Practices (GAP), soil and water conservation, soil fertility improvement, conservation agriculture and awareness on environmental conservation and management practices. - Piloting of crop and livestock micro-insurance initiatives; - Climate resilience criteria in choice of value chain commodities to be promoted; - Early warning systems, more accessible weather and climate data, climate-resilient infrastructure, climate-smart agricultural practices/technologies, will be promoted to increase resilience; - A targeted adaptation assessment to identify site specific adaptation options.		
<b>Project scope</b>	<b>Low</b>	<b>Low</b>
<b>Project relevance</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is low risk since SAPP-II design builds on the most relevant aspects of the ongoing SAPP project, validated through SAPP Outcome surveys and economic and social development status reports from the targeted areas. It was confirmed during the concept note mission that support to agriculture primary production, with added elements of climate resilience and commercialization, is highly relevant for Malawi nationally and for the target districts in particular.		
Mitigations: During MTR, the project framework will be assessed to ensure continued relevance of the project framework of goals, outcomes, outputs and activities. Flexibility to make revisions at MTR ensures that SAPP-II will remain relevant throughout project life.		
<b>Technical soundness</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is low risk of a lack of technical soundness. The project outcomes and outputs are building on best practices identified through implementation of the ongoing SAPP project as well as other agriculture projects at the Ministry of Agriculture, and technical soundness is proofed against successful work and results.		
Mitigations: The annual supervisions and especially the project Mid Term Review will ensure that project implementation will progress effectively and in alignment with the design, and in case revisions to		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
the implementation framework are required, such can be agreed upon between IFAD and the Government.		
<b>Institutional capacity for implementation and sustainability</b>	<b>Moderate</b>	<b>Low</b>
<b>Implementation arrangements</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): The Ministry of Agriculture, through the Project Implementation Unit (PIU), was responsible for the implementation of SAPP and the same arrangement will be kept for SAPP II. Whilst it is the responsibility of the Government and its associated institutions to take charge of SAPP II delivery, and they have proven capacity for this, there is a risk that the MoA is slow to develop partnerships for delegation of selected aspects of project implementation to partners that may be more effective in those areas. This poses a risk with regards efficiency of delivery as well as outcomes achievement. Limited capacity from relevant institutions may arise from implementing the project in new identified districts.		
Mitigations: The design mission will identify appropriate implementation responsibilities for the MoA departments and those for development partners, value chain actors, service providers and stakeholders during SAPP II delivery. The partnerships shall be consolidated in Memorandums of Understanding (MOU) at project start-up phase to delegate delivery of selected outputs and activities to appropriate entities, whilst still providing oversight. Government will ensure selected EPAs have sufficient front-line staff to implement the project.		
<b>M&amp;E arrangements</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): The project is at its second phase and the staff is well trained and have already a functioning M&E system. The monitoring plan will identify monitoring indicator indicators at various level. However, some challenges could be the disaggregation of some of the indicators and the tracking of environmental and social safeguard as well as tracking emissions.		
Mitigations: Whenever practicable, all indicators centred on people will be disaggregated by gender and age. The preliminary ESCMP matrix will be refined and incorporated into the project's implementation manual throughout its duration. During the design phase, a comprehensive M&E framework will be agreed upon between IFAD and Government teams.		
<b>Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Legal and regulatory framework</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): There are exceptions to the procurement framework in the case of national defense or national security related procurement to the extent that such procurement is determined to be of a sensitive nature. A blanket exception may lead to non-competitive procurement and may pose the risk of not obtaining value for money on military expenditure which is not of a sensitive nature. Desk instructions dated 2003 yet to be updated to be consistent with the new Regulations of 2020. The inconsistency may lead to the risk of non-compliance with the Procurement Act and regulations hence threatening the integrity of the public procurement system and impacting value for money outcome. Standard RFQs do not contain a period for clarification and neither is there enough time to ask questions. There is a risk that either unrealistic quotations will be submitted or some vendors will not be		

Risk categories and subcategories	Inherent	Residual
<p>motivated to participate if some aspects of the procurement requirement are unclear leading to less competition. This will in turn impact value for money. This is likely to affect the project since it will be using national procedures.</p> <p>E-procurement not in use and Regulations 179 and 180 cover gradual introduction of e-procurement and conditions for their application. Definitions require adherence to socio-economic policies and provision 36 of the Act covers participation of SMEs though there are no methods that support innovation. Use of manual processes is inefficient and is prone to errors and there is lack of transparency and open access to public procurement information by the public and other stakeholders. Relying on such a system by the project will limit the information available about the project's procurement opportunities.</p>		
<p><b>Mitigations:</b> Procurement processes and procedures to be clearly identified in the PIM. Adoption of IFAD shopping SPDs that contain provisions for clarifications. Ensure procurement procedures are defined in project procurement manuals and consistent with IFAD procurement framework. Permit receipt of REOI and vendor pre-qualification applications through e-mail. Identification of SMEs to participate in specific procurement reservation schemes.</p>		
<p><b>Accountability and transparency</b></p>	Moderate	Moderate
<p><b>Risk(s):</b> No evidence that the Government takes into account the input, comments and feedback received from civil society and the procurement framework does not allow the public to participate in public procurement phases other than opening. There is a risk of lack of scrutiny of public procurement processes and decisions which may make the process none transparent and unaccountable.</p> <p>There is a requirement by law to publish NOITA, but no central portal for publishing other procurement related data to the public. There is a risk that lack of systematic access to public procurement information may erode the confidence of the public and the business community in the public procurement system.</p> <p>According to PEFA 2018, the National Audit Office (which is responsible for procurement audit) has no resources and capacity to properly exercise its functions. Composition of audit teams does not comprise procurement specialists. Resource constraints lead to fewer post reviews for procurement and there is a risk that the National Audit Office does not exercise its function to the desired extent in assessing compliance with procedures and performance levels of public procurement entities to ensure value for money in public procurement. This will impact the project since the public auditor will likely not have the expertise and resources to audit the project hence need to rely on private external auditors.</p> <p>No evidence of systems in place to follow up on the implementation/enforcement of the audit recommendations. This results from lack of an effective mechanism to follow up on audit recommendations and lack of a sanction system. There is a risk that there are no action plans to address the shortcoming and irregularities pointed out. The impact is that public procurement remains ineffective as it may not take advantage of the recommended improvements.</p> <p>There are no special integrity programmes for procurement staff. There is no disclosure of secure, accessible and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behaviour. There is a risk that procurement staff may be involved in unethical practices which may go unpunished due to lack of</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
a mechanism to hold them accountable. This may extend to the project staff since they operate in the same environment as all public officers.		
Mitigations: Use of the project website to publish procurement opportunities and contract awards. Periodic reporting to IFAD on procurement related issues identified during audit and their resolution. Include qualified procurement specialists as part of audit teams. Project to put in place periodic training on integrity for all project staff involved in processing procurement activities. The Project should disclose in solicitation documents the IFAD hotline to report misconduct of any kind and corruption and brief them on the Reporting obligations, as per Revised IFAD Anti-Corruption Policy.		
<b>Capability in public procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<p>Risk(s): Financial procedures are not detailed in the procurement cycle though the intersection with budgeting is identified in Part V of Regulations. This creates uncertainty on allocation of budget and availability of funds to ensure payments under the financial system leading to lack of trust due to lack of timely payments to vendors and may pose the risk of reduced competition, increased prices and delays in delivery of goods and services.</p> <p>There is no centralized procurement body for the purpose of consolidation hence lack of economies of scale due to lack of bulk buying. This has the risk of fragmenting procurement requirements and risks making them unattractive to bidders. This impacts value for money. The project may not be able to take advantage of such consolidation for its operational requirements.</p> <p>Absence of procurement information system and no strategies to manage procurement data. This poses the risk that there is lack of data to monitor compliance and measure performance of the public procurement system in order to achieve value for money across contract awarding including the methods used.</p> <p>There is a lack of substantive permanent training programmes on procurement and strategy to develop capacity of key stakeholders in public procurement. There is a risk this will affect the operational effectiveness of the implementation of the project including mastery of the rules and procedures in public procurement and may impact accountability functions in all stages of project implementation.</p>		
Mitigations: Timelines for Annual Work planning and budgeting cycles should be clearly defined in the PIM. Consolidate requirements for the purpose of economies of scale. Use IFAD end-to-end OPEN system for processing procurements. Project Procurement specialists to attend IFAD ILO based Procurement training BUILDPROC. Institute periodic stakeholder/supplier conferences.		
<b>Public procurement processes</b>	<b>Moderate</b>	<b>Moderate</b>
<p>Risk(s): There are instances of delays and not achieving the planned target activities as a result of delays in initiation processes. This is associated with the long time it takes to pass budgets and release funds to Procuring Entities to enable spending to occur. There is a risk of rushing to make last minute spending especially at the end of the year to exhaust the allocated budget leading to poor procurement decisions and wastage of funds.</p> <p>Absence of formal mechanisms for open dialogue or capacity building of private companies. Absence of specific risks assessment associated with different sectors and engagement in support of procurement objectives. There is a risk that stakeholder concerns over various</p>		



<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
issues highlighted in the usage of bidding documents may remain unaddressed. There is an additional risk that the private sector may not be adequately sensitized on how to effectively participate in public procurement opportunities hence impacting competition and value for money.		
Mitigations: Use IFAD end-to-end OPEN system for monitoring milestones. Absence of a system in place to measure and improve on procurement and contract management practices. Institute periodic stakeholder/supplier conferences. Periodic updates to project procurement strategies to identify emerging trends and risk mitigation measures.		
<b>Financial management</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Organization and staffing</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): Seconded staff demotivation with the salary et benefit set by the Government may affect the projects deliverables and may cause corrupt deals. None of FM staff is qualified accountant may cause problem solving complex accounting treatments. The district staff don't have requisite experiences in IFAD financial and administration processes and procedures. Frequent rotation of delegated government staff may cause high turnover of staff within district project.		
Mitigations: The government should set a staff emolument which is acceptable to motivate seconded staff. The FM staff should seek to become a member of Accounting body. All the finance team staff at PMU and District must take IFAD FM e-learning course to keep abreast with IFAD current FM policies. The government should allow staff delegated to IFAD projects to be on the course until the end of the project before rotation. There will be start-up capacity building workshop where the project will be sensitized on IFAD financial management requirements including preparation of interim financial reports and processing of withdrawal applications in ICP to ensure there is timely disbursement of funds, valuation of in-kind contributions among others.		
<b>Budgeting</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): Delay in the preparation of AWPB and submission to IFAD for No-Objection may delay in the activities' implementation. ·Prepare non-realistic and too ambitious AWPB which would not be implemented giving low budget implementation rate at the end of year. ·No official and documented guideline policies on the government and other counterpart's in-kind contribution giving inaccurate government counterpart contributions. ·Delay in implementing AWPB. ·Spending non-authorized or non-budgeted activities leading ineligible.		
Mitigations: Project should respect the laid down procedures on AWPB preparation and submission to IFAD. ·Activities budgeted for should be implemented at least in 80% each year. ·The project to develop in-kind contribution guidelines to be no-objected by IFAD for use before first disbursement. ·Each month prepare AWPB versus implementation schedule and variance to monitor AWPB implementation.		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
·Before expenses are incurred, Finance Team to check and record availability of budget line and fund; if not reject the expense.		
<b>Funds flow/disbursement arrangements</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Delay in the preparation of quarterly IFR and submission of Advance and Justification W/As leading to liquidity constraints and delaying activities implementation.</p> <p>Malawi Kwacha is highly volatile due to its continuous depreciation against the US\$ which may affect or reduce available dollar for the project implementation.</p> <p>·Delay in disbursing fund to Farmers Challenge Fund beneficiaries on time of need due to lack of capacity in the preparation of disbursement-based on impress system and delay of submission of W/A.</p> <p>·The current existing of financing gap may affect some project's categories and overall project implementation.</p>		
<p>Mitigations: Effective capacity building on IFR preparation, disbursement based on IFR and submission of W/As through FE module and ICP should be undertaken during project launch.</p> <p>·Transfer only amount needed for use in MK in the Operation accounts.</p> <p>·The PMU finance staff should build capacity to Farmer Challenge Fund beneficiaries before the first disbursement of advance.</p> <p>·The B/R should endeavour to raise the financing gap before the project launch.</p> <p>· IFAD will demand adequate and timely provisions of counterpart provisions during project negotiations to mitigate on use of IFAD funds to pre-finance counterpart contributions</p>		
<b>Internal controls</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Delay in submitting final internal audit report which will delay the knowledge of key and risky issues found.</p> <p>·Not respecting at least two internal audit undertaking per financial year.</p> <p>·Adequate internal control system in place but which may not work due to violation of intern control processes in place.</p> <p>·Non-respect of clauses of Financial and Administrative manual.</p> <p>·Increased risk of fraud and poor financial management practices at the district and FCF beneficiaries' levels where IFAD resources support farmers' organizations and smallholders.</p> <p>·Accumulation of incompatible tasks and overriding of Coordinator on internal procedures.</p> <p>·Weak capacities of implementing partners.</p>		
<p>Mitigations: There should always be internal audit entry and exist meeting and make sure the final signed internal report is received on time.</p> <p>·The number of internal audit report planned for the year should been done, at least 2 internal audits should be undertaken each year.</p> <p>·Every approving officer along internal control value chain should respect his/her role without overriding on the other's roles.</p> <p>·Projects policies manual should be followed and in case of any internal process amendments, the project should review and update the manual accordingly.</p> <p>·All SAPP II staff: PMU, District levels should take IFAD anti-fraud and anti-corruption course with certificate. Report any attempt of fraud, corruption by introducing whistle blowing arrangement in place.</p> <p>·The Coordinator should give autonomy to each Officer to play his/her role on the transactions approving processes.</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<ul style="list-style-type: none"> <li>·PMU to build capacity to all implementing partners before disbursing fund.</li> <li>· Bank reconciliations and other requirements by districts will regularly be monitored by PMU. The residual risks are maintained as Substantial. A time-bound action plan is put in place to improve SAPP FM performance while waiting for SAPP II to start up.</li> </ul>		
<b>Accounting and financial reporting</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Incomplete configuration of the accounting software with financial statements (FS) leading to manual preparation of FS with inaccuracy and errors.</p> <ul style="list-style-type: none"> <li>·Delay in preparation and submission of quarterly IFR and risk of quality may be compromised.</li> <li>·Risk of the FCF beneficiaries may not have quality bookkeeping knowledge and system in place which can allow them to prepare disbursement based on impress system.</li> <li>·Accounting software may not be customized enough with all the required forms to automatically generate reports that meet IFAD requirements.</li> <li>·Risk of SDR/US\$ exchange rate fluctuation leading to insufficient dollar values available to implement project activities when the financing is SDR.</li> <li>·Risk that Farmer Challenge Fund does not have distinct category in costab and Schedule II.</li> </ul>		
<p>Mitigations: Configure accounting software with all the required IFAD forms and FS before the first disbursement. FO to check and make a test run during the launch of the project.</p> <ul style="list-style-type: none"> <li>·During the launch of SAPP II build capacity of staff on IFR preparation, disbursement procedures, FE Module and ICP usage.</li> <li>·SAPP II Finance team to build capacity for FCF beneficiaries on effective bookkeeping and preparation of disbursement W/A.</li> <li>·SAPP II should have TOMPRO upgraded into TOMPRO web and configure it for a complete FS and IFR and reporting directly from the system.</li> <li>·SDR/US\$ financing gap-high risk; therefore, the government should endeavour to choose US\$ or Euro currency for the loan and grant.</li> <li>·Make sure the current Farmer Challenge Fund (FCF) maintains distinct category in the costab and in IFAD schedule II.</li> </ul>		
<b>External audit</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s): Possible risk of collusion of the PMU and auditor General delegated staff who conduct project external audit to twist the audit report and findings.</p>		
<p>Mitigations: Hybrid external audit process involving Auditor General and private auditor for credible oversight control assurances.</p>		
<b>Environment, social and climate impact</b>	<b>Moderate</b>	<b>Low</b>
<b>Biodiversity conservation</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s): Land clearing for agriculture, for example, may endanger or reduce biodiversity, the availability of diverse nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources. In addition, the project could accidentally lead to introduction or utilization of invasive alien species of flora and fauna.</p>		
<p>Mitigations:</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<ul style="list-style-type: none"> <li>- The project interventions target existing agricultural land, and land clearing will not be required for the project direct activities</li> <li>- Promoting protection of the natural resource base through tailored support from the Village Farmer Challenge Fund</li> <li>- Screening of FCF business plans against climate and environmental criteria</li> <li>- Targeted conservation and restoration activities at micro-catchment level</li> <li>- Capacity building for communities on biodiversity conservation to be provided through the advisory services.</li> <li>- Implementation of the ESCMPs, which provides mitigation plan for all risks identified</li> <li>- Procurement guidelines will include safeguards to ensure any seed or seedling purchased for the project do not have invasive potential (particularly relevant in research for new varieties and in potential afforestation activities)</li> <li>- Project will work to change perceptions on the richness of indigenous and local wild foods through participatory biodiversity assessment to understand their availability and key characteristics and potential for biodiversity and diet quality.</li> </ul>		
<b>Resource efficiency and pollution prevention</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s): Farmers' increased use of agrochemicals (fertilisers and pesticides) may pollute land and water resources as they seek to increase agricultural productivity threatening ecosystem services and the environment at the local levels. The project will also involve livestock management and rearing, as well as potential afforestation activities which may imply increased pressure on resources and/or changes to land-use.</p>		
<p>Mitigations:</p> <ul style="list-style-type: none"> <li>- Promotion of eco-labelled products/practices such as organic fertilizer, manure curing and Integrated Pest management that minimizes hazardous substances/emissions</li> <li>- Where inorganic fertiliser cannot be avoided, precise application techniques to be promoted</li> <li>- Policy support to address environmental effects of fertiliser subsidy</li> <li>- Screening of FCF business plans against climate and environmental criteria to avoid causing pollution</li> <li>- Procurement guidelines will list all approved chemicals in tender documents</li> <li>- The specifications of fertilisers and pesticides contracted by the PMU will be required to operate in line with the specifications in SECAP VOL 1 Annex 4 and the WHO-FAO codes for safe labelling, packaging, handling, storage, application and disposals of pesticides</li> <li>- Focus on small and low-emitting livestock only</li> <li>- Promotion of good husbandry practices and manure management through trainings and demonstrations</li> <li>- Preliminary soil and water assessments, as well as socioeconomic assessment will be conducted prior to afforestation activities to identify appropriate location, number and management capacity of trees planted for restoration and/or agroforestry</li> <li>- Technical training will be provided, ensuring that tree nurseries will need to be grown in a sustainable manner including safe use of fertilisers, chemicals, safe disposal of plastics.</li> </ul>		
<b>Cultural heritage</b>	<b>Low</b>	<b>Low</b>

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
Risk(s): No risk envisaged		
Mitigations: No risk envisaged		
<b>Indigenous peoples</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is no envisaged risk as the project target beneficiaries does not include IPs.		
Mitigations: There is no envisaged risk as the project target beneficiaries does not include IPs.		
<b>Community health and safety</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Potential health and food safety concerns along the selected value chains from production to consumption of the selected value chains. For example high aflatoxin content of groundnuts and other grains; Increased agricultural productivity from the use of inorganic and pesticides will result in increased use of agrochemicals. Poor agrochemical handling and application will increase the risks to the health of pesticide-exposed people and agricultural product consumers. Women's increased domestic workload continues to endanger their health and nutrition. This can be exacerbated by allowing women to participate in labor-intensive activities. There is a possible risk of gender-based violence.		
Mitigations: - Where inorganic fertiliser cannot be avoided, precise application techniques to be promoted - Promote the use of organic fertilisers particularly for home gardens, the main source of vegetables for household use - Tailored training on food safety to farmer groups based on specific risks of specific value chains The project will create awareness on GBV prevention, management and reporting using the protocols provided for by the Ministry of Health. As well prevention of HIV/AIDS. Promote use of organic fertilizers, integrated pest management and safe use of chemicals.		
<b>Labour and working conditions</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): The risks are child labour due to high school drop-out rates, working during school holidays, heavy labour burden on women, occupational health/injuries, risks during NRM works, and poor working conditions of workers working with partners and service providers.		
Mitigations: The ECSMP matrix provides for elaborate mitigation and monitoring/surveillance measures to prevent/limit child labour, occupational health and safety as well as poor working conditions. The project is also promoting the GALs methodology at household level to encourage sharing of labour roles at farm and household levels, to reduce the burden on women and create awareness on GBV prevention.		
<b>Physical and economic resettlement</b>	<b>Low</b>	<b>Low</b>
Risk(s): No risk envisaged.		
Mitigations: No risk envisaged.		
<b>Greenhouse gas emissions</b>	<b>Low</b>	<b>Low</b>
Risk(s): Secondary forest carbon sinks may be reduced as a result of land clearing for agriculture resulting from land use change thereby contribute to anthropogenic climate change.		
Mitigations:		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<ul style="list-style-type: none"> <li>- The promotion of good agricultural practices and soil fertility enhancement will also promote carbon sequestration in soil organic matter.</li> <li>- Promotion of clean energy technologies will help to reduce GHG emissions.</li> <li>- Project will promote NRM, including afforestation.</li> </ul>		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): The reliance on rainfed agriculture, low adoption of climate smart practices/technologies makes the targeted population and infrastructure vulnerable to climate shocks, as demonstrated by the recent Cyclones Idai and Freddy.		
<p>Mitigations:</p> <ul style="list-style-type: none"> <li>- Strengthen research, development and farmer evaluation of climate adapted and nutrition dense crop varieties, new climate resilient livestock production technologies.</li> <li>- Early warning systems for shocks.</li> <li>- Increase promotion and adoption of climate smart and shock resilient production systems and technologies, sustainable management of productive resources (soil, land and water).</li> <li>- Soil and water conservation, conservation agriculture and raising environmental awareness.</li> <li>- Ensuring climate resilience Good Agricultural Practices (GAPs) or technologies are developed and refined to meet the needs of various farmer agro ecologies.</li> <li>- Strengthen agricultural extension delivery.</li> <li>- Improve the implementation of farmer-created research trials.</li> <li>- Improving capacity will also increase smallholders' knowledge base for managing climate change-related risks.</li> <li>- Target districts are not the most exposed</li> </ul>		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<b>Stakeholder engagement/coordination</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Weak inclusion of stakeholder in the design and implementation of the project results in poor ownership and potential duplication of efforts with other development partners. Inadequate inclusion also leads to inability of stakeholders to take decisions related to the programme as well as to voice their opinions and concerns.		
Mitigations: Stakeholders were consulted extensively during the concept note preparation process. A stakeholder engagement plan will be developed during project design to identify various stakeholders, how they will be engaged, information feedback loops, and communication channels.		
<b>Stakeholder grievances</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Inadequate or delayed activation of grievance/complaint redress mechanisms, resulting in unresolved stakeholder complaints, which may result in low motivation and project participation. This could jeopardize project implementation and the achievement of project development goals.		
Mitigations: SAPP II will train project staff and senior government representatives from lead project executing agencies to effectively engage stakeholders and provide feedback on IFAD investments. A grievance redress mechanism will be created for the project to provide a channel for complaints.		