



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Ninth Session

Rome, 10-11 September 2003

REPUBLIC OF MALAWI

PRESIDENT'S MEMORANDUM

REVISED SCOPE OF THE RURAL LIVELIHOODS SUPPORT PROGRAMME
(LOAN NO. 565-MW)

I. BACKGROUND

1. At its Seventy-Third Session in September 2001, the Executive Board approved a loan of SDR 10.7 million to the Republic of Malawi on highly concessional terms for the Rural Livelihoods Support Programme (RLSP) (document EB 2001/73/R.15/Rev.1). The loan agreement has not yet been signed for reasons explained below. In accordance with IFAD regulations, a loan agreement that is not signed within two years of approval is terminated, unless there are reasonable expectations that the agreement will be signed.

2. The RLSP was designed during 2000-01, a period of significant policy change in Malawi. At that time, the Government of Malawi was preparing its Poverty-Reduction Strategy Paper (PRSP) in order to comply with the conditionality of the Debt Initiative for Heavily Indebted Poor Countries (decision point achieved in December 2001). The PRSP was launched in April 2002, and the Government has been strengthening its governance processes by building elected local governance structures at the district level. As part of this process, it has been implementing decentralization measures in order to shift the focus of development funding to rural areas. It has also been reorienting the institutional framework of government technical departments to focus more on rural poverty alleviation. While the decentralization process has been underway for a number of years, the Government needed time to establish district level structures and the technical capacity to channel public and donor funds and implement activities. As a result of these changes, a number of donors have changed their own funding approaches to focus on sectoral programmes.



II. RATIONALE FOR THE REVISED SCOPE OF THE PROGRAMME

3. During appraisal of the RLSP in 2000, cofinancing potential was identified and the loan agreement was negotiated and approved by the Executive Board on that basis. However, cofinancing did not become available due to the above-mentioned sectoral change. In addition, the Government has made good progress on the decentralized institutional framework at the district level, which is part of the shift of financing to rural areas. In order to address these two issues, the Fund undertook a post-appraisal, during January-May 2003. It sought to harmonize institutional arrangements for programme management with the new decentralized structures at the district level and to update programme costs to reflect the new environment, including the fact that cofinancing was no longer available.

4. During this process of close dialogue with the Government, the programme objectives were better aligned with priority areas of the PRSP. The overall goal of the programme is sustainable poverty reduction through the promotion of on-farm, off-farm and wage-based incomes. The specific objectives are to:

- (a) promote sustainable agricultural production and efficient natural-resource-management technologies for improved food security, nutrition and agriculture-based incomes;
- (b) promote the development of skills within the target groups and provide financial support for on and off-farm investment using the acquired skills to improve incomes;
- (c) promote employment through support for infrastructure development to provide cash income during off-season periods; and
- (d) develop individual and community organizational capacity and the capability to access relevant resources to improve livelihoods.

5. Project components and activities have remained largely as initially formulated, while community planning processes have been structured to reflect the local-level governance structures put in place following the elections in 2002. The RLSP component for programme implementation support builds upon and draws lessons from the implementation modalities of the IFAD-financed Smallholder Flood Plains Development Programme (in which government services work closely with a local non-governmental organization (NGO), which in turn deals directly with the water users' association). It will involve the participation of both public and private-sector service providers. The public sector will provide technical support for the programme, while the private sector (including NGOs) will work directly with local communities, district assemblies and district level, government technical staff.

6. The programme costs and financing plan have been revised to reflect this change and are presented in the Annex. Although the financing plan expressed in United States dollars reflects a change in the costs to be financed by IFAD, there will be no change in the approved IFAD loan amount of SDR 10.7 million because of the significant downward movement of the United States dollar.

7. The Government has made provision for the programme in its annual budgetary submission for 2003 and 2004. In light of the intensive post-appraisal dialogue process that has taken place with the Government during the first six months of 2003, it is expected that the amended loan agreement will be signed in September 2003 and that the Government will be able to fulfil loan effectiveness conditions within the following six months.



III. RECOMMENDATION

8. I recommend that the Executive Board approve:
 - (a) the revised programme objectives, activities and cost tables resulting from a change in programme financing; and
 - (b) the extension of the period for signature of the loan for the RLSP to 31 December 2003.

PROGRAMME COSTS AND FINANCING PLAN

TABLE 1: SUMMARY COST TABLE ^a
(USD million)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Investment in human capital					
1. Community planning and implementation	2.1	0.2	2.3	8	17
2. Support to service providers	3.2	0.1	3.3	3	25
3. Participatory monitoring and evaluation	0.3	0.0	0.4	10	3
Subtotal	5.7	0.3	6.0	5	45
B. Village investments					
1. Local initiatives fund	1.1	0.1	1.2	10	9
2. Village investment fund	3.3	0.4	3.7	10	28
Subtotal	4.4	0.5	4.9	10	37
C. Programme management and coordination					
1. Programme Facilitation Unit (PFU)	1.4	0.9	2.3	39	17
2. Poverty analysis	0.2	-	0.2	-	1
Subtotal	1.6	0.9	2.5	36	18
Base costs	11.6	1.7	13.3	13	100
Physical contingencies	1.0	0.1	1.1	10	8
Price contingencies	1.9	0.2	2.1	12	16
Total programme costs	14.5	2.1	16.6	12	124

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN ^a (NO CHANGE TO IFAD LOAN AMOUNT)
(USD million)

Components	IFAD	%	Beneficiaries	%	Government	%	Total	%	Foreign Exchange	Local. (Excl. Taxes)	Duties and Taxes
A. Investment in human capital											
1. Community planning and implementation	2.7	95.4	-	-	0.1	4.6	2.8	16.9	0.2	2.5	0.1
2. Support to service providers	4.0	97.2	-	-	0.1	2.8	4.1	24.6	0.1	3.9	0.1
3. Participatory monitoring and evaluation	0.4	100.0	-	-	-	-	0.4	2.6	0.0	0.4	-
Subtotal	7.1	96.7	-	-	0.2	3.3	7.3	44.1	0.4	6.7	0.2
B. Village investments											
1. Local initiatives fund	1.2	81.0	0.1	9.0	0.2	10.0	1.5	9.2	0.1	1.2	0.2
2. Village investment fund	3.9	81.0	0.4	9.0	0.5	10.0	4.8	28.8	0.5	3.8	0.5
Subtotal	5.1	81.0	0.6	9.0	0.6	10.0	6.3	38.0	0.6	5.0	0.6
C. Programme management and coordination											
1. Programme Facilitation Unit (PFU)	2.4	87.5	-	-	0.3	12.5	2.8	16.7	1.1	1.4	0.3
2. Poverty analysis	0.2	100.0	-	-	-	-	0.2	1.1	-	0.2	-
Subtotal	2.6	88.3	-	-	0.3	11.7	3.0	17.8	1.1	1.5	0.3
Total	14.8	89.2	0.6	3.4	1.2	7.3	16.6	100.0	2.1	13.3	1.2

^a Discrepancies in totals are due to rounding.

