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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
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**REPUBLIC OF MALAWI**  
**COUNTRY STRATEGIC OPPORTUNITIES PAPER**



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#### CURRENCY EQUIVALENTS

Currency unit	=	Malawian kwacha (MWK)
USD 1.00	=	MWK 1 300
MWK 1 000	=	USD 0.77

#### WEIGHTS AND MEASURES

1 kilogram (kg)	=	2 204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

#### ABBREVIATIONS AND ACRONYMS

ADMARC	Agricultural Development and Marketing Corporation
COSOP	country strategic opportunities paper
DFID	Department for International Development (United Kingdom of Great Britain and Northern Ireland)
IMF	International Monetary Fund
IRLADP	Irrigation, Rural Livelihoods and Agricultural Development Project
MASAF	Malawi Social Action Fund
EGS	economic growth strategy
PRSP	poverty reduction strategy paper
PBAS	performance-based allocation system
RLSP	Rural Livelihoods Support Programme
SFPDP	Smallholder Floodplains Development Programme

#### GOVERNMENT OF THE REPUBLIC OF MALAWI Fiscal Year

1 July – 30 June

**COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS**



Source: IFAD

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.

## PORTFOLIO OVERVIEW

**Region: Eastern and Southern Africa**

**Country: Malawi**

Loan/Grant Number	Project/Programme Name	Approved Amount (USD)	Current Amount (USD)	Board Approval	Loan/Grant Effectiveness	Current Closing Date	Cooperating Institution	Project Status	Disbursed of Approved
<b>A. Investment projects</b>									
70	Dowa West Rural Development Project	10 800 000	8 686 000	08-Sep-81	12-Oct-81	30-Sep-93	IBRD	Closed	80%
120	Smallholder Fertilizer Project	10 280 000	10 080 000	21-Apr-83	22-Jun-83	31-Mar-89	IDA	Closed	86%
158	Kasungu Agricultural Development Project	13 600 000	15 750 000	12-Dec-84	26-Apr-85	30-Apr-94	IDA	Closed	* 116%
212	Smallholder Agricultural Credit Project	6 900 000	6 710 000	02-Dec-87	02-Sep-88	30-Jun-95	IDA	Closed	96%
S/35	Agricultural Services Project: Smallholder Food Security Sub-project	13 002 000	13 002 000	15-Sep-93	30-Jul-94	30-Jun-00	UNOPS	Closed	62%
338	Rural Financial Services Project: Mudzi Financial Services Sub-project	11 990 000	11 990 000	02-Dec-93	28-Apr-95	30-Sep-01	UNOPS	Closed	70%
471	Smallholder Flood Plains Development Programme	12 459 000	12 459 000	23-Apr-98	27-Nov-98	31-Dec-06	UNOPS	Ongoing	87%
565	Rural Livelihoods Support Programme	14 780 000	14 780 000	12-Sep-01	30-Aug-04	31-Mar-14	UNOPS	Ongoing	8%
<b>Total</b>		<b>93 811 000</b>	<b>93 457 000</b>						
<b>B. Grant components</b>									
C-109-MW	Smallholder Fertilizer Project	1 047 000	854 000	21-Apr-83	24-May-83	31-Mar-89	IDA	Closed	82%
C-166-MW	Smallholder Agricultural Credit Project	526 000	526 000	02-Dec-87	04-Mar-88	30-Jun-95	IDA	Closed	100%
IE-471-MW	Smallholder Flood Plains Development Programme	1 000 000	1 000 000	12-Jun-98	25-Jan-00	31-Dec-05	UNOPS	Ongoing	100%
<b>Total</b>		<b>2 573 000</b>	<b>2 380 000</b>						

\* The amount disbursed in USD is over 100% of amount approved due to the devaluation of the USD relative to the SDR, in which IFAD funds are committed.

Note: IBRD = International Bank for Reconstruction and Development  
 IDA = International Development Association  
 UNOPS = United Nations Office for Project Services

## EXECUTIVE SUMMARY

1. **Background.** With 65% of the population considered poor and living on less the USD 1 per day, the extent of poverty is a constraint to development and growth in Malawi. Gains achieved in human development since the 1970s have been eroded, and Malawi is one of two countries in a survey of 15 African nations in which most adults do not expect their children to live better lives than themselves. The new Government that took office in May 2004 has brought a new sense of optimism relative to anti-corruption efforts, policy reform and poverty reduction.
2. **Foreign assistance.** Malawi is dependent on foreign aid, which has amounted to 14% of GDP per year over the past ten years and is evenly divided between loans and grants. External financing has been suspended several times due to failure to comply with IMF programmes. Although eligible for the Heavily Indebted Poor Countries Debt Initiative, the country has not yet qualified as a result of previous difficulties in adhering to the agreed upon macroeconomic objectives. It is not yet clear whether or not Malawi will meet the anticipated 2006 date for arrival at completion point. The World Bank and the International Monetary Fund (IMF) have been providing interim debt relief since 2002, but there is no mechanism for IFAD to do so.
3. **Agriculture.** The economy is dominated by the agricultural sector, which is expected to lead growth and employment in order to reduce poverty. Smallholder farmers remain strongly attached to maize production, which requires improved seed and fertilizer to achieve food security on the small plots cultivated. Efforts at full liberalization have been constrained by repeated food crises and donor/Government supplies of free seed and inputs intended to promote food security. As a result of the unstable macroeconomic environment, farmers and the business community have adopted non-risk-taking behaviours, such as scaling down activities and not participating in uncertain markets.
4. **Rural poverty.** In Malawi, a distinction is drawn among three different groups of the poor: the **economically active (or capable) poor**, who are able, of working age and in good health but lack productive assets; the **transient poor**, who are at risk of becoming poorer due to periodic or transitory shocks but also have the ability to move out of poverty; and the **core poor**, who have no capacity to generate income and face a life of continuous poverty, especially the elderly, sick and disabled. Around one third of the population is categorized as core poor. With about 67% of rural households living below the poverty line, the varying degrees of poverty suffered by these groups mean little in relative terms, since even moderately better-off households are barely covering their basic needs.
5. **IFAD's role and focus.** Taking into account the substantial amount of grant assistance aimed at the core poor as well as the type of activities being supported by other donors in terms of safety-net type assistance, IFAD will explicitly target the capable poor and the transient poor in rural areas for agricultural development and other associated activities in support of the Government's policies for pro-poor economic growth. IFAD will also focus on promoting the institutional framework at all levels in rural areas so as to create the preconditions for rural communities to engage effectively in the decentralized development process and foster the emergence of strong grass-roots organizations, which will enable rural people to work together for their own betterment.
6. **Goal.** IFAD's country programme goal is to strengthen the livelihoods of the rural poor through agricultural development and economic diversification. Reflecting the Government's strategy, IFAD's programme will focus on promoting pro-poor growth in rural areas.
7. **Targeting.** The programme will support growth paths for two specific target groups: (i) emergent, poor smallholder farmers (who fall within both the capable poor and the transient poor categories) with potential for achieving economic viability and located in medium- to high-potential areas; and (ii) marginal farmers and vulnerable households (the transient poor), including those headed by women, youth and orphans. The overall goal will be achieved through the following:



- strengthen agriculture as the main livelihood for semi-commercial and emergent farmers by: intensifying agricultural production through skills development to increase the range of crops and livestock produced; enhancing water management on seasonal wetlands and family gardening lands; and improving access to profitable markets;
- secure and diversify rural livelihoods for marginal farmers and vulnerable households through effective use of their limited resources to achieve partial food security (agricultural production intensification, drought-resistant nutritious crops, access to supplementary water, small livestock rearing) and through promotion of non-farm employment opportunities; and
- strengthen local institutions and human, physical and natural resources at community and household levels through support for the decentralization process so that development initiatives are driven by communities through district and local governance structures.

8. **Policy dialogue.** IFAD will aim to stimulate policy dialogue with other donors and with the Government on issues of market-led agricultural growth as a means of poverty reduction and the need for consistency in policy implementation to foster the emergence of private-sector operators and farmer organizations. With other donors, the emphasis will be on dialogue about the possible impact of emergency relief efforts on long-term development policies and how the extension of grants beyond an emergency period undermines the incentive framework for small poor farmers. IFAD will also support strengthening the donor coordination framework for the agricultural sector in order to promote closer collaboration among donors. With the Government, the focus will be on policy dialogue relative to the incentive framework for agriculture as well as the implementation of existing policies at the grass-roots level.

9. **Future IFAD lending.** Malawi was a benchmark country during the pilot performance-based allocation system (PBAS) exercise in mid-2004. At that time, a comprehensive rural sector assessment was carried out by IFAD and is not expected to change significantly in the near future. The broad country policy and institutional assessment framework, taken from the World Bank, is also not expected to change. The score for portfolio performance was very low in 2002, but has been slowly improving as a result of consistent backstopping by IFAD. Three scenarios have been developed on the basis of possible PBAS scores over two three-year PBAS cycles:

Scenario	Country Performance Score	Six-Year IFAD Loan Commitment
Low-case	3.02	USD 15.8 million
Medium-case	3.37	USD 19.6 million
High-case	3.72	USD 23.7 million

10. **Low-case scenario.** If implementation performance continues at its present level, there will be USD 15.8 million available for commitment over the next six years. IFAD is planning to cofinance one project with the World Bank, and may be able to finance another smaller project. **Medium- to high-case scenario.** IFAD would not only provide cofinancing for one project with the World Bank but would also develop two more programmes: one aimed at promoting market-driven production enhancement for poor emergent farmers and another to support the decentralization process by strengthening rural institutions and organizations. If the environment for programme development deteriorates, lending commitments would be limited to the currently planned cofinancing with the World Bank. IFAD would focus on policy dialogue and partnerships with potential change agents, in close coordination with the Government and donors. **Grants.** Given the poverty and low level of development, IFAD will aim to provide a maximum amount of assistance through grants.

11. **Grant assistance by other international financial institutions (IFIs).** The scale of and move towards grant assistance of other IFIs in Malawi will undermine the attractiveness of highly concessional lending from IFAD. While this is a broader institutional issue for IFAD, it will also need to consider how to adapt its lending strategy in light of this development over the medium term of this country strategic opportunities paper.



**REPUBLIC OF MALAWI**  
**COUNTRY STRATEGIC OPPORTUNITIES PAPER**

**I. INTRODUCTION**

1. This country strategic opportunities paper (COSOP) is shaped by the national priorities set out in Malawi's poverty reduction strategy paper, its economic growth strategy and its Vision 2020. The COSOP also reflects the priorities set in IFAD's strategic framework, its regional strategy for Eastern and Southern Africa, the Millennium Development Goals and the United Nations Development Assistance Framework for Malawi for 2002-2006. The first draft COSOP was informed by the performance-based allocation system (PBAS) rural sector assessment process in mid-2004, for which Malawi was a benchmark country. The revised COSOP was discussed with the Government in November 2004 during the presentation of the PBAS scoring framework and again in May 2005, as well as with other donors. The COSOP sets out the medium-term framework for IFAD's operations in Malawi for a six-year period 2005/2011, or two PBAS three-year cycles.

**II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT**

**A. Country Economic Background<sup>1</sup>**

2. Malawi is a small, landlocked country located in south-east Africa, bounded by Mozambique, the United Republic of Tanzania and Zambia. It has a total land area of about 94 000 km<sup>2</sup>, and 24 000 km<sup>2</sup> of inland lakes. The country's population of 12 million is very young: 72% are under 25 years old. Malawi is one of the most densely populated countries in Africa (128 people per km<sup>2</sup>), and 86% of the population live in rural areas. The sheer extent of poverty is a constraint to development and growth, with 65% of the population considered poor and living on less the USD 1 per day. Life expectancy at birth fell from 46 years in 1996 to 38 years in 2002 as a result of increasing poverty, HIV/AIDS, chronic malnutrition, substandard health services and lack of clean drinking water. Gains achieved in human development since the 1970s have been eroded, as reflected in the decline in the Human Development Index (HDI) of the United Nations Development Programme, from 0.408 in 1995 to 0.388 in 2002. The country is now ranked 165 out of 177 in terms of HDI, and 134 out of 144 on the Gender Development Index. Malawi is one of two countries in a survey of 15 African nations in which most adults do not expect their children to live better lives than themselves.<sup>2</sup> The new Government that took office in May 2004 has brought a new sense of optimism relative to anti-corruption efforts, policy reform and poverty reduction.

3. **Economy.** The economy is dominated by the agricultural sector, which accounts for 85% of employment and generates 35-45% of GDP and over 90% of the country's export earnings. The manufacturing sector, focused around agro-processing and construction materials, has contracted in recent years; it now provides work for 10% of the population and accounts for around 12% of GDP. Economic growth is highly variable due to macroeconomic instability and dependence on agriculture, which has been beset by drought in recent years. Annual GDP growth (1.2% between 1999 and 2003) has lagged behind population growth (2.2%), causing per capita GNI to fall to USD 160 in 2002. The economy remains vulnerable to external shocks, as demonstrated by the food crisis of 2002.

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<sup>1</sup> See Appendix 1 for country data.

<sup>2</sup> Afrobarometer, 2004 cited by Tango International (2004) *Underlying Causes of Livelihood Vulnerability and Insecurity in Malawi*, Theme Paper I, Lilongwe: CARE Malawi.

4. Achieving a level of economic growth to raise incomes and tackle poverty is constrained by the narrow economic base and small domestic market; an erratic power supply, poor infrastructure and high transport costs are further limitations. High inflation (30% per year since 1995), high real interest rates (around 30%), low rates of domestic savings, a high government domestic debt burden, deteriorating terms of trade since 1995, the long-run decline in the value of the kwacha, and a structural deficit on the current account of over 10% (excluding official transfers) continue to undermine growth prospects. Parastatals continue to be the main players in the economy, employing 500 000 people and accounting for around 20% of GDP. As a result of the unstable macroeconomic environment, farmers and the business community have adopted non-risk-taking behaviours, such as scaling down activities and not participating in uncertain markets.

5. **Policies.** The main focus of economic policy has shifted from large-scale agriculture and industrial development in the 1970s and 1980s, to the current goal of poverty reduction in the 1990s. This was to be achieved by liberalization of domestic markets, the privatization of parastatals and reforms aimed at helping smallholder farmers.

6. **External conditionality.** The Poverty Reduction and Growth Facility (PRGF) of the International Monetary Fund (IMF) was approved in 2000 but was suspended due to the Government's inability to meet the conditionalities. Following the instatement of the new Government in May 2004, a 12-month IMF staff-monitored programme was put in place to end in June 2005, with the attainment of fiscal targets as the key to graduating to a new PRGF. A six-month review conducted in March 2005 commented favourably on the strong political commitment to tight fiscal performance and zero tolerance for corruption. The focus of current donor efforts is on supporting the new Government in fulfilling the year-long IMF staff-monitored programme.

7. **External debt and the Heavily Indebted Poor Countries (HIPC) Debt Initiative.** Total external debt was almost USD 3 billion at the end of 2001, with a debt-to-GNP ratio of 156% in 2002 and a debt-to-export ratio of over 520%. Most debt is owed to multilateral creditors, and Malawi received interim debt relief of USD 1 billion on debt servicing (equivalent to 44% of the net present value of debt outstanding at the end of 1999) under the HIPC Debt Initiative. The country will not qualify for a reduction in debt stock until it has successfully implemented an IMF programme for one year; it is not yet clear whether or not the anticipated 2006 date will be achieved for reaching completion point. Resources made available from interim debt relief have been used to fund an expansion in pro-poor spending programmes including health and education. The World Bank and IMF have been providing interim debt relief, but there is no mechanism for IFAD to offer similar relief.<sup>3</sup>

8. **Donor assistance.** Given the overwhelming scale of poverty, there is an extremely limited tax base upon which the Government can draw revenue. Consequently, Malawi is more dependent on foreign aid than other African countries. External financing however has been suspended several times because of failure to comply with IMF programmes. Donor resources account for up to 80% of the general government budget (compared with 52% in Uganda) and over 33% of the recurrent budget. Between 1994 and 2002, foreign aid amounted to 14% of GDP per year (about USD 266 million divided equally between grants and loans). The largest donors in 2003 were the Department of International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland (accounting for 19% of total aid), the World Bank Group (17%), the European Union (16%) and the United States Agency for International Development (USAID) (14%). United Nations agencies are focusing on improving democratic governance, reducing poverty and addressing the HIV/AIDS epidemic based on a human rights approach to development. The Millennium

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<sup>3</sup> In April 2001, IFAD committed to providing SDR 8.3 million (1999 net present value) in debt relief, but this will only start at completion point.

Challenge Corporation of the United States of America approved Malawi's Threshold Concept Paper at the beginning of May 2005.

## **B. Agricultural Sector**

9. **Topography, climate and land use.** Malawi lies in the Rift Valley, rising from 300-600 metres above sea level (masl) along the shores of Lake Malawi to over 1 200 masl in the west. The country experiences a unimodal rainy season, with mean annual rainfall ranging from 650 mm in the Shire Valley in the south to over 1 600 mm in the north. Of the total land area of 9.4 million hectares, the cultivable area is estimated at 3.6 million hectares, of which 2.1-2.7 million hectares are cultivated. Over 98% of the area is devoted to rainfed subsistence farming with less than 1% of total area cultivated under irrigation.

10. **Estates.** After independence, the estate sector enjoyed preferential access to land, capital and export markets but it has contracted since the late 1990s. There are around 36 000 estates cultivating 120 000-150 000 hectares of flue-cured tobacco, tea, sugar, coffee, rubber and nuts. A predominant share of estate land is unutilized (estimates vary widely from 500 000 to 1 million hectares) and there is pressure for land reform and the allocation of estate land back into the smallholder sector.

11. **Smallholder sector.**<sup>4</sup> Some 2.5-3 million smallholders cultivate around 2.4 million hectares under customary land tenure, generating approximately 84% of agricultural value added. There are two main farming systems: maize mixed (covering 85% of cropland) and cereal-root crop mixed in the south (15% cropland). The original niche of smallholders was to provide a marketable surplus of the staple maize to feed estate and urban workers; they were prevented from engaging in high-value cash crop production. Today, maize remains the dominant crop (54% of cropped land), although recent years have seen a shift to such other food crops as sorghum and millet (4% cropped area), grain legumes (17%), cassava (6%) and sweet potatoes (5%). Since the opening up of cash crop opportunities, one third of smallholders also cultivate burley tobacco (5%), groundnuts (5%), and rice and cotton (2%). In years with good weather, favourable price incentives and access to inputs, farmers are able to produce around 2.3 million tonnes of maize, which is regarded as the threshold for national self-sufficiency.

12. In Malawi, about 67% of rural households live below the poverty line, the varying degrees of poverty suffered by poor smallholder farmers mean little in relative terms in Malawi as even moderately better-off households are barely covering their basic needs. There is a growing cadre of commercially oriented poor smallholder producers engaged in production for the market. They hire land and labour from poorer households in exchange for food or cash. Less poor households with slightly larger holdings have been the principal beneficiaries of liberalization, growing and marketing burley tobacco. Extension messages have also tended to favour this group in view of their focus on improved maize technologies, which were accessible to only the 25% of smallholders who received credit. Even though these farmers grow hybrid maize and other cash crops, they continue to grow local varieties for home consumption and hire casual labourers. Poorer households also engage in marketing, both as sellers and buyers; most are net buyers of maize. Subsistence and commercialization are interdependent strategies pursued by households, most of which are considered poor.

13. **Agricultural institutions.**<sup>5</sup> The lead public institution operating in the agricultural sector is the Ministry of Agriculture and its various departments (Planning, Extension, Irrigation and Land). A number of donor-financed initiatives are aimed at strengthening the private sector (such as the Horticulture Development Organization of Malawi and National Smallholder Farmers' Association of

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<sup>4</sup> See Appendix VII on agricultural sector issues.

<sup>5</sup> See Appendix III for a strengths, weaknesses, opportunities and threats (SWOT) analysis.

Malawi), but these are at an early stage of development. In general, the private sector is composed of numerous small local operators with limited scope for economies of scale and national coverage.

14. **Agricultural sector policies.** Liberalization accelerated during the mid-1990s, with the opening of cash crop production and agricultural markets to smallholders (in particular, burley tobacco), the demonopolization of the Agricultural Development and Marketing Corporation (ADMARC) as the sole purchaser of smallholder produce, and the relaxing of import and export licensing requirements on agricultural inputs and produce. The smallholder sector responded by increasing burley tobacco production and diversifying into non-maize drought-resistant food crops, thus replacing the estate sector as the engine of growth. The suspension of price subsidies for maize seed and fertilizer, ADMARC's withdrawal from servicing remote rural areas and the collapse of the smallholder credit scheme made livelihoods for the majority of smallholders more precarious. Donor efforts to develop a sector-wide approach for agriculture have floundered as a result of the Government's difficulty in adhering to the agreed macroeconomic objectives of the IMF's Poverty Reduction and Growth Facility, and discussions regarding basket funding for the agricultural sector have been put on hold until 2006 to see if the current IMF staff-monitoring programme is successfully implemented.

### C. Rural Poverty

15. Poverty is deeply entrenched throughout Malawi and dominates the rural landscape: 65% of Malawians live below the national poverty line and over 90% live in rural areas. The incidence of poverty is higher in rural areas (67%) than in urban areas (55%) but income inequality is higher in urban areas (Gini coefficient of 0.52 compared with 0.37). In Malawi, a distinction is drawn among three different groups of the poor: the **economically active (or capable) poor**, who are able, of working age and in good health but lack productive assets; the **transient poor**, who are at risk of becoming poor due to periodic or transitory shocks but also have the ability to move out of poverty; and the **core poor**, who have no capacity to generate income and face a life of continuous poverty, in particular, the elderly, sick, disabled and children (especially orphans). Around one third of the population is categorized as core poor who cannot meet even their most basic food requirements.

16. Poverty is strongly associated with large households having many dependants, holdings of less than one hectare, low levels of education and limited off-farm employment. The poorest have hardly any food and proportionally include more households headed by orphans, the elderly, single parents (especially women); households caring for the chronically ill; and households fostering orphans. The extent of poverty is reflected in the poor health and nutritional status of the population (particularly among young children), declining life expectancy, maternal mortality rates (which are among the highest in the world), widespread food insecurity and increasing reliance on their own labour as a source of livelihood under the *ganyu* system, where daily work is paid for in cash or food.

17. **Gender.** Gender inequality is a major contributor to poverty and a driver of the HIV/AIDS epidemic. Women represent a significant resource in the agricultural sector, accounting for 70% of the full-time agricultural labour force. Traditional beliefs and cultural norms severely limit their access to education, credit, extension, inputs, markets and health care services. Less than half of women are literate (compared to 75% literacy for men), and maternal mortality is among the highest in the world. Their rate of HIV infection is much higher than for men in age groups under 30, and more women are infected with the virus than men. One third of households are headed by women who are divorced, unmarried, widowed, in a polygamous marriage or de facto heads while their husbands work away from home. Compared with male-headed households, female-headed households are characterized by fewer assets, limited access to productive inputs and land, a greater burden of dependants, limited opportunities to earn a living and longer periods of food insecurity.

18. **HIV/AIDS.** One million Malawians are already infected with the disease, which in 2003 claimed almost 90 000 lives. Of the country's 840 000 orphans, 45% lost their parents to AIDS. HIV/AIDS is devastating rural livelihoods and is identified as a major contributor to food insecurity and malnutrition. Communities are struggling to cope with the long-term sick; the loss of adult labour, key skills and knowledge, and productive assets; and the care of orphaned children.

19. **Nutritional status and household food insecurity.** With adequate rainfall, Malawi produces enough food to feed its population. However, 40% of the population have inadequate purchasing power and are unable to satisfy their daily calorific needs, with children and mothers most severely affected. One in five children dies before its fifth birthday. Almost half of children under five are chronically malnourished and one quarter are severely underweight. Food insecurity, which is most pronounced in the southern and central regions, is more common among households with less than one hectare, no education or a woman as head. Most households are only food-secure for eight to ten months of the year. During the hungry season (December-February), poorer households regularly go for an entire day without eating and most households eat fewer than two full meals a day.

20. **Regional differences.** The southern region is the most densely populated (accounting for 47% of the total population with an average of 146 people per km<sup>2</sup>); it has small and fragmented holdings (estimated at 0.18 hectares per capita in comparison with 0.26 hectares in the other two regions); over 45% of its households are headed by women; and it has the highest rates of rural illiteracy. The northern region is sparsely populated (12% of the total population and an average of 46 people per km<sup>2</sup>) and is the least developed part of the country, yet it enjoys the highest rates of literacy. Forty-one per cent of the population, an average of 114 people per km<sup>2</sup>, live in the central region. This is home to the administrative capital of Lilongwe and comprises some of the country's most fertile and productive land, including many of the commercial tobacco estates. The southern region has proportionally more poor households (68% of the population are classified as poor and 32% core poor) compared with the other two regions (around 63% and 27% respectively).

#### **D. Constraints on and Opportunities for Rural Poverty Reduction**

##### **Constraints**

21. With 8 million of the country's 12 million people living below the poverty line, the breadth and depth of poverty in Malawi presents an overwhelming development challenge. It is recognized that a significant proportion of the population are the core poor/non-viable poor, for whom welfare and safety-net programmes will have to remain a lifeline for the foreseeable future. Despite rapid urbanization, the lack of effective demand constrains the production and sale of agricultural surpluses for the domestic market. Access to international markets is limited by knowledge of market opportunities and a lack of comparative advantage within the region.

22. **Capacity issues.** The capacity of the rural population is limited, in part reflecting low literacy levels, but also undermined by the impact of the HIV/AIDS epidemic and gender inequality. Poor educational standards hinder mobility into non-farm employment opportunities and also restrict the ability to grow crops that require improved management skills. Moreover, with a youthful population and a high death rate, training and skills development for capacity-building needs to be a continuous and ongoing activity. In highly HIV/AIDS-impacted communities, the main priority for many households is to meet their immediate food needs; they are both less interested and less able to engage in medium-term market-led initiatives with an inherent element of risk. The subordinate position of women and girls in society, restricting their access to inputs and their sharing in the benefits of production, reduces their productive capacity.

23. **Weak rural organizations.** Malawi has relatively few rural grass-roots organizations and an absence of a culture of working in groups, which is a legacy of the three decades of one-party rule under President Hastings Banda during which the emergence of local organizations was expressly inhibited. Where rural organizations do exist, they often have a strong political orientation that is combined with rent-seeking behaviour, and poorer members of the community often are excluded. The rural poor are also demoralized by the lack of security and theft that undermine their efforts to develop their asset base.

24. **Weak agricultural technology.** The overall low level of knowledge about crop husbandry is a major constraint on change, and farmers are extremely reluctant to move away from maize, for which there is also a nutritional preference. Small and declining land size hampers the adoption of productivity-enhancing technologies. Many households are experiencing labour shortages due to prolonged sickness and death of household members (due to HIV/AIDS, tuberculosis, malaria, bilharzia, poor nutrition and inadequate sanitation).

25. **Limited non-agricultural opportunities.** Male labour migration opportunities to destinations in southern Africa (traditionally the mines), and their associated remittances, have been largely eliminated by the changing political and economic situation in the region. Estate wage labour in Malawi has also been on the decline. Non-farm employment opportunities are limited by the low level of employable skills as well as competition from cheap imports for nearby countries, while the demand for labour is constrained by weak purchasing power in rural areas.

26. **Weak markets.** The private sector is underdeveloped and markets for agricultural inputs and produce are weak, especially in the more remote areas owing partly to the former dominance of ADMARC and disruptions by the periodic supply of free inputs. The majority of smallholders are weakly integrated into the marketing system, lacking the skills to identify market opportunities and to negotiate effectively. Malawi has limited market infrastructure (such as storage and collection centres); poor-quality rural feeder roads; inadequate and untimely market information; and a lack of skills and facilities in post-harvest storage, value-adding and agro-processing activities.

27. **The dilemma of subsidies for food security.** Despite playing a role in reducing chronic food insecurity and dampening upward pressure on prices during the hungry season, it is increasingly clear that the starter pack and targeted input programmes (TIPs) have undermined progress towards a more market-oriented rural economy in Malawi and continue to do so.<sup>6</sup> For example, estate farmers often purchase the small quantities of fertilizer distributed under the TIP, and with the release of stocks from the Strategic Grain Reserve, maize is sometimes marketed at lower prices than in neighbouring countries. While it is true that change from the existing situation in Malawi will bring winners and losers and chronically food-deficit households will be affected, the current scenario has few winners and is not conducive to long-term economic growth and raising rural incomes.

## Opportunities

28. **Decentralization.** The decentralization of government services is gaining momentum, and provides new opportunities to improve service delivery to rural populations while simultaneously increasing the opportunities for community-driven development initiatives, through local participation in elected village and area development committees. There will be further impetus from the shift to demand-led extension service delivery as well as the investments supported under the World Bank-financed Malawi Social Action Fund 3 (MASAF 3), which aim to address rural infrastructure needs through community development activities.

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<sup>6</sup> Levy (2004) with Barahona C. and Chinsinga B. (2004). Food Security, Social Protection, Growth and Poverty Reduction Synergies: the Starter Pack Programme in Malawi, *Natural Resource Perspectives* No. 95, London: Overseas Development Institute (ODI).



29. **Emergent rural organizations.** While the general low level of group development is a constraint in Malawi, there are significant indications that rural organizations are beginning to emerge and that these organizations do represent their constituencies of rural poor people. With the benefits of external support and training, some farmer groups, organizations and associations are actively and successfully engaged in producing and marketing export crops, e.g. through the National Smallholder Farmers' Association of Malawi (NASFAM). In small-scale irrigation schemes, water user associations, with appropriate mobilization and technical backstopping, are proving to be an effective mechanism for boosting the confidence of members, strengthening their commitment to asset management and raising funds. Women's groups are enabling women to break away from some of the traditional conventions, and empowered individuals are able to play significant leadership roles within their communities. Women heads of household, with the benefit of training and access to inputs, are as effective as men in running economic activities and taking independent decisions.

30. **Potential for production increases.** There are significant opportunities to increase yields from their current low level by adopting better crop husbandry techniques and using modern inputs. Although the current input-output price relationship for maize production by poor smallholder producers does not provide any incentive, technically there is substantial scope for increasing production even on smallholdings. There are also major prospects for diversification into other subsistence crops (cassava), growing more import substitutes (tomato, sunflower and soya beans) and producing high-value crops for export (paprika and macadamia nuts). Farming skills development (through, for example, farmer field schools) combined with effective extension services in an environment where market prices provide incentives do lead to production increases. There are also opportunities for livestock development, ranging from market-oriented dairy production in peri-urban areas to rearing small livestock (goats, sheep and pigs) in rural areas for sale, to keeping small stock (rabbits and poultry) principally for home consumption in vulnerable and marginal households. Substantial production increases can also be achieved through environmental conservation activities, such as community initiatives, catchment protection and reforestation, and on-farm conservation (ridging, contour planting, agroforestry, mulching and composting).

31. **Irrigation.** Households usually cultivate a series of dispersed areas, so even a very small plot benefiting from irrigation can make a difference in terms of household food security. Total irrigation potential has been estimated to range from 200 000-500 000 hectares. With the impetus of the 2001 Irrigation Act, there are opportunities for self-help initiatives to develop and manage small-scale (under 50 hectares) and micro-irrigation schemes. Rainwater-harvesting is a relatively new technology in Malawi but offers potential to supply water for human and livestock consumption, small-scale irrigation and intensive backyard garden cultivation using low-cost drip systems. In recent years, the Government has committed to expanding sustainable small-scale irrigation under self-help initiatives and transferring existing government schemes to smallholder management.

32. **Marketing opportunities.** Poor smallholder producers in Malawi have demonstrated their capacity to respond when markets are receptive, through their entry into the market for burley tobacco in the mid-1990s, and for a number of other cash crops, particularly within the framework of NASFAM. At the local level, substantial amounts of produce (particularly horticulture) are moving to so-called rural urban centres and the capital. Even in remoter rural areas where purchasing power is weak, markets are developing. Efficient market linkages are a precondition for achieving the production increases that will be central to ensuring that the agricultural sector plays its role in pro-poor growth, as envisaged in the Malawi poverty reduction strategy paper (PRSP) and the Malawi economic growth strategy (EGS).

33. **Access to land.** The small size of landholdings limits the adoption of improved technologies to raise crop production. There are longer-term prospects for land reform which could be one of the important elements of ensuring access to assets for pro-poor growth. Legislation approved in 1999 foresees the privatization of resources that were once under customary tenure. These reforms could

dramatically alter access to land and water resources, and there may be opportunities for ensuring security of tenure for existing holdings and distributing unutilized tracts of land abandoned by the estate sector.

### **E. National Strategy for Rural Poverty Reduction**

34. **Vision 2020**, prepared by the Government in 2000, provides a framework for national development goals of good governance, sustainable economic growth and development. The PRSP prepared in 2002 articulates four pillars for its poverty reduction strategy: rapid, sustainable pro-poor economic growth; human capital development; improvements in the quality of life of the most vulnerable; and good governance. The economically active poor should improve agricultural production and diversify their livelihoods. The core poor are to be targeted for nutrition programmes for malnourished children and pregnant/lactating mothers, and for chronically vulnerable households. For the transient poor (those capable of moving out of poverty), the instruments are access to subsidized inputs of seed and fertilizer, and wages through labour-intensive public works programmes. The Malawi EGS prepared subsequently by the Government and the private sector aims to further develop the strategy set out in the PRSP and stresses how the private sector would be the key player within an overall macroeconomic environment conducive to broad-based sustainable growth. The EGS recognizes that national food production is sufficient to feed the population, but the poor have limited access principally due to low purchasing power and poor infrastructure which inhibit the operation of domestic markets. Under the PRSP and EGS, the agricultural sector is expected to play a central role in pro-poor growth. Reflecting this, the Ministry of Agriculture's **Strategic Plan 2003-08** aims to promote agricultural productivity through sustainable management and use of natural resources to ensure food security, increased incomes and the creation of employment opportunities. **Decentralization** is a key element in directing resources to rural areas and empowering rural poor populations to take charge of their own development. The decentralization policy was approved in 1998 and the Local Government Act was adopted in 1999. District assemblies were first elected in 2002 and the transfer to the districts of a number of functions previously performed by central line ministries began in 2004.

### **III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY**

35. **IFAD portfolio.** IFAD has committed a total of USD 96.4 million for eight projects and three technical assistance grants in Malawi. Early investments supported area-based rural and agricultural development projects, improving community infrastructure and smallholder access to credit, and led to increased fertilizer use.

36. There are two ongoing programmes. The Smallholder Flood Plains Development Programme (SFPDP), scheduled to close 31 December 2006, supports smallholder irrigation development and rehabilitation of former government schemes, with water user associations having been formed to take over operation and management. The Rural Livelihoods Support Programme (RLSP), approved on 12 September 2001 and operational since August 2004, is supporting the decentralization process through local human resources and institutional capacity-building and the promotion of sustainable natural resource management technologies. Both interventions are being implemented through independent management units with support from NGOs working directly with groups, organizations and institutions at the field level.

37. **Lessons.** Overall, experience shows that there may be difficulties in fully achieving physical objectives. The development of social and institutional frameworks still requires considerable work. A number of specific lessons have been drawn:

- **Stop-go implementation of macroeconomic policies** and lack of coordination among different initiatives (both Government and donor-financed) can significantly affect field-level implementation.
- **There are difficulties in reaching the poorest rural households** through agricultural-based interventions, since these households often lack the assets or capacity to participate in supported activities or the opportunities created by these activities. While the farmers who have benefited from interventions are very poor, they are nonetheless slightly better-off in the Malawian context.
- **Dependency culture and lack of a sense of ownership among beneficiaries.** In an environment in which free handouts of inputs are often the norm, farmers are reluctant to participate in activities unless they are provided with direct incentives. Community perception of publicly supported investments is that the asset created belongs to the Government or donor, so there is weak commitment to post-investment management and maintenance. Good progress has been made recently in building a sense of ownership by communities for investments by IFAD and other donors, such as MASAF 3.
- **Limited organization capacity in rural communities.** Decentralization is providing new opportunities for participation, such as village participatory rural assessments and the preparation of village development plans to feed into district development plans, participation in area development committees, and the formation of area and district stakeholder panels for demand-driven extension services.
- **Weak institutional capacity for field implementation.** Government services are strained, but these limits can be overcome by putting in place project management units responsible for field-level coordination and bringing in competent NGOs and the private sector for selected aspects of service delivery.

#### IV. STRATEGIC FRAMEWORK FOR IFAD

##### A. IFAD's Strategic Niche and Proposed Thrusts

38. A number of large donors (particularly DFID and the European Union, as well as a number of bilaterals) are providing substantial grant resources to Malawi; and much if not the totality of this assistance is focused on supporting the core poor and can be considered as a safety-net type of assistance. The World Bank – through its financing of MASAF 3 – is supporting the development of basic infrastructure (schools, roads, health clinics and drinking water supply) to address the socio-economic constraints faced in rural areas. To draw development action down to the grass-roots and empower local communities to become responsible for their own development, the United Nations Development Programme has taken the lead in supporting the decentralization process along with the Norwegian Agency for Development Cooperation, the German Agency for Technical Cooperation, German Credit Institution for Reconstruction, the World Bank, IFAD (under the recently effective RLSP) and a number of NGOs. Taking into account the substantial amount of grant assistance aimed at the core poor as well as the type of activities being supported, IFAD will explicitly target the capable poor and the transient poor in rural areas, and will focus on agricultural development and other associated activities to promote pro-poor economic growth. IFAD will also focus on promoting the institutional framework at all levels in rural areas, to create the preconditions for rural communities to engage effectively in the decentralized development process and foster the emergence of strong grass-roots organizations.

39. **Goal.**<sup>7</sup> IFAD's country programme goal for the COSOP period of 2005/2011 will be to strengthen the livelihoods of the rural poor through agricultural development and economic diversification. This growth-oriented programme will focus on the rural poor with productive capacity, reflecting the PRSP (in particular the first two pillars of sustainable pro-poor growth and human capital development), Malawi's Vision 2020, the EGS and the decentralization process. IFAD country programme activities will also contribute to promoting gender equality and the empowerment of women.

40. **Targeting.**<sup>8</sup> The programme will support growth paths for two specific target groups: (i) emergent poor smallholder farmers (who fall within both the capable poor and the transient poor categories) with the potential for achieving economic viability and located in medium- to high-potential areas; and (ii) marginal farmers and vulnerable households (the transient poor), including those headed by women, youth and orphans. For semi-commercial and emergent farmers, the focus will be on strengthening agriculture as the main livelihood, while for marginal farmers and vulnerable households, the focus will be on securing and diversifying rural livelihoods. Initiatives to strengthen human and natural resources at the household and community level will underpin the approach.

41. **Objective 1: Strengthen agriculture as the main livelihood for semi-commercial and emergent farmers.** To enable smallholder farmers with the capacity to become more productive and realize their agricultural potential, support will be directed to: (i) intensifying agricultural production through skills development in order to diversify and expand production through improved technology and use of inputs, as well as efficient management of water on seasonal wetlands and family gardening lands (*dimba/dambo*) lands; and (ii) improve their access to profitable markets through forming marketing groups and associations; developing farmers' negotiation and marketing skills; developing agro-processing for adding value and diversifying markets; and enhancing storage methods and facilities; and market information flows.

42. **Objective 2: Secure and diversify rural livelihoods for marginal farmers and vulnerable households.** The livelihoods of marginal and vulnerable smallholder households will be supported by two groups of activities: (i) to enable them to make the most effective use of their limited resources to achieve partial food security through cultivating their land intensively, growing drought-resistant and nutritious crops, and/or access to supplementary water, rearing small livestock and using less labour-intensive practices; and (ii) to enable them to move into non-farm employment by developing and diversifying microenterprises through group formation, business and marketing skills development, and access to start-up capital.

43. **Objective 3: Strengthen local institutions and human, physical and natural resources at community and household levels.** Several cross-cutting issues will support the achievement of objectives 1 and 2: (i) to develop community capacity to drive development initiatives through community mobilization and participation in district governance processes; (ii) to develop farmers' capacity to access financial services and the promotion of a savings culture; (iii) to strengthen rural human resources by supporting functional adult literacy classes, gender awareness training and empowerment, and developing grass-roots organizations; (iv) to increase understanding about HIV/AIDS and stimulate behaviour change through supporting community discussions of HIV/AIDS; (v) to introduce HIV/AIDS workplace programmes for project staff, partner institutions and beneficiary organizations; (vi) to increase understanding about improved nutrition, particularly for people living with HIV/AIDS; (vii) to promote asset protection through participating in policy dialogue on inheritance laws and property rights for widows, widowers and orphans; and on land tenure; and (viii) to enhance farmers' natural-resource base by strengthening soil and water conservation, developing woodlots, and promoting agroforestry and improved fallow.

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<sup>7</sup> See Appendix II for logical framework.

<sup>8</sup> See Appendix VI on target group priority needs and proposed responses.

44. **Participatory approaches to programme development.** The IFAD programme will be developed in consultation with farming communities, the central government, district administrations, donors, NGOs and private-sector representatives. Extensive participatory dialogue will take place, using village development committees and area extension stakeholder panels to facilitate community-driven initiatives and ensure that the priority needs and constraints of the target groups are addressed.

45. **Congruence with current portfolio.** IFAD's current portfolio already supports the country programme objectives, and the field experience gained has contributed to their formulation. The SFPDP principally focuses on strengthening agriculture as the main livelihood source for emergent farmers while the RLSP supports the decentralization process, and aims to build organizational and instructional capacity in rural areas in order to provide the mechanisms for addressing the broader livelihood needs of marginal farmers and vulnerable households. Both projects also both include some of the cross-cutting activities, such as gender training, HIV/AIDS awareness and workplace programmes and human resources development.<sup>9</sup>

### **B. Main Opportunities for Innovations and Project Interventions**

46. In formulating IFAD's country programme to achieve the above objectives, specific programmes will be developed to strengthen the institutional and organizational framework within which the rural poor are operating; to promote economic incentives to broaden cash income-earning opportunities; and to address cross-cutting issues related to HIV/AIDS and gender.

47. **Strengthening the organizational framework.** In addressing the overall low level of development in rural areas of Malawi, there will be three aspects to IFAD's work. The first will focus on promoting **group mobilization and development** in order to encourage the emergence of institutions and channels for dialogue for the rural poor. Support in this area will cover group formation and basic skills training during the early phase of implementation in order to enable target groups to participate effectively in farm and non-farm livelihood activities. The second aspect will be the formation of **community-based groups for sustainable asset management**. For example, one area where IFAD has already gained experience that can be replicated is in relation to water users' associations, which have been developed in line with the existing legal and institutional framework to begin to take charge of operating and maintaining small-scale irrigation schemes. This experience will be further expanded and tested in the light of the type of community asset to be managed (such an investment in agro-processing facilities or community natural assets, such as forests and woodlands). Another area that might be explored is group-based savings schemes. The third aspect will focus on **enhancing community participation through decentralized local government structures**. The process of decentralizing government services to the districts provides opportunities for community-driven development initiatives. Within project focal areas, communities will be mobilized to participate in the design and development of project initiatives. Specific attention will be paid to village participatory rural assessments and preparing village development plans, and strengthening panels for stakeholder extension in the districts to support the Government's move towards demand-driven service provision.

48. **Integrating the poor into product and labour markets.** In support of strengthening **market-led agricultural production**, the focus will be on promoting commercially viable agricultural production (crop and livestock) with the emphasis on improving productivity and achieving greater market penetration domestically and internationally. Options to be explored include: establishing farmer field schools; developing markets for irrigated agricultural production; strengthening private-sector market linkages; supporting NASFAM and other producer organizations looking for export markets; and creating different forms of market engagement (e.g. forward contracts). As many rural

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<sup>9</sup> See Appendix IV on IFAD's corporate thrusts as related to the proposed country programme.

households will not be able to achieve food and nutrition security from farming activities alone, there is a need to **diversify into non-farm livelihood options for marginal farmers and vulnerable households**. This may include capacity-building and skills training, the development and diversification of microenterprises and non-farm activities.

49. **Cross-cutting issues.** Priority will be placed on selecting crops and livestock suited to a limited resource base, the introduction of appropriate labour-saving practices and technologies, and livelihood options suitable for HIV/AIDS-infected or -affected households. Attention will be paid to growing nutritious crops that will meet the specific dietary needs of people living with HIV/AIDS. At the community level, facilitators will be trained to lead community conversations to examine cultural norms and practices that result in the risk of exposure to HIV/AIDS and increase vulnerability to the impact of HIV/AIDS, and to identify ways in which behaviour may be modified to reduce those risks; opportunities for establishing junior farmer field and farmer life schools will be explored in communities with a high number of orphan and vulnerable children. At the programme level, workplace HIV/AIDS programmes will be introduced for government staff, partner institutions and beneficiary organizations. At the national level, IFAD will participate in policy dialogue on inheritance laws and property rights for widows, widowers and orphans. Opportunities for mainstreaming gender considerations into the design and implementation of the country programme include gender-awareness training, encouraging women's membership and leadership of groups and organizations, and supporting functional adult literacy classes.

### **C. Outreach and Partnership Possibilities with NGOs and the Private Sector**

50. The NGO sector (including international organizations such as Africare, CARE Malawi, Concern Universal, OXFAM, Save the Children, and national NGOs) offers considerable expertise in participatory community development, targeting, livelihood enhancement activities and HIV/AIDS mitigation measures. In both ongoing IFAD projects, an international NGO has been contracted to provide support for human resource development and improvement of community infrastructure.

51. The private sector is in a fledgling state, particularly with respect to supplying agricultural inputs and marketing produce owing to the dominance of ADMARC. There may be opportunities to support the private sector, particularly regarding the use of purchased inputs and strengthening marketing. Linkages may be established with trade associations such as the Agro-Inputs Suppliers Association of Malawi or the Rural Agricultural Market Development Trust (focusing on local grocers), NASFAM, the Malawi Farmers' Union and the Horticulture Development Organization of Malawi.

### **D. Opportunities for Linkages with Other Donors and Institutions**

52. **Coordination frameworks.** Coordination of external development assistance is fragmented in Malawi. The last Consultative Group meeting was held in 2000, and it is hoped that the next one will be held in 2005. There are various groups organized along thematic or sectoral lines (gender, health, HIV/AIDS, financial and economic management). Given the weak macroeconomic management, progress towards developing sector-wide approaches (SWAp) has been slow, with the first SWAp put in place in late 2003 for HIV/AIDS, followed by a plan for a health SWAp; an education SWAp is at the initial phase but has relatively few partners. Given the new Government's continued commitment to implementing the IMF staff-monitored programme, a number of donors have begun to re-examine their strategies for Malawi in the hope that there will be significant progress in implementing macroeconomic reforms and eventually sector reforms.

53. **Agricultural sector coordination.** Establishing and maintaining strategic partnerships in Malawi has been a challenge for donors. In the face of weak government commitment to sustained implementation of agreed policies, donor coordination mechanisms are sometimes difficult to

preserve, particularly in the face of periodic food crises requiring rapid responses to emergency situations, which may not have adequately taken into account existing agreements on the policy front. There has been substantial progress relative to transparency for the Strategic Grain Reserve with support from the European Union (EU) and DFID, and a consensus seems to be emerging on the need to phase out the targeted input programmes. The World Bank has resumed assistance to the agricultural sector. The EU is supporting a Food Security and Nutrition Unit within the Ministry of Agriculture, and a good basis seems to be emerging for strengthened donor coordination for the agricultural sector.

54. **Opportunities for collaboration.**<sup>10</sup> The major donor for the agricultural sector is the EU, with three major projects providing support for institutional development and food security (including revitalization of the extension service following core functional analysis), support for farm income diversification and promotion of agri-business, and a safety-net public works programme. The current work programme of the EU-supported Technical Secretariat for Food Security closely mirrors the overall objectives for IFAD assistance, and could be an appropriate channel for funding IFAD grant assistance for policy work. DFID is currently reconsidering its programme for Malawi, which is being restructured to focus on livelihood issues of chronic poverty and food security, while tailoring its assistance to the agricultural sector in the light of assistance to be provided by the EU. DFID does not expect to provide any further support to targeted input programmes and is expected to support a more market-oriented approach. The World Bank has a varied portfolio in Malawi (MASAF and the Multi-Country HIV/AIDS Programme) but has only begun to provide support recently to the agricultural sector. The World Bank is preparing an Irrigation, Rural Livelihoods and Agricultural Development Project (IRLADP), which builds on the experience of the IFAD-financed SFPDP and which IFAD may cofinance. The Norwegian Agency for Development Cooperation is planning on returning to the agricultural sector and there may be opportunities for collaboration with IFAD.

### **E. Areas for Policy Dialogue**

55. IFAD will aim to stimulate policy dialogue with other donors and with the Government on the above issues. With other donors, the emphasis will be on dialogue about how emergency relief efforts may impact on long-term development policies. IFAD will also support strengthening the coordination framework for the agricultural sector in order to promote closer collaboration among donors. IFAD will seek to participate in donor coordination groups that may emerge for the agricultural sector. With the Government, the focus will be on policy dialogue relative to the incentive framework for agriculture as well as the implementation of existing policies at the grass-roots level. Work by IFAD to influence public policy decision-making may require specifically focused strategic studies and/or the development of regulatory/legislative frameworks, as well as support to implementation of already agreed upon policies under IFAD investment programmes.

### **F. Action Areas for Improving Portfolio Management**

56. While there has been sustained improvement in project implementation since 2001, a number of further actions have been identified during the piloting of the performance-based allocation system (PBAS) in 2004. These include: improving the integration of project activities and their poverty focus; establishing tighter procedures on planning and budgeting processes, and better financial management to ensure compliance with loan covenants; setting specific interim targets within the annual workplan and budget; and more effective use of the existing monitoring and evaluation system. The development of the indicative country programme in this COSOP will improve the integration of project activities and their pro-poor and gender focus and the provision of management training for project/programme management units (PMUs); while improved project management support by the United Nations Office for Project Services will strengthen implementation. While the current size of

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<sup>10</sup> See Appendix V for activities of other partners in development.

the portfolio does not justify a field presence for IFAD, the requirements for, and the potential of, local operators to provide a backstopping service are being considered, if the predicating conditions for a “high” lending scenario by IFAD are put in place.

### G. Tentative Lending Framework and Rolling Programme of Work

57. Malawi was a benchmark country during the pilot PBAS exercise in mid-2004. At that time, a comprehensive rural sector assessment was carried out by IFAD and is not expected to change significantly in the near future. The broad Country Policy and Institutional Assessment framework, taken from the World Bank, is also expected to remain unchanged. The score for portfolio performance was very low in 2002, but has been slowly improving as a result of consistent backstopping by IFAD. Three scenarios have been developed on the basis of possible PBAS scores over two three-year PBAS cycles:

Scenario	Country Performance Score	Six-year IFAD Loan Commitment
Low-case	3.02	USD 15.8 million
Medium-case	3.37	USD 19.6 million
High-case	3.72	USD 23.7 million

58. **Low-case scenario.** If implementation performance continues at its present level, there will be USD 15.8 million available for commitment over the next six years.<sup>11</sup> No new IFAD investments have been approved for Malawi since 2000, and the ongoing SFPDP programme will close in mid-2006. When the World Bank began design work for its IRLADP project on the basis of the experience gained under the SFPDP programme, and given the congruence in objectives, IFAD initiated discussions with the World Bank for cofinancing about USD 8 million of the IRLADP project. Depending on whether or not modest progress is made relative to the issues raised in this COSOP, an additional small pilot intervention could be developed.

59. **Medium- and high-case scenarios.** Portfolio implementation performance has improved over the past 18 months as a result of a change in PMU staff and close follow-up by IFAD and the United Nations Office for Project Services, so it is probable that the PBAS allocation for the country will be increased to USD 19.6 million-23.7 million during the six-year period. Under this scenario, IFAD would not only provide cofinancing of USD 8 million for the World Bank-initiated IRLADP project (as in the base scenario), but would also develop one or two programmes, with one aimed at promoting market-driven production enhancement for poor emergent farmers and another programme for further supporting the decentralization process through strengthening rural institutions and organizations.

60. Alternatively, if the environment for programme development deteriorates, lending commitments could be reduced to less than USD 12 million and limited to the currently planned cofinancing with the World Bank for the COSOP period. This may be triggered by, for example, weakening economic performance, a deterioration in public financial management and accountability, or a failure to develop rural sector services. Under this scenario, IFAD would reduce new commitments and focus on policy dialogue and partnerships with potential change agents, in close coordination with the Government and donors. Programme development would be slowed as the preconditions necessary to start the formulation of new initiatives were defined.

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<sup>11</sup> See Note EB 23/2004, 23 December 2004.



61. **Grants.** Given the well-known implementation constraints and the extent of poverty in Malawi, maximum effort will be made to ensuring the availability of grant funding in support of IFAD's country programme. It is expected that grant resources would be used to support strategic studies to influence the policy dialogue process with the Government and other donors, as well as to support implementation to sustain the already notable improvement in performance.

62. **Move towards grant assistance by other international financial institutions.** The move towards grant assistance of other international financial institutions (IFIs) in Malawi will undermine the attractiveness of highly concessional lending resources from IFAD. While this is a broader institutional issue for IFAD, the Fund will need to consider how to adapt its lending strategy in the light of this development over the medium-term framework of this COSOP, particularly as other IFIs such as the World Bank and the African Development Bank provide large-scale assistance on a full grant basis.



APPENDIX I

COUNTRY DATA

MALAWI

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	94	<b>GNI per capita (USD) 2002 1/</b>	160
<b>Total population (million) 2002 1/</b>	12	<b>GDP per capita growth (annual %) 2002 1/</b>	-0.2
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	128	<b>Inflation, consumer prices (annual %) 2002 1/</b>	15
<b>Local currency</b>	Kwacha (MWK)	<b>Exchange rate: USD 1 =</b>	<b>MWK 1300</b>
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	2.2	GDP (USD million) 2002 1/	1 901
Crude birth rate (per thousand people) 2002 1/	45	Average annual rate of growth of GDP 1/ 1982-1992	2.9
Crude death rate (per thousand people) 2002 1/	25	1999-2002	1.9
Infant mortality rate (per thousand live births) 2002 1/	113	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	38	% agriculture	36
Number of rural poor (million) (approximate) /	7	% industry	15
Poor as % of total rural population 1/	67	% manufacturing	12
Total labour force (million) 2002 1/	5.17	% services	49
Female labour force as % of total 2002 1/	48	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	18
School enrolment, primary (% gross) 2002 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	88
Adult illiteracy rate (% age 15 and above) 2002 1/	38	Gross domestic savings (as % of GDP)	-6
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita	n/a	Merchandise exports 2002 1/	478
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	49 a/	Merchandise imports 2002 1/	674
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	25 a/	Balance of merchandise trade	-196
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	8 a/	before official transfers 2002 1/	-371
Physicians (per thousand people) 2002 1/	n/a	after official transfers 2002 1/	-201
Population using improved water sources (%) 2000 3/	57	Foreign direct investment, net 2002 1/	n/a
Population with access to essential drugs (%) 1999 3/	0-49	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2000 3/	76	Overall budget balance (including grants) (as % of GDP) 2002 1/	n/a
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	n/a
Food imports (% of merchandise imports) 2002 1/	12 a/	Total external debt (USD million) 2002 1/	2 912
Fertilizer consumption (hundreds of grams per ha of arable land) 2001 1/	103	Present value of debt (as % of GNI) 2002 1/	47
Food production index (1989-91=100) 2002 1/	147	Total debt service (% of exports of goods and services) 2002 1/	8
Cereal yield (kg per ha) 2002 1/	1 046	Lending interest rate (%) 2002 1/	51
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	28
Arable land as % of land area 2001 1/	23		
Forest area as % of total land area 2000 1/	28		
Irrigated land as % of cropland 2001 1/	1		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2004

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2004

## LOGICAL FRAMEWORK

Programme Structure	Verifiable Indicators	Means of Verification	Assumptions/risks
<p><b>Goal:</b> Livelihoods of rural poor strengthened through agricultural development and economic diversification</p>	<p><i>Impact indicators based on Results and Impact Management System (RIMS):</i></p> <p>No of households with improvement in household assets ownership index</p> <p>Reduction in prevalence of child malnutrition (weight for age)</p> <p>No of households with improved food security</p> <p>Literacy rates (by sex)</p>	<p>National monitoring indicators</p> <p>PBAS</p> <p>Completion evaluations</p>	
<p><b>Objectives:</b></p> <p>Objective 1. Strengthen agriculture as main livelihood for semi-commercial and emergent farmers <i>(PRSP pillar 1: pro-poor growth, and EGS)</i></p> <p>Objective 2. Secure and diversify rural livelihoods for marginal farmers and vulnerable households <i>(PRSP pillar 3: improve quality of life for vulnerable households)</i></p> <p>Objective 3. Strengthen local institutions and human, physical and natural resources at the community and household level <i>(PRSP pillar 2: human capital development)</i></p>	<p><i>Second-level results based on RIMS:</i></p> <p>Incremental hectares of crops grown (rainfed, irrigated, <i>dimba/dambo</i>)</p> <p>No of farmers adopting promoted technologies and practices</p> <p>No of farmers reporting production/yield increases</p> <p>No of farmers reporting increased herd sizes</p> <p>No of farmers reporting livestock production/yield increases</p> <p>No of farmers with secure access to water</p> <p>No of water user associations operational</p> <p>No of functioning marketing, storage and processing facilities</p> <p>No of farmer marketing groups operational</p> <p>No of off-farm enterprises operating after three years</p> <p>No of jobs generated by small and medium enterprises</p> <p>No of women on management committees by type of group</p> <p>No of active savers (by sex)</p> <p>No of active borrowers (by sex)</p> <p>No of households reporting reduction in property grabbing</p> <p>Hectares improved through soil and water conservation measures</p>	<p>Reports on results and impacts</p> <p>Project progress reports</p> <p>Supervision mission reports</p> <p>Evaluations</p>	<ul style="list-style-type: none"> <li>• Government committed to implementing PRSP</li> <li>• Government creates enabling policy and institutional environment to stimulate economic growth</li> <li>• Increase in private sector involvement in economy</li> <li>• Reduction in HIV prevalence rates</li> <li>• Reduction in external shocks to economy</li> </ul>
<p><b>Outputs:</b></p> <p>1.1 Intensify agricultural production for semi-commercial and emergent farmers</p> <p>1.2 Improve access to profitable markets</p> <p>2.1 Effective utilization of limited resources for partial food security for marginal farmers and vulnerable households</p> <p>2.2 Develop and diversify non-farm employment</p> <p>3.1 Develop community capacity to participate in development initiatives</p> <p>3.2 Develop farmers' capacity to use financial services and promote culture of savings</p> <p>3.3 Strengthen human resources and promote gender empowerment</p> <p>3.4 Increase understanding of HIV/AIDS and stimulate behaviour change</p> <p>3.5 Introduce HIV/AIDS workplace programmes</p> <p>3.6 Increase understanding of nutrition, particularly for people living with HIV/AIDS</p> <p><b>3.7 Promote asset protection and development</b></p> <p>3.8 Maintain and enhance natural resource base and environment</p>	<p><i>First-level results based on RIMS:</i></p> <p>No of farmer field schools formed (by sex of members)</p> <p>No of farmers trained in crop and livestock production (by sex)</p> <p>No of farmers using purchased inputs</p> <p>No of hectares under small-scale irrigation established</p> <p>No of farmers trained in irrigation agronomy (by sex)</p> <p>No of water users associations formed (by sex of members)</p> <p>No of farmers trained in marketing (by sex)</p> <p>No of marketing groups formed (by sex of members)</p> <p>No of household storage facilities constructed/improved</p> <p>No of marketing facilities constructed/rehabilitated</p> <p>No of processing facilities established</p> <p>No of farmers trained in business skills and micro-enterprises (by sex)</p> <p>No of farmers trained in savings and credit (by sex)</p> <p>No of people attending functional adult literacy classes (by sex)</p> <p>No of people attending gender training (by sex)</p> <p>No of community based organizations formed (by sex of members)</p> <p>No of HIV/AIDS community conversations held (by sex and age)</p> <p>No of HIV/AIDS workplace programmes in place</p> <p>No of nutrition education classes (by sex)</p> <p>No of hectares under cultivation of nutritious crops</p> <p>No of enabling policies promulgated by type</p> <p>No of farmers trained in soil and water conservation and agroforestry (by sex)</p>	<p>Project Progress Reports</p> <p>Project and Portfolio Management System (PPMS)</p> <p>Reviews</p>	<p>Trade opportunities on international markets</p> <p>Urban markets create demand for agricultural produce</p> <p>Opportunities for profitable crop and livestock production</p> <p>Rural industrialization</p> <p>Opportunities for non-farm employment</p> <p>People willing to switch to more nutritious, non-maize-based diets</p> <p>People willing to reduce HIV/AIDS risk behaviour</p> <p>People willing to reduce gender inequality</p> <p>People willing change from culture of dependency to self-reliance</p> <p>People willing to recognize new property and inheritance legislation</p>

## STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
<b>GOVERNMENT INSTITUTIONS</b>				
Ministry of Local Government and Rural Development	<ul style="list-style-type: none"> <li>Government support for decentralization process</li> <li>Key staff position at district level filled with qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>Limited operating budget</li> <li>Weak representation at district level</li> <li>Limited monitoring and evaluation capacity</li> </ul>	<ul style="list-style-type: none"> <li>Identification of development projects that reflects people's needs and priorities</li> <li>Political pressure and favouritism</li> </ul>	<ul style="list-style-type: none"> <li>A key role in streamlining the decentralization process and development of community-based projects</li> </ul>
District Assemblies	<ul style="list-style-type: none"> <li>Directly elected representatives of local communities</li> </ul>	<ul style="list-style-type: none"> <li>Limited capacity for elected District Assembly members to understand their role in local development issues</li> <li>Limited resources</li> </ul>	<ul style="list-style-type: none"> <li>Identification of development projects that reflects people's needs and priorities</li> <li>Political pressure and favouritism</li> </ul>	
Ministry of Agriculture (MOA)	<ul style="list-style-type: none"> <li>Well established structure from the headquarters to the community level</li> <li>Past investments on facilities for the delivery of services to farmers</li> <li>Well trained staff</li> <li>Well established system of communication</li> <li>Core functional analysis underway</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient public funding for services and maintenance of facilities</li> <li>Inadequate coordination of activities of the seven departments under MOA for careful use of scarce available resources</li> <li>Conflict of interest in the delivery of services by different departments</li> <li>High level of turnover and attrition (HIV/AIDS)</li> <li>Weak leadership and analytical skills of staff at the area and village levels</li> <li>Gender imbalance in deployment of staff as well as targeting of services</li> <li>Inadequate monitoring and evaluation</li> <li>Over-dependency on donor funding</li> <li>Lack of clarity due to proposed restructuring under decentralization and imbalance between experienced staff and new recruits</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture remains a priority for the government and the economy</li> <li>Donors willing to support MOA in implementing policies</li> <li>Existence of training institutions for capacity-building</li> <li>Tax exemption for agricultural inputs</li> <li>Complementarity and synergy with NGOs and the private sector</li> <li>Effects of the HIV/AIDS pandemic on the staff and farming communities leading to failure to deliver services and the loss of labour at the farm level</li> <li>Fragile macroeconomic environment</li> <li>Unclear roles of NGOs and Government staff regarding field implementation</li> <li>Reduction in government funding of MOA activities.</li> </ul>	<ul style="list-style-type: none"> <li>Need to develop policy on food security</li> <li>Need for capacity to guide the involvement of NGOs in delivery of services to farmers</li> <li>Decentralization process is still new and responsibilities of central ministry and district-level staff need to be clarified</li> </ul>
Department of Agricultural Planning Services (MOA)	<ul style="list-style-type: none"> <li>Professional staff</li> </ul>	<ul style="list-style-type: none"> <li>Shortage of staff</li> <li>Lack of on-the-job training</li> <li>Lack of facilities for full operation</li> </ul>	<ul style="list-style-type: none"> <li>New agriculture sector policy and strategy</li> <li>Loss of trained staff to other ministries</li> </ul>	<ul style="list-style-type: none"> <li>Needs strengthening under new decentralization programme</li> </ul>

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Department of Agricultural Extension Services (MOA)	<ul style="list-style-type: none"> <li>• MOA's new demand-driven pluralistic extension policy</li> <li>• Experienced extension staff at the central level</li> <li>• Gender and HIV/AIDS mainstreaming activities under way</li> </ul>	<ul style="list-style-type: none"> <li>• Shortages of qualified and trained staff generally</li> <li>• Lack of trained staff familiar with new demand-driven mode of extension service delivery</li> <li>• Weak technical competence of subject matter specialists and poorly trained frontline extension agents</li> <li>• Weak back-up capability to support the extension delivery at the district level</li> <li>• Poor extension-research linkages</li> <li>• Shortage of basic resources for extension delivery</li> <li>• Weak agri-business and marketing extension service</li> </ul>	<ul style="list-style-type: none"> <li>• Experience of forming farmers' clubs, organizations and associations</li> <li>• Resources available to upgrade services with European Union support</li> <li>• Restructuring under European Union-supported project for core function analysis to align with decentralized mode of operation including introduction of district- and area-stakeholder panels</li> </ul>	<ul style="list-style-type: none"> <li>• Need for organizing farmers and for training stakeholder panels</li> <li>• Lack of clear responsibilities between central ministry and district staff</li> <li>• Change in mindset required at MOA level from old supply-side extension delivery service</li> </ul>
Department of Irrigation (MOA)	<ul style="list-style-type: none"> <li>• Trained staff</li> <li>• Priority for government</li> <li>• High national potential for development of irrigated agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Limited representation at the field level</li> <li>• Limited number of senior staff at the central level, high proportion of vacant positions</li> <li>• Lack of capacity and capability to guide establishment and follow-up of water user associations (WUAs)</li> <li>• Limited operating budget to implement the National Irrigation Scheme</li> </ul>	<ul style="list-style-type: none"> <li>• High potential for development of smallholder self-help initiatives</li> <li>• WUAs proving effective mechanism for increasing community involvement in scheme operation and maintenance</li> <li>• Loss of trained manpower to NGOs and natural attrition</li> <li>• Limited community capacity to manage schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on small-scale gravity-fed irrigation schemes</li> <li>• Increased utilization of residual moisture and recession flood plains</li> </ul>
Department of Animal Health and Livestock (MOA)	<ul style="list-style-type: none"> <li>• Good organizational structure</li> <li>• Trained professional staff</li> <li>• Good linkages with private sector, research institutes and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate capacity at all levels</li> <li>• Inadequate public funding of activities</li> <li>• Weak monitoring and evaluation system</li> <li>• Weak enforcement of livestock legislation</li> <li>• Limited public facilities (dip tanks)</li> </ul>	<ul style="list-style-type: none"> <li>• Livestock plays a key role in poverty reduction initiatives</li> <li>• Local training institutes</li> <li>• Markets in country for livestock products</li> <li>• Stock thefts discouraging investment in livestock</li> <li>• Pressure on grazing areas due to high population density</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in livestock would contribute to poverty reduction and improved diets</li> <li>• In rural areas with access to urban centres and in peri-urban areas, focus on livestock with ready markets for their meat and products</li> </ul>
Department of Land Resources and Conservation (MOA)	<ul style="list-style-type: none"> <li>• Professionally trained staff</li> </ul>	<ul style="list-style-type: none"> <li>• Over-reliance on projects for much of its work</li> </ul>	<ul style="list-style-type: none"> <li>• Conservation does not often bear immediate benefits</li> <li>• Lack of effective awareness and appreciation of the need for conservation among farmers</li> </ul>	<ul style="list-style-type: none"> <li>• More exposure to regional and international water harvesting techniques to introduce new measures to Malawi</li> </ul>

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Department of Cooperatives (MOA)	<ul style="list-style-type: none"> <li>Specialist unit and staff</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate staff</li> <li>Lack of training</li> <li>Theoretical ideas on cooperatives not yet authenticated for smallholder farmers</li> </ul>	<ul style="list-style-type: none"> <li>High potential for development of agricultural organizations</li> <li>High profile of cooperatives and associations as a vehicle for sustainability and commercialization</li> <li>Limited capacity to mobilize and train farmers due to severe staff shortages</li> <li>Weak cooperative culture in Malawi</li> </ul>	<ul style="list-style-type: none"> <li>Need for the Department to assist farmers in organizing marketing cooperatives</li> </ul>
Trade and Marketing Unit (MOA)	<ul style="list-style-type: none"> <li>MOA policy and strategy to support smallholder farmers to market their produce</li> <li>Establishment of unit</li> </ul>	<ul style="list-style-type: none"> <li>Lack of qualified staff and resources</li> <li>Lack of market information</li> <li>Limited operating budget</li> </ul>	<ul style="list-style-type: none"> <li>Increasing recognition of importance for, and demand by, smallholder farmers for marketing</li> <li>High expectation that the government should have role in marketing</li> </ul>	<ul style="list-style-type: none"> <li>Need to strengthen capacity to address the growing needs of farmers</li> </ul>
Ministry of Finance (MoF)	<ul style="list-style-type: none"> <li>Qualified and experienced staff for budgetary allocations and disbursements of funds</li> </ul>	<ul style="list-style-type: none"> <li>Delays in disbursement of funds</li> <li>Inadequate monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>Streamline financial flows and disbursement procedures</li> <li>Strengthening capacity for effective monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Plays a key role in project implementation with regard to flow of funds</li> </ul>
Ministry of Environment and Natural Resources	<ul style="list-style-type: none"> <li>Several departments specialized in specific areas such as forests and fisheries with qualified staff</li> <li>Well established with offices nationwide</li> <li>Devolved functions</li> <li>Existence of legal and policy framework to ensure service delivery to the public</li> </ul>	<ul style="list-style-type: none"> <li>Limited ability of highly qualified staff</li> <li>Bureaucratic rigid decision-making processes</li> <li>Irregular and insufficient public funding of ministry activities</li> <li>Poor planning</li> <li>Absence of sustainable funding</li> <li>Poor financial management</li> <li>inadequate coordination of activities of various departments to ensure prudent use of available resources</li> <li>Lack of facilities, offices, equipment</li> <li>Lack of management information system</li> </ul>	<ul style="list-style-type: none"> <li>Specialized departments</li> <li>Donor interest in natural resource management issues</li> <li>Increased involvement of local communities in natural resource management issues</li> <li>Diverse natural resources</li> <li>Poverty leading to over-exploitation of natural resources</li> <li>Ministry activities devolved yet no resources available at the district level, thus devolved structures are unsustainable</li> <li>Loss of qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>Need to promote community-based natural resource management</li> <li>Generally low level of awareness, both culturally and locally, about environmental issues</li> </ul>
Malawi Social Action Fund (MASAF)	<ul style="list-style-type: none"> <li>Financial management and accountability</li> <li>Multi-disciplinary staff</li> <li>Proven methodologies for community mobilization and empowerment</li> <li>Use of decentralized structures for implementation with safeguards, guidelines and Memorandums of Understanding</li> <li>Well equipped</li> </ul>	<ul style="list-style-type: none"> <li>Slow responsiveness to requests because of systematic approach followed</li> <li>Decentralization process has led to loss of control over implementation</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities to deliver projects with community-based, demand-driven approach</li> <li>Assumption of new responsibilities beyond its capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Capable to assist with financial management of demand-driven initiatives</li> </ul>

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
<b>NGOs</b>				
International NGOs	<ul style="list-style-type: none"> <li>• Good experience</li> <li>• Well financed with resources to carry out identified tasks</li> <li>• Ability to mobilize communities through PRAs, rights-based approaches, gender and HIV/AIDS awareness training</li> <li>• Good linkages and mentoring of national and local NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Staff professional capabilities sometimes very expensive</li> <li>• Dependent on public-sector staff to carry out tasks locally</li> <li>• Many operate independently of consensus with public sector</li> </ul>	<ul style="list-style-type: none"> <li>• Decline in financial support from donors</li> <li>• Long period required to build relationship of trust with communities</li> <li>• Failure to address needs of the communities but instead carrying out what they perceive is required</li> <li>• High operational costs</li> <li>• Draw staff away from government service to work in NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• The government appreciates their role and retains their services on public-funded projects to support and train government staff</li> </ul>
National NGOs	<ul style="list-style-type: none"> <li>• Good experience and knowledge of local situations</li> <li>• Understanding of national issues</li> </ul>	<ul style="list-style-type: none"> <li>• Limited resources as they are dependent on international NGOs and donors</li> <li>• Activities very localized at times due to limited financial resources</li> <li>• Difficulties in recruiting and retaining qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively low operational costs</li> <li>• Decline in financial support from donors</li> <li>• Competition among national NGOs for qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• The government appreciates their role and retains their services on public-funded projects to support and train government staff</li> </ul>
Local NGOs	<ul style="list-style-type: none"> <li>• Clear understanding of local problems</li> <li>• Identify with local communities and trusted by them</li> <li>• The government appreciates their role in rural development</li> <li>• Motivated staff</li> </ul>	<ul style="list-style-type: none"> <li>• Limited human and financial resources</li> <li>• Tend to be partisan when there are disputes among communities</li> <li>• Limited outreach</li> <li>• Not sustainable as they are initiated with donor funds and last as long as the funding is available.</li> <li>• Unqualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Fill existing gaps in public sector</li> <li>• Decentralization policy has a role for local NGO in service delivery to local communities</li> <li>• Decreased funding</li> <li>• Often donor-driven and wind up after funding ceases</li> </ul>	<ul style="list-style-type: none"> <li>• Many activities initiated are not sustainable</li> <li>• Need to be strengthened as staff understand local situations</li> <li>• Many are opportunistic and do not have a clear vision</li> </ul>
<b>PRIVATE SECTOR</b>				
National Smallholder Farmers' Association of Malawi (NASFAM)	<ul style="list-style-type: none"> <li>• Well qualified and motivated staff</li> <li>• Specific mandate to work with private sector</li> <li>• Professional approach to tasks</li> <li>• Ability to identify niche sectors and support farmers to exploit them</li> </ul>	<ul style="list-style-type: none"> <li>• Donor-funded and maintained with yearly financial budget</li> <li>• Serving specific areas based on the funds available</li> <li>• Cater to commercial farmers and not to subsistence farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Government support for diversification of food crops as well as rural incomes.</li> <li>• Uncertain sustainability after donor withdrawal</li> </ul>	<ul style="list-style-type: none"> <li>• Capability to provide services to smallholder farmers</li> </ul>
Horticulture Development Organisation of Malawi (HODOM)	<ul style="list-style-type: none"> <li>• Qualified and motivated staff</li> <li>• Professional approach to tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Donor-funded and -maintained</li> <li>• Cater for farmers specialized in horticulture which limits its support to subsistence farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Government support for crop diversification</li> <li>• Sustainability after donor pull-out</li> </ul>	<ul style="list-style-type: none"> <li>• Unproven capability to support smallholder farmers</li> </ul>



<b>Institution</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities/Threats</b>	<b>Remarks</b>
Agri-Input Supplier Association of Malawi (AISAM)	<ul style="list-style-type: none"> <li>• Brings together numerous small operators</li> <li>• Encourages economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertain government policies relative to distribution of free inputs confines business development to more remote areas</li> </ul>	<ul style="list-style-type: none"> <li>• Has the basis for growth given a sound policy environment</li> <li>• Good potential to support development of members' business skills</li> </ul>	
Rural Agricultural Market Development Trust (RUMARK)	<ul style="list-style-type: none"> <li>• Focuses on strengthening wholesale and market linkages for local groups</li> </ul>	<ul style="list-style-type: none"> <li>• Donor-funded</li> <li>• Limited outreach</li> </ul>	<ul style="list-style-type: none"> <li>• Good local contacts and strong networking</li> <li>• Is strengthening domestic internal market</li> </ul>	
Bunda College of Agriculture	<ul style="list-style-type: none"> <li>• Well established curriculum</li> <li>• Fully accredited university college</li> <li>• Professional staff</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on government subventions for development</li> </ul>	<ul style="list-style-type: none"> <li>• Develop suitable curricula for training in irrigated agriculture in Malawi</li> <li>• Emphasis on theoretical aspects with limited practical training</li> </ul>	<ul style="list-style-type: none"> <li>• Capability to develop tailor-made training courses</li> </ul>
Natural Resources College	<ul style="list-style-type: none"> <li>• Good infrastructure and facilities</li> <li>• Good demonstrations</li> <li>• Practical training tailored to local needs</li> </ul>	<ul style="list-style-type: none"> <li>• Qualifications only at certificate level</li> <li>• Diploma courses not recognized by university</li> </ul>	<ul style="list-style-type: none"> <li>• Practical training in great demand at field level</li> <li>• Institution is autonomous and self-sustaining</li> </ul>	<ul style="list-style-type: none"> <li>• Capability to train trainers in natural resources management and environmental subjects</li> </ul>

### IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

1. **Strengthening rural organizations.** IFAD's corporate strategic thrusts aim to build the capacities of the rural poor and their organizations, and IFAD's Regional Strategy for Eastern and Southern Africa provides support to rural organization and institutions in order to promote sustainability and impact. IFAD's Country Programme for Malawi aims to strengthen local institutions and human resources at the community and household level through community mobilization and participation in the district governance process using a three-level approach: (a) group mobilization and skills buildings; (b) the formation of community-based groups; and (c) enhanced community participation in decentralized local government structures.

2. **Equitable access to productive natural resources and technology.** IFAD's Corporate Strategic Framework considers access to assets as being central to pro-poor growth, while the Regional Strategy for Eastern and Southern Africa provides for improved access to and management of land and water. The country programme for Malawi will strengthen the framework for asset management through the formation of community-based groups for sustainable asset management (such as water user associations). It also aims to intensify production through improved technologies and the efficient utilization and management of small-scale irrigation. Furthermore, the programme focuses on building knowledge to promote the effective use of land and water resources, while also supporting appropriate technologies to stabilize and diversify production.

3. **Increased access to market and financial services.** IFAD's Strategic Framework highlights linkages to markets to enable the rural poor to benefit from increased agricultural productivity. The Regional Strategy focuses on promoting equitable market linkages and developing rural financial systems, IFAD's Programme in Malawi will improve market access through the formation of farmer groups and promoting their linkages to larger associations. In tandem, activities will add value at the household and local levels, and improve market information flows. To underpin IFAD's group development and mobilization activities, human capacity-building will support functional literacy training, business skills development, and gender-awareness training.

**ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED**

<b>Donor/Agency</b>	<b>Nature of Project/Programme</b>	<b>Status</b>	<b>Complementarity/ Synergy Potential</b>
African Development Bank	<ul style="list-style-type: none"> <li>• Small-scale Irrigation Rehabilitation</li> <li>• Agricultural Services Programme</li> <li>• Horticultural and Food Crops</li> <li>• National Livestock Development</li> <li>• Smallholder Irrigation</li> <li>• Smallholder Macadamia nut Project</li> <li>• Smallholder Out-Grower Sugarcane project</li> <li>• Fertilizer Feasibility study</li> <li>• Small-Scale Irrigation study</li> <li>• Special Programme for Food Security</li> <li>• Lilongwe Forestry Project</li> <li>• Artisanal Fisheries</li> <li>• Mwanza Rural Development Programme</li> <li>• Rural Income Enhancement Programme</li> <li>• Skills Development and Income-Generation Programme</li> </ul>	Pipeline Ongoing Ongoing Completed Ongoing Ongoing Ongoing Pipeline Completed Ongoing Ongoing Ongoing Ongoing Ongoing	High High High N/A High Low Low Low High N/A High Medium Medium Medium High High
Australia	Newcastle Disease Control	Ongoing	High
Arab Bank for Economic Development in Africa	<ul style="list-style-type: none"> <li>• Small Farms Irrigation</li> </ul>	Ongoing	High
Canadian International Development Agency (CIDA)	<ul style="list-style-type: none"> <li>• Agroforestry for sustainable Rural Development</li> <li>• Canada Fund for Small Projects</li> <li>• Technical Entrepreneurial Vocational Training</li> <li>• Training in Natural Resources Management</li> </ul>	Ongoing Ongoing Ongoing Ongoing	Medium Low High High
DFID	<ul style="list-style-type: none"> <li>• Integrated Financial Management</li> <li>• Rural Livelihoods Strategy</li> <li>• Dedza Microfinance Operations</li> <li>• Financial services for the poor</li> <li>• Training for Enterprise Export</li> <li>• Start-up Pack</li> <li>• Input for Assets</li> <li>• Forestry Support Programme</li> <li>• Private-Sector Partnership for Malawi</li> </ul>	Completed Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	N/A Medium to High Medium to high High Low Low Low Low Medium
EC	<ul style="list-style-type: none"> <li>• Natural Resources Support</li> <li>• Rural Livelihoods</li> <li>• Social Forestry Programme</li> <li>• Forestry Livelihoods Programme</li> <li>• Institutional Support to Private Sector</li> </ul>	Ongoing Pipeline Ongoing Ongoing Completed	Medium High   N/A

<b>Donor/Agency</b>	<b>Nature of Project/Programme</b>	<b>Status</b>	<b>Complementarity/ Synergy Potential</b>
	<ul style="list-style-type: none"> <li>Private Sector and Commodity Markets</li> </ul>	Pipeline	Low
Global Environment Facility	<ul style="list-style-type: none"> <li>Sustainable Forestry</li> </ul>	Ongoing	Low
GTZ	<ul style="list-style-type: none"> <li>Technical Education, Vocational and Entrepreneurship Training (TEVET)</li> <li>Agricultural Extension Support</li> <li>Basic Animal Health Services</li> <li>Promotion of Horticulture</li> <li>Biological Pests and Diseases</li> <li>Promotion of micro, small and medium projects</li> <li>Economic Activities Programme</li> <li>Integrated Food Security Programme</li> <li>Emergency Food Aid</li> </ul>	Ongoing Completed Completed Completed Ongoing Ongoing Ongoing Ongoing	High N/A N/A High High High High High Low
Icelandic International Development Agency (ICEIDA)	<ul style="list-style-type: none"> <li>Small-scale projects</li> </ul>	Ongoing	High
International Development Association (IDA)	<ul style="list-style-type: none"> <li>Mount Mulanje Biodiversity Programme</li> <li>MASAF 3</li> <li>Emergency Drought Recovery</li> </ul>	Ongoing Ongoing Ongoing	High High Low
Japan International Cooperation Agency (JICA)	<ul style="list-style-type: none"> <li>Horticultural Production</li> <li>Dairy Production</li> <li>Bwanje Valley Irrigation Development</li> <li>Capacity-Building for Smallholders</li> <li>One Village, One Product</li> <li>Watershed Rehabilitation Plan</li> <li>Debt Relief</li> </ul>	Ongoing Completed Ongoing Ongoing Pipeline Ongoing Ongoing	Low N/A High High Low High Low
Department for International Development Cooperation of the Ministry of Foreign Affairs, Finland (FINNIDA)	<ul style="list-style-type: none"> <li>Sustainable Forestry</li> </ul>	Ending in 2003	N/A
KfW	<ul style="list-style-type: none"> <li>Border Zone Development</li> </ul>	Ongoing	
Norway	<ul style="list-style-type: none"> <li>Private Sector Development</li> <li>Out of School Young People Project</li> <li>NASFAM</li> <li>Bunda College of Agriculture</li> </ul>	Ongoing	

<b>Donor/Agency</b>	<b>Nature of Project/Programme</b>	<b>Status</b>	<b>Complementarity/ Synergy Potential</b>
United Nations Capital Development Fund (UNCDF)	<ul style="list-style-type: none"> <li>Poverty Reduction and Capacity Building</li> </ul>	Ongoing	High
UNDP	<ul style="list-style-type: none"> <li>Poverty Reduction and Capacity Building</li> <li>Poverty Reduction through Good Governance</li> <li>Sustainable Livelihood Support</li> </ul>	Ongoing Ongoing Ongoing	High Low High
United States Agency for International Development (USAID)	<ul style="list-style-type: none"> <li>Sustainable Economic Growth</li> <li>Production and Enterprise Development</li> <li>Services for Health, Agricultural Development</li> </ul>	Completed Completed Completed	High Medium to High Low
World Food Programme (WFP)	<ul style="list-style-type: none"> <li>Supplementary Feeding</li> <li>Food for Asset and Development</li> </ul>	Ongoing Ongoing	Low Low
World Health Organization (WHO)	<ul style="list-style-type: none"> <li>Emergency preparedness and response</li> </ul>	Ongoing	Low

## TARGET GROUP PRIORITY NEEDS AND PROPOSED RESPONSES

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	Proposed Responses
<p>Semi-commercial and emergent smallholder farmers with productive capacity</p> <p>(capable and transient poor)</p>	<ul style="list-style-type: none"> <li>• Activities constrained by limited access to rainfed and irrigated lands</li> <li>• Difficulties in acquiring farm inputs (availability, cost and lack of credit)</li> <li>• Limited contact with extension services</li> <li>• Limited opportunities to develop farm management skills</li> <li>• Little knowledge about market opportunities</li> <li>• Weak marketing skills</li> </ul>	<ul style="list-style-type: none"> <li>• Lease land</li> <li>• Make limited use of purchased inputs</li> <li>• Use manure to improve soil fertility if available</li> <li>• Sell produce on local markets at low prices</li> </ul>	<ul style="list-style-type: none"> <li>• Improved market information</li> <li>• Opportunities for crop and livestock diversification</li> <li>• Access to rainfed land</li> <li>• Access to irrigated land</li> <li>• Improved seed varieties</li> <li>• Timely access to inputs</li> <li>• Access to affordable credit</li> <li>• Reduced post-harvest losses</li> <li>• Opportunities for adding value through processing and storage</li> <li>• Improved farming skills</li> <li>• Improved marketing skills</li> <li>• Investment in appropriate technologies</li> <li>• Improved transport infrastructure</li> <li>• Improved veterinary services and infrastructure</li> <li>• Development of rural financial services</li> </ul>	<ul style="list-style-type: none"> <li>• Promote crop and livestock diversification with commercial potential</li> <li>• Increase access to irrigated lands through rehabilitating government schemes and developing small-scale gravity-fed schemes</li> <li>• Develop skills in irrigated farming</li> <li>• Develop skills in produce marketing</li> <li>• Form and strengthen farmer-based organizations, associations, WUAs and cooperatives through training in group formation, basic business skills and advanced business management</li> <li>• Access to finances for farmer groups to develop agricultural or marketing assets and to access services (advice, training and skills development, marketing)</li> <li>• Develop skills in soil and water conservation and agroforestry</li> <li>• HIV/AIDS awareness and behaviour change</li> <li>• Gender training and empowerment</li> <li>• Ensure women's representation and participation on decision-making bodies in community and grass-roots organizations</li> <li>• Participate in policy dialogue on land transfer from estates to smallholders</li> </ul>
<p>Marginal farming households</p> <p>(transient poor)</p>	<ul style="list-style-type: none"> <li>• High dependence ratios with large families and many dependants</li> <li>• Poor nutritional status</li> <li>• Low adult literacy rates</li> <li>• High fertility rates</li> <li>• Gender inequalities in accessing and controlling resources and benefits</li> <li>• Limited productive and household assets</li> <li>• Limited holding size (under 0.5 hectares)</li> <li>• Dependence on rainfed farming</li> <li>• Limited access to irrigated land</li> <li>• Limited use of improved cropping practices</li> <li>• Unable to afford inputs</li> <li>• Low yields and declining soil fertility, pests and diseases</li> <li>• Crop and livestock thefts due to food shortages</li> </ul>	<ul style="list-style-type: none"> <li>• Work as <i>ganyu</i><sup>1</sup> and casual labourers</li> <li>• Temporary migration in search of work</li> <li>• Minimize use of inputs</li> <li>• Receive some inputs through targeted inputs pack</li> <li>• Reduce number of meals, limit portions, harvest immature crops and change diet (for example, to cassava)</li> <li>• Participate in public works programmes for cash, food or input vouchers</li> <li>• Sale of assets including livestock</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable production to meet basic food needs</li> <li>• Opportunity to earn cash to buy essential household and farm inputs</li> <li>• Improved farming skills</li> <li>• Labour saving technologies</li> <li>• Diversify livelihoods into non-farm activities</li> </ul>	<ul style="list-style-type: none"> <li>• Promote crop and livestock diversification for food security (backyard gardens, small stock)</li> <li>• Promote drought-resistant and nutritious crops</li> <li>• Develop skills in soil and water conservation and agroforestry</li> <li>• Promote labour-saving technologies and practices</li> <li>• Develop junior farmer field and farmer life schools for orphans and vulnerable children</li> <li>• Provide opportunities to work for farm inputs through public works schemes</li> <li>• Develop skills for livelihood diversification into non-farm activities</li> <li>• Form and strengthen grass-roots organizations, associations and cooperatives through training in group formation, basic business skills and advanced business management</li> </ul>

<sup>1</sup> *Ganyu* is piecework in return for cash or in kind.

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	Proposed Responses
	<ul style="list-style-type: none"> <li>• Loss of livestock due to disease and funerals</li> <li>• Limited local markets – small volume, low value sales</li> <li>• Post-harvest losses</li> <li>• Food insecurity for four months of year</li> <li>• Limited opportunities to diversify livelihoods into non-farm activities</li> <li>• Loss of remittances from town and abroad</li> </ul>			<ul style="list-style-type: none"> <li>• HIV/AIDS awareness and behaviour change</li> <li>• Gender training and empowerment</li> <li>• Ensure women’s participation in decision-making bodies in community and grass-roots organizations</li> </ul>
Vulnerable households headed by women, orphans  (transient poor)	<p>In addition to sharing many of the problems of the poor noted above, these vulnerable households are characterized by:</p> <ul style="list-style-type: none"> <li>• Very few productive and household assets due to sale and loss of assets on death of husband/parents</li> <li>• Cultural limitations on women’s mobility outside village</li> <li>• Limited access to services and markets</li> <li>• Shortage of labour in households</li> <li>• High dependency ratios</li> <li>• Low levels of literacy (women)</li> <li>• Limited opportunities to participate in decision-making bodies</li> <li>• Long periods of food insecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Work as <i>ganyu</i> and casual labourers</li> <li>• Reduce number of meals, limit portions, harvest immature crops and change diet (for example, to cassava)</li> <li>• Rely on food aid</li> <li>• Leave land uncultivated</li> <li>• Switch to less labour-intensive activities</li> <li>• Exchange sex in return for food, cash and other forms of assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Ease burden of rural living (for example, fetching water and firewood, food processing)</li> <li>• Means of preventing asset stripping by relatives of husband/father through legal services</li> <li>• Self-esteem and psycho-social support for orphans</li> <li>• Develop farming skills for orphans</li> <li>• Develop non-farm economic activities</li> </ul>	<ul style="list-style-type: none"> <li>• Improve access to water supplies through roof water harvesting and boreholes</li> <li>• Livelihood strengthening through small livestock and backyard gardening</li> <li>• Develop junior farmer field and farmer life schools for orphans and vulnerable children</li> <li>• Diversification into non-farm activities</li> <li>• Enable continuing participation in irrigation schemes after death of household head</li> <li>• HIV/AIDS awareness and behaviour change</li> <li>• Gender training and empowerment</li> <li>• Ensure women’s participation in decision-making bodies of groups</li> <li>• Preferential access to employment opportunities on public works schemes</li> </ul>
Resource-poor households caring for chronically ill active adult  (transient poor)	<ul style="list-style-type: none"> <li>• High incidence of HIV/AIDS, tuberculosis and malaria</li> <li>• Poor nutrition</li> <li>• Poor sanitation</li> <li>• Sales of assets to pay for medical treatment and purchase food</li> <li>• Loss of time while caring for sick</li> <li>• Shortage of labour within household</li> <li>• Less attention to farming land</li> <li>• Increased food insecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Work as <i>ganyu</i> and casual labourers</li> <li>• Sale of assets to pay for treatment and buy food</li> <li>• Seek treatment from traditional doctors</li> </ul>	<ul style="list-style-type: none"> <li>• Ease burden of rural living (for example, fetching water and firewood, food processing)</li> <li>• Means of preventing asset stripping by relatives of husband/father through legal services</li> <li>• Assistance with home-based care including safe care practices</li> <li>• Appropriate health care including anti-retroviral (ARV) treatment and improved nutrition for the sick</li> </ul>	<ul style="list-style-type: none"> <li>• Water-harvesting and boreholes</li> <li>• Improve nutrition for the sick through nutrition education and backyard gardening</li> <li>• Develop linkages between commercial producers and ARV treatment centres</li> <li>• HIV/AIDS awareness and behaviour change communication</li> </ul>

## AGRICULTURAL SECTOR ISSUES

Priority areas	Priorities		Major Issues	Actions needed
	Gov't	IFAD		
Low productivity of rainfed agriculture	High	High	<ul style="list-style-type: none"> <li>• Pressure on land in areas of high population density resulting in small and fragmented holdings</li> <li>• Limited and variable rainfall</li> <li>• Limited rural financial services, lack of savings, limited access to credit</li> <li>• Limited farm input distribution system in rural areas</li> <li>• Poor cropping techniques, limited use of improved technologies and reliance on labour for cultivation</li> <li>• Limited labour available for farming: due to sickness, death, reliance on women in areas where men fish</li> <li>• Frequent pest and disease attacks</li> <li>• Loss of livestock due to disease, theft, sales and funerals</li> <li>• Narrow range of food and cash crops</li> <li>• Limited contact with extension services</li> <li>• Limited capacity and low literacy rates among farmers (particularly women)</li> <li>• Limited formation and capacity of farmer-based organizations</li> <li>• Significant periods of food insecurity (hunger and malnutrition)</li> <li>• Limited ability to cope with any risks associated with livelihood diversification</li> <li>• Limited opportunity to strengthen asset base and diversify livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>• Develop financial services to support business ventures</li> <li>• Promote savings and credit cooperatives</li> <li>• Strengthen farmer-based organizations, associations and cooperatives through training in group formation and basic business skills</li> <li>• Strengthen extension-farmer-research linkages</li> <li>• Develop and disseminate appropriate technologies for smallholder farmers</li> <li>• Diversify farm base through market-led opportunities and smallholder outgrower schemes with estates</li> <li>• Support livelihood diversification through introducing small livestock (goats, pigs, poultry) supported by training, veterinary services and introducing rainwater harvesting tanks for livestock</li> <li>• Promote backyard gardening to improve household food and nutrition security and generate income through rainwater harvesting tanks and drip systems, seeds and nutrition education</li> <li>• Use labour-based methods of public works to inject cash into rural communities and develop infrastructure</li> <li>• Improve rural security to reduce crop and livestock theft</li> <li>• Conduct gender training and empowerment</li> <li>• Ensure women's representation and participation in farmer-based organizations, associations and cooperatives</li> <li>• Organize functional adult literacy classes for rural women and men</li> </ul>
Limited use of irrigation potential	High	High	<ul style="list-style-type: none"> <li>• Emphasis on large-scale government-supported schemes</li> <li>• Lack of maintenance of scheme infrastructure</li> <li>• Limited farmer skills in irrigated agriculture</li> <li>• Conflicts among traditional authorities, customary users and scheme beneficiaries</li> <li>• Inequitable plot distribution in schemes: number of plots allocated per household, number of plots allocated to men compared with women, size of plots, location of plots in relation to water supply</li> <li>• Weak management of schemes by farmers</li> <li>• Absence of hand-over arrangements to transfer government schemes to users</li> <li>• Limited capacity in Department of Irrigation to provide ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer government schemes to private sector</li> <li>• Develop new small-scale schemes relying on gravity</li> <li>• Clarify land tenure arrangements prior to scheme development</li> <li>• Form and train WUAs in organizational management</li> <li>• Develop a time-bound phased approach for handing over schemes from government to WUAs through participatory dialogue</li> <li>• Assist WUAs in developing and enforcing appropriate by-laws</li> <li>• Train WUAs in irrigated agriculture and systems operations and maintenance</li> <li>• Ensure women's representation and participation on decision-making bodies within the community such as WUAs</li> <li>• Develop capacity to provide extension support to irrigated agriculture</li> <li>• Develop irrigation advisory service</li> </ul>



Priority areas	Priorities		Major Issues	Actions needed
	Gov't	IFAD		
			<ul style="list-style-type: none"> <li>technical support to WUAs</li> <li>Poor health arising from schemes (malaria, bilharzia)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen irrigation training provided by Bunda College</li> <li>Improve public health in and around irrigation schemes</li> </ul>
Soil erosion and declining soil fertility	High	Moderate	<ul style="list-style-type: none"> <li>Agricultural encroachment in areas of high population density</li> <li>Environmental degradation through deforestation</li> <li>Catchment erosion and siltation</li> <li>High cost of inorganic fertilizer unless subsidized</li> <li>Greater reliance on natural resources (timber and non-timber forest products) as a source of livelihood, particularly during times of crisis</li> <li>Limited crop rotations use of organic methods for improving soil fertility</li> </ul>	<ul style="list-style-type: none"> <li>Support community natural resource management initiatives</li> <li>Promote on-farm soil conservation to prevent erosion</li> <li>Promote catchment soil conservation</li> <li>Promote low cost methods for improving soil fertility (mulching, manuring, composting)</li> <li>Promote improved fallow through agroforestry</li> <li>Promote community reforestation activities</li> </ul>
Weak extension services	High	Moderate	<ul style="list-style-type: none"> <li>Delays in implementing decentralized structure for extension service delivery</li> <li>Extremely low extension staff to farmer ratio</li> <li>Staff attrition due to HIV/AIDS</li> <li>Inadequate linkages between research and extension</li> <li>Poorly resourced and inadequately equipped extension service</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen capacity of decentralized extension service delivery</li> <li>Support stakeholder panels at the district and area levels</li> <li>Strengthen capacity of village development committees (VDCs) to facilitate development of farmer-led extension</li> <li>Complete re-routing of finances for extension activities directly to districts</li> <li>Develop private-sector and NGO extension service providers</li> <li>Conduct gender training for VDCs and stakeholder panels to promote gender equity</li> <li>Ensure women's representation and participation in decision-making bodies in the community such as VDCs and stakeholder panels</li> </ul>
Weak market linkages for crops and livestock	High	High	<ul style="list-style-type: none"> <li>Limited skills among government staff and farmers to identify market opportunities</li> <li>Inadequate and out-of-date market information</li> <li>Lack of resources to disseminate market information to farmers</li> <li>Limited market infrastructure (storage, collection centres)</li> <li>Poor quality rural feeder roads</li> <li>Limited range of crops</li> <li>Lack of skills in post-harvest storage, value-adding and agro-processing activities</li> <li>Weak bargaining position and negotiating skills of farmers</li> <li>Limited access to markets – particularly for women who are usually reliant on the local market for small-volume, low-value sales</li> </ul>	<ul style="list-style-type: none"> <li>Develop capacity of MOA to provide marketing services to agricultural sector</li> <li>Develop marketing skills among government staff and the private sector</li> <li>Develop farmer agri-business skills including post harvest, value-adding and agro-processing</li> <li>Promote and support farmer-based marketing organizations, associations and cooperatives through training</li> <li>Ensure women's representation and participation in farmer-based organizations, associations and cooperatives</li> <li>Generate and disseminate up-to-date market information</li> <li>Identify market opportunities and convey to farming community</li> <li>Improve rural feeder roads</li> <li>Develop market infrastructure</li> </ul>
Loss of time and labour due to prolonged	High	Moderate	<ul style="list-style-type: none"> <li>Poor health status with increasing prevalence of HIV/AIDS in rural areas and tuberculosis; high incidence of malaria and</li> </ul>	<ul style="list-style-type: none"> <li>Conduct HIV/AIDS awareness-raising and behaviour change communication in rural communities</li> </ul>

Priority areas	Priorities		Major Issues	Actions needed
	Gov't	IFAD		
sickness and death			bilharzia <ul style="list-style-type: none"> <li>• Poor nutrition</li> <li>• Inadequate sanitation</li> <li>• Limited access to safe water supplies</li> <li>• Limited knowledge about HIV/AIDS and absence of behaviour change</li> <li>• Limited support for people living with HIV/AIDS</li> <li>• Spread of HIV/AIDS hastened by gender inequality</li> <li>• Impact of HIV/AIDS worsened by gender inequality</li> <li>• Absenteeism from work and diversion of labour from productive activities to caring for sick, being ill and attending funerals</li> <li>• Increased household expenditure on medical bills and funeral costs</li> <li>• Limited use of labour saving technologies and practices</li> <li>• Switching to less labour-intensive activities due to labour shortages</li> <li>• Increased reliance on natural resources for livelihoods and during periods of food insecurity</li> <li>• Increased vulnerability of woman-headed households</li> <li>• Drop in life expectancy to under 40 years and increase in maternal mortality rates</li> </ul>	<ul style="list-style-type: none"> <li>• Improve nutrition for people living with HIV/AIDS through nutrition education and backyard gardening</li> <li>• Provide assistance for households caring for long-term sick</li> <li>• Develop roof water harvesting to provide partial dry season supply</li> <li>• Develop and promote HIV/AIDS workplace programmes for government, NGOs, WUAs, cooperatives</li> <li>• Develop skills among extension staff to integrate HIV/AIDS and gender considerations into extension activities</li> <li>• Develop income-generating activities for vulnerable groups such as women, youth, the poor, households caring for sick and orphan-headed households</li> <li>• Address labour constraints by increasing access to farm power (labour hire groups, draught animals) or reducing tillage and weeding requirements through conservation agriculture</li> <li>• Provide preferential access to employment on public works programmes to vulnerable households</li> <li>• Promote dialogue and legal support to enable households to protect their asset base</li> </ul>

