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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF MALAWI

FOR THE

**IRRIGATION, RURAL LIVELIHOODS AND AGRICULTURAL
DEVELOPMENT PROJECT**

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CURRENCY EQUIVALENTS

Currency unit	=	kwacha (MWK)
USD 1.00	=	MWK 1 300
MWK 1000	=	USD 0.00077

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 ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare ha	=	2.47 acres

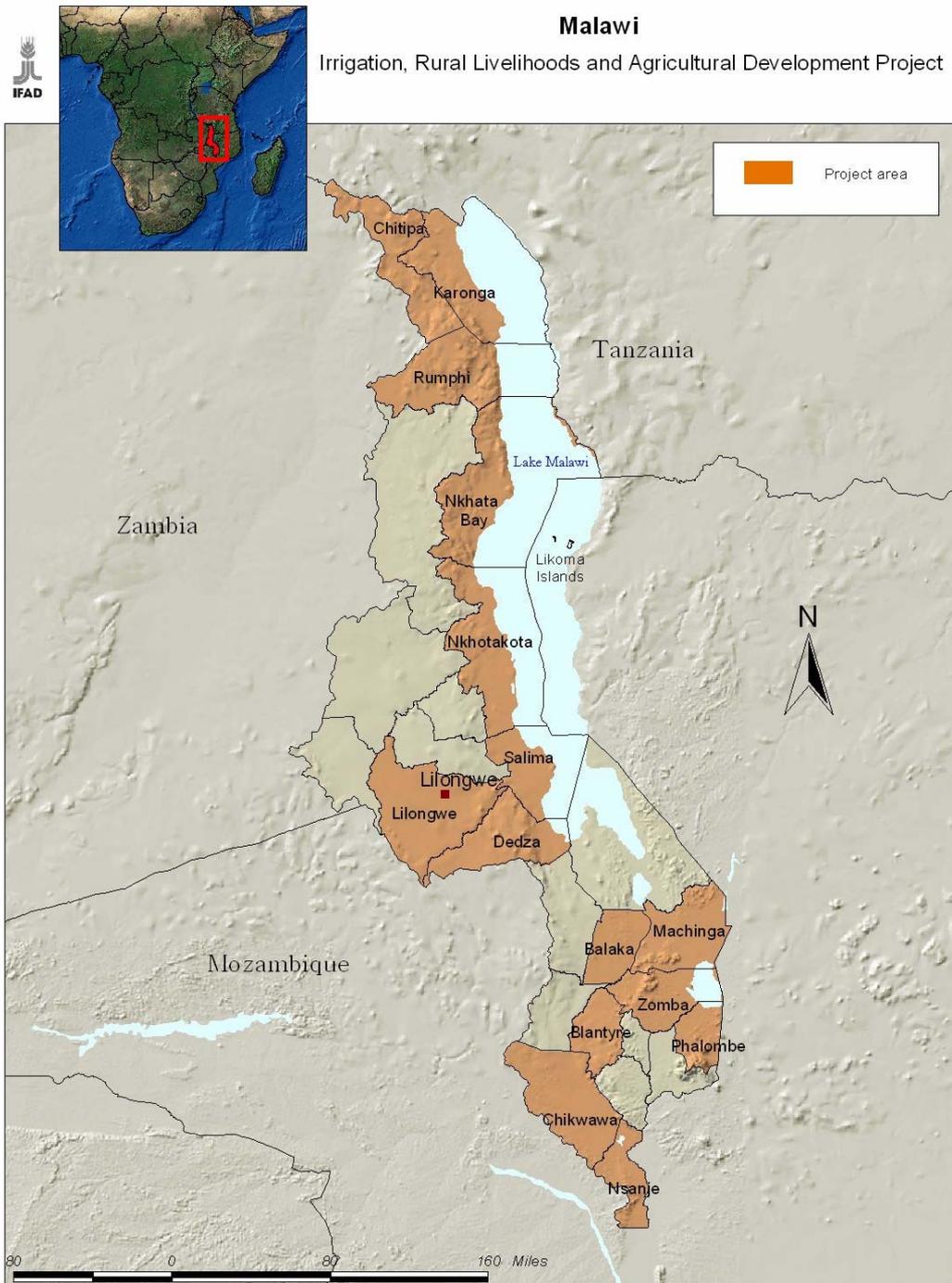
ABBREVIATIONS AND ACRONYMS

FSLF	Farmer Services and Livelihoods Fund
IDA	International Development Association
MASAF	Malawi Social Action Fund
SFPDP	Smallholder Flood Plains Development Programme

**GOVERNMENT OF THE REPUBLIC OF MALAWI
Fiscal Year**

1 July – 30 June

MAP OF THE PROJECT AREA



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.

REPUBLIC OF MALAWI
IRRIGATION, RURAL LIVELIHOODS AND AGRICULTURAL
DEVELOPMENT PROJECT

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Malawi
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROJECT COST:	USD 52.1 million
AMOUNT OF IFAD LOAN:	SDR 5.5 million (equivalent to approximately USD 8.0 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIER:	International Development Association
AMOUNT OF COFINANCING:	USD 40.0 million
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF BORROWER:	USD 2.8 million
CONTRIBUTION OF BENEFICIARIES:	USD 1.3 million
APPRAISING INSTITUTION:	World Bank
COOPERATING INSTITUTION:	World Bank

PROJECT BRIEF

The project. The proposed project aims to raise agricultural productivity and net incomes of rural poor households in Malawi in a sustainable manner by providing an integrated package of support comprising: community public works schemes to provide inputs to poor households; irrigation development; technical advisory services for crop production, marketing and post-harvest assets and services; and capacity-building.

Who are the beneficiaries? The principal target group under the project will be the economically active rural poor and the transient poor. In response to the country's ongoing food crisis, the World Bank increased its funding by USD 10 million following appraisal in order to substantially expand the provision of inputs (seed and fertilizer) to households with rainfed plots. Thus, the target groups of the project are poor and very poor farmers cultivating rainfed plots and emergent poor smallholder farmers with the potential to produce a marketable surplus from irrigated plots or family plots and seasonal wetlands. All farmers can participate in catchment conservation, rainwater harvesting activities, the farmer services and livelihoods fund for extension and market access, and the community public works to earn vouchers for seed and fertilizer. Farmers with access to land in irrigation schemes will benefit from irrigation development. About 196 550 households (or about 827 000 people) in 11 target districts are expected to benefit from the project.

Why are they poor? Households are poor because of their lack of resources, inability to tap existing market incentives, limited ability to intensify production, the difficulty of earning cash income from off-farm employment, and constraints on marketing production. Furthermore, the drought in early 2005 has undermined future cropping capacity.

What will the project do for them? The specific objective of the project is to increase agricultural productivity and net incomes of about 196 550 rural poor households in a sustainable manner through an integrated package of support for community development and improved access to water. In the short term, the project will support a programme of community public works to recapitalize households with vouchers for seed and fertilizer. In the longer term, the project will rehabilitate irrigation infrastructure to raise cropping intensity, in particular by involving the private sector and beneficiaries in scheme development and maintenance, and by providing demand-driven technical packages that integrate rainwater harvesting interventions with catchment conservation to raise smallholder productivity and diversify cropping. The project will address on a demand-driven basis the inadequacy of marketing information and infrastructure. It will also help mobilize farmers and build the capacity of farmer organizations and implementing institutions. Project activities will be implemented over six years under four components: (i) irrigation rehabilitation and development; (ii) farmer services and livelihoods fund; (iii) institutional development; and (iv) project coordination, and monitoring and evaluation.

How will the beneficiaries participate in the project? The community sensitization and mobilization process in the project focal areas (selected on the basis of their level of poverty) will lay the foundation for involving the target groups. A consolidated action plan will be developed for each project focal area, and communities will be organized into groups to manage the investments made by the project in irrigation, catchment protection, rainwater harvesting and soil conservation. To ensure long-term sustainability, water user associations will be mobilized and/or strengthened, and will be responsible for the management of the irrigation schemes developed.

Project cost and financing plan. The total cost of the six-year project is USD 52.1 million, which will be financed by an IFAD loan of USD 8.0 million (15.4%) and an International Development Association grant of USD 40.0 million (76.7%). With respect to the IFAD-funded expenditure, the Government of Malawi will cover taxes and duties in the amount of USD 2.8 million (5.4%). The beneficiaries will contribute the equivalent of about USD 1.3 million (2.5%) in labour, materials and cash.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF MALAWI
FOR THE
IRRIGATION, RURAL LIVELIHOODS AND AGRICULTURAL
DEVELOPMENT PROJECT**

I submit the following report and recommendation on a proposed loan to the Republic of Malawi for SDR 5.5 million (equivalent to approximately USD 8.0 million) on highly concessional terms to help finance the Irrigation, Rural Livelihoods and Agricultural Development Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the World Bank as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Smallholder Sector Producers

1. **Country background and poverty.** 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 km² and a further 24 000 km² 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 km²), 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 than USD 1 per day. Life expectancy at birth has fallen from 46 years in 1996 to 38 years in 2002 as a result of increasing poverty, HIV/AIDS, chronic malnutrition, poor health services and lack of clean drinking water. The country is now ranked 165th out of 177 countries on the Human Development Index of the United Nations Development Programme, and is ranked 134th out of 144 on the Gender Development Index.

2. **The 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. GDP growth is highly variable due to macroeconomic instability and dependence on agriculture, which has been plagued by both drought and flooding in recent years. With a new Government since May 2004, there is a growing sense of optimism relative to anti-corruption efforts, policy reform and poverty reduction. However, the lower-than-average rainfall for the 2004/2005 crop year means that about one third of the population will be facing food shortages in the latter half of 2005.

3. **Donor assistance.** Due to the overwhelming scale of poverty, there is an extremely limited tax base upon which the Government can draw revenue, and Malawi is more dependent on foreign aid than other African countries. External financing has been suspended several times owing to failure to comply with International Monetary Fund (IMF) conditionalities. Malawi is under an IMF staff monitoring programme and is expected to reach completion point for the Heavily Indebted Poor Countries Debt Initiative at the end of 2006. 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

¹ See Appendix I for country data.

equally between grants and loans). The donor community has been working since March 2005 to avert a food crisis in Malawi, and the situation – while still critical – is being managed.

4. **Rural poverty.** Poverty is entrenched throughout Malawi and dominates the rural landscape: 65% of the population live below the national poverty line and over 90% of the poor live in rural areas. There are three distinct groups of poor people in Malawi: the economically active poor of working age who are in good health but lack productive assets; the transient poor who are at risk of becoming poor due to periodic or transitory shocks but 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. Around one third of the population is categorized as core poor and unable to meet even the most basic food requirements.

5. **The smallholder sector.** Some 2.5-3 million smallholders cultivate around 2.4 million hectares under customary land tenure, generating approximately 84% of agricultural value added. With about 67% of rural households living below the poverty line, distinctions between poorest, poorer and poor smallholder farmers mean little in relative terms in Malawi, since even moderately better-off households are barely covering their basic needs and are vulnerable to shocks. There is a growing tendency for poor smallholder producers to engage in production for the market, and to do so they hire land and labour from poorer households in exchange for food or cash. Poorer households are also involved in marketing, both as sellers and buyers; most are net buyers of maize. Subsistence and commercialization are interdependent strategies pursued by smallholder households, most of which are considered poor.

6. **Irrigation.** Households usually cultivate a series of dispersed areas, so even a very small plot benefiting from irrigation can make the difference in terms of household food security. Total irrigation potential has been estimated to range from 200 000 to 500 000 ha. With the impetus of the Irrigation Act 2001, there are opportunities for self-help initiatives to develop and manage small-scale (under 50 ha) and mini-irrigation schemes. Rainwater harvesting is a relatively new technology in Malawi but offers the 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 been committed to expanding sustainable small-scale irrigation under self-help initiatives and transferring existing Government schemes to management by water user associations.

B. Lessons Learned from Previous IFAD Experience

7. Although IFAD assistance² has contributed substantially towards rural development and smallholder agricultural development, implementation has been slower than anticipated and loan disbursement at project closing has been about 80%. The institutional framework in rural areas in Malawi is weak, as it is constrained by the limited implementation capacity of the Government and the long delays in carrying out activities. More recently, the high turnover of key Government staff as a result of the demand for scarce qualified personnel and the impact of HIV/AIDS have further exacerbated this problem.

8. There are few rural organizations, and substantial time and effort are needed in order to build up genuine grass-roots institutions that can form the basis for bringing together poor people for economic and social empowerment. The adoption of participatory approaches in Malawi is also relatively new, and is hampered by the general low level of human development – evidenced by illiteracy rates of 60%-80% in rural areas. Given the weak institutional framework, major efforts are needed for both mobilization and training of poor people. Partnerships with NGOs have been shown to be an appropriate mechanism for building knowledge and capacity at the field level with target groups. The fundamental lesson learned is that while there may be difficulties in fully achieving

² See Appendix II for previous IFAD financing in Malawi.

physical objectives, the development of social and institutional frameworks is an even greater challenge, requiring far more work and time.

9. While earlier IFAD-financed interventions did include various activities for increasing access to water, IFAD has been specifically involved in the irrigation sector in Malawi since 1998 under the ongoing exclusively IFAD-financed Smallholder Flood Plains Development Programme (SFPDP), which will close in 2006. Under the SFPDP programme, very small plots of smallholder producers benefit from irrigation schemes, which provides a cushion for production in times of low rainfall. The most notable success of the programme has been the establishment of water user associations to manage the irrigation schemes. Considerable experience has been gained relative to the formal registration of water user associations and the approval of water use rights by the Government, and the need for specific capacity-building for water user associations in irrigation management. A substantial amount of time was needed to build satisfactory field execution arrangements with a local NGO, and this has proved an effective way of sharpening the poverty focus of implementation and capacity-building among farmers. While the progress to date in putting in place the institutional framework to manage the 11 irrigation schemes can be considered satisfactory in the Malawi context, it is also clear that there are substantial requirements for further capacity-building in order to ensure the long-term sustainability of these emerging organizations. There could also be a significant impact on irrigation development countrywide if this learning were used to guide national irrigation development and institutionalized. As a consequence, IFAD has sought to reflect the knowledge gained from these lessons in the design of the proposed project.

C. IFAD's Strategy for Collaboration with Malawi³

10. **IFAD's role and focus.** Taking into account the substantial amount of grant assistance aimed at the core poor and the level of safety-net assistance activities being supported by other donors, IFAD will explicitly target the capable and transient poor in rural areas for agricultural development and associated activities in support of the Government's policies for pro-poor economic growth. IFAD will also promote the institutional framework at all levels in rural areas, to create the pre-conditions 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.

11. IFAD's strategy in Malawi aims to promote growth paths for its target groups through: (i) strengthening agriculture as the main livelihood for semi-commercial and emergent poor farmers by intensifying production through skills development to increase the range of crops and livestock produced and strengthen water management on family plots and seasonal wetlands (*dimba/dambo*) and by improving access to profitable markets; (ii) securing and diversifying livelihoods for marginal farmers and vulnerable households through effective use of their limited resources to achieve partial food security (e.g. by way of intensification, drought-resistant nutritious crops, access to supplementary water and small livestock-rearing) and promotion of non-farm employment opportunities; and (iii) strengthening local institutions and human, physical and natural resources at the community and household levels through support to the decentralization process so that development initiatives are driven by communities through district and local governance structures, and through their own groups.

³ IFAD's country strategic opportunities paper for Malawi was presented to the Executive Board in September 2005 (document EB 2005/85/R.16).

PART II – THE PROJECT

A. Project Area, Target Group and Rationale

12. **Project area.** The project will cover 11 districts across the country: Blantyre, Chikwawa, Nsanje, Phalombe, Zomba (in the south); Dedza, Lilongwe and Salima, (in the centre); and Chitipa, Nkhata Bay and Rumphi (in the north) and the districts of Balaka, Machinga, Karonga and Nkhatakola supported by the SFPDP programme for the training of water user associations. The criteria for selection of districts were: (i) the level of poverty in the area; (ii) irrigation potential/water availability; (iii) community willingness and readiness to participate in the project; (iv) technical readiness of the area; and (v) the lack of a presence by other donors.

13. **Target group.** In line with the Malawi Poverty Reduction Strategy (MPRS), the overall project thrust is to support growth-oriented agricultural development by working with capable poor farm households. The target groups will be the economically active rural poor and the transient poor. The principal beneficiaries will be farmers with family plots and seasonal wetlands (*dimba/dambo*) who will benefit from irrigation rehabilitation/development. IFAD developed a poverty profile of one irrigation scheme, which showed that 30% of households are very poor (i.e. they have land but use no inputs), 25% are poor (i.e. they have land, use few inputs and work as labourers on other farms) while 40% have chickens, ducks and goats but still work as labourers on the plots of other farmers. Farmers in rainfed areas in the catchments around irrigation schemes will participate through environmental conservation works and rainwater harvesting. Farmers capable of organizing themselves into groups will benefit from group-targeted activities.

14. **Rationale.** Developing agriculture and raising smallholder productivity are recognized as major drivers for growth and improved food security in Malawi. The high population density and increasing land pressure are worsening rural poverty and household food security. The high vulnerability to weather-related shocks, insufficient use of irrigation, inappropriate farming practices, and the lack of access to inputs and markets are identified as binding constraints leading to fluctuations in smallholder productivity. The proposed project seeks to support productivity by combining enhanced access of small poor farmers to water through irrigation development, with input supply and activities that add value and improve marketing; and to restore the productive capacity of households with rainfed plots through labour-based community works schemes that will provide inputs for the next cropping season. Together, these activities are expected to contribute significantly to the Government's growth and food security objectives.

15. **Justification for IFAD cofinancing.** In view of the relatively limited overall amounts available for commitment in Malawi under the Performance-Based Allocation System (PBAS), strategic identification of cofinancing opportunities will enable IFAD to leverage the impact of its own resources. Cofinancing this project with the International Development Association (IDA) will enable IFAD to share its learning in Malawi relative to targeting the poor, community mobilization and building grass-roots institutions. IFAD has shared its specific experience in the institutional requirements for setting up water user associations, as well as the development path that these organizations need to follow in order to assume the relevant responsibilities. This learning will be instrumental in promoting the adoption of an institutionalized countrywide approach for supporting irrigation development in a market-driven context for poor smallholder farmers. Also of value is IFAD's experience in targeting with a focal area approach, whereby the poorest areas and most vulnerable communities are selected for support, and measures are taken to promote community mobilization.⁴

⁴ See Appendix III on how IFAD has influenced project design.

B. Goal and Objectives

16. The goal of the project is to reduce poverty by promoting sustainable pro-poor growth. The specific objectives are to: (i) restore and raise agricultural productivity and net incomes of rural poor households in a sustainable manner through an integrated package of support for irrigation development and rainwater harvesting, while providing seed and fertilizer to a large number of rainfed farms in response to the current food crisis; and (ii) strengthen central and local government institutions, and the capacity of farmers and their organizations for long-term development and irrigation management.⁵

C. Components

17. The proposed project will have four main components and several subcomponents: (i) irrigation rehabilitation and development; (ii) farmer services and livelihoods fund; (iii) institutional development; and (iv) project coordination, and monitoring and evaluation.

Irrigation Rehabilitation and Development

18. This component will support three key activities:

- (i) **Selective rehabilitation and development of small-scale irrigation schemes**, including the (a) rehabilitation of four existing Government-owned small-scale gravity irrigation schemes covering about 1 800 hectares and the gradual transfer of their management to smallholder beneficiaries; and (b) development of new demand-driven small-scale and mini-irrigation schemes covering about 840 hectares, based on established eligibility and selection criteria. Farmers benefiting from the schemes will be contributing about 15% of the cost of works through non-cash inputs.
- (ii) **Rehabilitation of existing small storage reservoirs** involving the completion of the rehabilitation of several small reservoirs in the upland seasonal wetlands (*dambos*), covering about 175 hectares. The necessary surveys and plans for most of these sites have already been completed.
- (iii) **Small-scale farmer demand-driven rainwater harvesting and catchment conservation**. This subcomponent will adopt a micro-catchment approach that integrates rainwater harvesting interventions with catchment conservation. Rainwater harvesting techniques will be demand-driven and piloted in defined catchment areas. Resources will be provided for planning, design, construction and demonstration of 400 small rainwater harvesting structures comprising 100 communal livestock water storage structures, 100 group backyard structures, 100 soil storage and new measures, and 100 catchment/land conservation structures to reduce soil erosion and siltation of reservoirs and canals.

Farmer Services and Livelihoods Fund

19. This component will assist beneficiary communities in obtaining demand-driven complementary support services and goods for optimizing their returns from farming. This will enable them to add value through micro-processing, improve the marketing of their produce, and build their technical and business capacities. Eligible beneficiary groups will be supported to develop their proposals for submission and approval by the District Assemblies.

⁵ See Appendix IV for the project logical framework.

- (i) **Support for extension.** In support of the Government's new extension policy, which devolves extension to the District Assemblies, the project will provide grants to support farmer-based organizations to procure for pre-identified training needs in such areas as agronomy (including irrigated crops), soil and water management, and pest management. Farmers could either obtain technical packages from the district extension system or from alternative providers, for example the National Smallholder Farmers Association of Malawi; NGOs; and/or private extension agents working in out-grower schemes, such as those in the sugar estates in Kasinthula, Chikwawa district.
- (ii) **Support for Inputs for Assets Programme.** The Inputs for Assets Programme is a successful public works programme that is managed by the Malawi Social Action Fund 3 (MASAF3) and financed by the International Development Association (IDA). The programme creates employment through the construction of community assets and labourers are paid in the form of vouchers that can be redeemed for inputs (seed and fertilizer). Support under the proposed project will be managed through the MASAF system, whose coverage will be extended to the project area, with some modifications to the selection criteria for works. In addition to rural roads, the eligible works will include reforestation on community lands, construction of rainwater harvesting structures and soil conservation work, which will benefit broad areas of farmland. In response to the deteriorating food security situation in Malawi, in August 2005, the IDA allocated an additional USD 10 million to provide inputs for this activity.
- (iii) **Support for marketing and post-harvest assets.** The project will establish a fund to finance proposals prepared by farmer groups for post-harvest infrastructure, low-cost processing and marketing activities through existing organizations. Farmer groups will be supported by service providers (NGOs and/or other operators involved in marketing) to develop and submit their proposals. This subcomponent will be implemented by the District Assemblies, under the management of MASAF working closely with the project coordination unit.

Institutional Development

20. This component will support:

- (i) **Irrigation water management.** The project will finance the establishment of an Irrigation Water Management Unit in the Department of Irrigation to address long-term water management issues and improve the sustainability of irrigation investments. The unit will be responsible for organizing water user associations, strengthening irrigation advisory services at the district level, and providing implementation support to the Department of Irrigation for the irrigation rehabilitation and development component. The function and staffing of the Irrigation Water Management Unit has been based on experience gained under the SFPDP programme.
- (ii) **Capacity-building for farmers, community mobilization and sensitization.** Once the project focal areas have been selected, the community sensitization and mobilization process will be the start of activities in the targeted communities. A multidisciplinary team in each district will conduct participatory rural appraisals in project villages and prepare a consolidated action plan for the focal area to integrate the project activities. The participatory rural appraisal approach complements the new extension policy and will draw upon the district administrative structures, while laying the foundation for

beneficiary targeting and project implementation at the community level.⁶ The project will then provide support for establishing and/or strengthening community and farmer organizations in the form of training in group dynamics, leadership, decision-making, setting objectives and preparing business plans, record-keeping and group management.

- (iii) **Support for the Ministry of Agriculture.** Under this subcomponent, the Trade and Marketing Unit and the Marketing Information Service of the Ministry of Agriculture will be restructured and strengthened into a market development unit in order to provide market information and support for the smallholder sector.
- (iv) **Support for the Bunda College of Agriculture, the Natural Resources College, and the Ministry of Agriculture's training institutions.** Support will be provided to these institutions to enable students to be adequately trained and equipped to respond to the new demands of the private sector. The project will support curricula and capacity review at both colleges, the provision of equipment, information technology and training materials, in addition to capacity development, particularly in irrigation.

Project Coordination, and Monitoring and Evaluation

21. A project coordination unit (PCU) will be established in the Ministry of Agriculture to oversee project implementation, monitor project progress, coordinate among implementing entities, and manage funds and account for their use. The PCU will be headed by a project coordinator/irrigation engineer and staffed with competent and experienced professionals, including: an accountant, a procurement specialist, two internal auditors, a monitoring and evaluation specialist, and a social/community development specialist. All staff of the unit will be competitively recruited. The unit will work closely with MASAF for the implementation of the Farmer Services and Livelihoods Fund, and will coordinate the implementation of other investment activities.

D. Costs and Financing⁷

22. The total project costs stand at USD 52.1 million over a six-year implementation period. The foreign exchange element is estimated at USD 27.3 million and represents 53% of the total cost. The physical and price contingencies amount to USD 3.5 million and represent 8% of the base costs. The summary table below presents the costs of the components.

23. **Financing.** Project costs will be financed as follows: the IDA will provide a grant of USD 40.0 million, equivalent to 76.7% of total costs, and IFAD will provide a loan of USD 8.0 million, corresponding to 15.4% of total costs. IFAD is also expected to approve a financing facility for a start-up grant of USD 100 000 for community mobilization activities in early 2006. The Government will contribute USD 2.8 million, corresponding to 5.4%. Beneficiaries will provide USD 1.3 million, equivalent to 2.5%, through in-kind resources. The project financing plan by component is presented in Table 2.

⁶ See Appendix V for the poverty criteria to be used in the focal area selection process and a diagram presenting the community mobilization process.

⁷ See Appendix VI for more details on project costs and financing.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD million)

Components	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Irrigation rehabilitation and development	6.9	5.0	11.9	43	24
B. Farmer services and livelihoods fund	9.4	14.1	23.5	60	49
C. Institutional development	5.6	5.2	10.8	48	22
D. Project coordination, and monitoring and evaluation	1.1	1.3	2.4	54	5
Total base costs	22.8	25.6	48.6	53	100
Physical contingencies	0.9	0.8	1.8	47	4
Price contingencies	0.8	0.9	1.7	51	4
Total project costs	24.6	27.3	52.1	53	107

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD million)

Components	Government		IDA		IFAD		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Irrigation rehabilitation and development	0.2	1.2	10.2	75.4	2.0	15.0	1.1	8.4	13.2	25.5	5.6	7.6	-
B. Farmer services and livelihoods fund	2.0	7.9	19.3	77.0	3.8	15.1	-	-	25.1	48.3	15.0	8.1	2.0
C. Institutional development	0.6	5.7	8.5	76.4	1.8	16.3	0.2	1.6	11.1	21.4	5.3	5.8	-
D. Project coordination, and monitoring and evaluation	0.0	1.6	2.0	82.1	0.4	16.3	-	-	2.5	4.8	1.3	1.1	-
Total project cost	2.8	5.4	40.0	76.7	8.0	15.4	1.3	2.5	52.1	100.0	27.3	22.6	2.0

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

24. **Procurement.** Procurement of goods, works and services to be financed under the project will be carried out in accordance with the World Bank's guidelines for procurement and for selection and employment of consultants. In order to expedite project start-up, an eighteen-month procurement plan has been prepared by the Ministry of Agriculture.

25. **Disbursement and accounts.** Two special accounts – the Ministry of Agriculture account and the MASAF account – will be established in a commercial bank acceptable to the IDA and IFAD and will be operated under terms and conditions satisfactory to both cofinanciers. To facilitate project implementation and disbursement against eligible expenditures, IFAD will deposit USD 350 000 in the Ministry's special account and USD 250 000 in the MASAF special account. The special accounts will be periodically replenished by the IDA and IFAD on the basis of withdrawal applications supported by appropriate documentation. Two project accounts denominated in kwacha will be established in a commercial bank acceptable to IFAD and the IDA to receive funds from the special accounts and the Government counterpart funds as required. The project accounts will be managed respectively by the PCU and MASAF. At least two authorized signatories shall be required for any transaction relating to the project accounts.

26. **Accounts and audit.** Project accounts and the financial statements – project balance sheet, special account statement and cash flow – will be audited annually by an independent auditor in accordance with International Standards on Auditing. The audited financial statements along with the auditor's opinion will be sent to the World Bank and IFAD within six months of the end of each fiscal year until the project closes, in a format agreed upon at project start-up. This information will include a separate opinion on the statements of expenditure and the operations of the special accounts, as well as a management letter addressing the adequacy of the accounting and internal control systems.

F. Organization and Management⁸

27. The Ministry of Agriculture will be the lead agency. A project steering committee will be chaired by the Principal Secretary of the Ministry of Agriculture and include principal secretaries from the ministries of irrigation and water, finance, economic planning and development, local government and rural development, lands physical planning and surveys, and trade and private-sector development, in addition to the Director of Planning, Ministry of Agriculture and the Executive Director of MASAF. The project coordinator will act as secretary to the steering committee. The committee will provide overall strategic guidance and interministerial coordination, and will approve project annual workplans and budgets; quarterly, semi-annual and annual implementation reports; and audit reports.

28. A project executive committee will be chaired by the project coordinator and include representatives of the implementing agencies, including the Ministry of Agriculture, the Ministry of Irrigation and Water Development, MASAF, participating districts, and the four outreach offices located in the agricultural development divisions in Chikwawa, Zomba, Lilongwe and Mzuzu. The executive committee will provide technical guidance during implementation, such as reviewing annual workplans and budgets and making recommendations to the project steering committee, and will carry out monitoring and evaluation of the project.

⁸ See Appendix VIII for an organizational chart of project management.

G. Economic Justification

29. **Benefits.** The support for Inputs for Assets Programme subcomponent responds to the country's food crisis and is expected to help farmers regain their productive capacity in the short term. In the medium term, the main project benefits will be in the form of incremental crop production from irrigated schemes; improved transportation efficiency resulting from road improvements associated with the inputs for assets activities; greater marketing and crop value added through provision of post-harvest assets and storage facilities; empowered rural communities that as a result of grass-roots group formation and capacity-building can make better production and marketing decisions; and more sustainable use of natural resources thanks to the rainwater harvesting and soil conservation measures. Investments in rainwater harvesting and catchment conservation measures will reduce further degradation of the fragile ecosystem, increase vegetative cover, reduce run-off and soil loss, and improve soil fertility. The economic rate of return over a 30-year period is estimated at about 15%; a 10% increase in costs and 10% decline in benefits would reduce this rate to 14%, while a two-year delay would bring the economic rate of return down to 12%.

30. **Beneficiaries.** It is estimated that a total of 196 550 farm families or 827 000 individuals (excluding multiple participation) will directly benefit from project interventions. Excluding double counting, it is estimated that 168 250 households will receive vouchers to purchase seed and fertilizer under the Input for Assets subcomponent, and this will assist households in re-establishing their productive capacity for the upcoming cropping season. About 10 200 farm families are expected to benefit from small-scale irrigation, about 9 000 households from rainwater harvesting and soil conservation activities, and an additional 13 200 households through the Farmer Services and Livelihoods Fund. These families will benefit from strengthened organizations in terms of capacity-building, group formation and business skills. About 20% of the project beneficiaries are also expected to have increased employment opportunities created by irrigation development and cropping on irrigated lands.

H. Risks

31. There is a risk related to the mechanism for administering the support for the Inputs for Assets Programme subcomponent. This will be mitigated by involving MASAF in the administration of the funding and accounting for this subcomponent, since it has a proven track record of successfully managing similar programmes. With regard to irrigation development, there is a risk related to the modalities of scheme transfer as there may be competing claims from possible previous owners and current irrigation users. This will be mitigated by carrying out studies prior to infrastructure development in order to establish mechanisms for the transfer of land and physical infrastructure. There is a capacity shortage within the Ministry of Agriculture and the Ministry of Irrigation and Water Development to undertake engineering design and construction works for scheme rehabilitation, which will be addressed by contracting to the private sector. There is also a risk related to farmers' capacity to assume responsibility for operation and maintenance of the rehabilitated schemes; this risk will be addressed by organizing farmers into water user associations, and providing comprehensive training in operation and maintenance. A further risk is that of the negative impact of HIV/AIDS on the agricultural workforce and on agricultural worker productivity. This will be mitigated through social extension, which will provide prevention advice for the uninfected and guidance on alternative livelihood strategies for those infected by HIV/AIDS.

I. Environmental Impact

32. The Government of Malawi has passed an Environmental Management Act (1996) and adopted Environmental Impact Assessment Guidelines for Irrigation and Drainage Projects (2002) with the support of the World Bank. From an environmental point of view, the project has been classified in

Category B both for the World Bank and for IFAD, that is, the environmental impact of the project is expected to be minimal, site-specific and manageable within an acceptable level.

J. Innovative Features

33. The use of a focal area approach for concentrating project investments is new in the Malawian context and is expected to enhance visible field impact. The project also places a strong emphasis on mechanisms for communities to access development funding within the context of decentralized government structures, which aim not only to build a greater sense of ownership but also to enhance poor people's understanding of governance issues at the local level.

34. With regard to irrigation development, the role foreseen for water user associations – which will have legal recognition, clearly defined water rights and water management responsibilities – builds upon the experience gained under the SFPDP programme, and will be used to inform the creation of an appropriate national institutional framework for irrigation development. From a technical standpoint, the emphasis on gravity rather than pump schemes is a clear innovation to enhance sustainability by reducing operating costs.

35. The Input for Assets Programme has been substantially expanded in response to the food crisis in Malawi in order to provide additional households with wages in the form of inputs and fertilizer through community-based public works schemes. This is a move away from safety-net type assistance and aims to link community asset creation with the provision of resources to households to improve food security.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

36. A loan agreement between the Republic of Malawi and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

37. The Republic of Malawi is empowered under its laws to borrow from IFAD.

38. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

39. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Malawi in various currencies in an amount equivalent to five million five hundred thousand special drawing rights (SDR 5 500 000) to mature on or prior to 15 December 2045 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INLCUED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 8 October 2005)

1. The Ministry of Agriculture will open and thereafter maintain in a commercial bank acceptable to IFAD a current account denominated in kwacha for project operations.
2. The Malawi Social Action Fund (MASAF) will thereafter maintain in a commercial bank acceptable to IFAD a current account denominated in kwacha for project operations.
3. **Arrangements for water user associations.** The Government of the Republic of Malawi (the “Government”) will ensure that: (a) within the legal framework governing the establishment and operation of water user associations, the Irrigation Act regulations are finalized within one year of the project effectiveness date or on such later date as may be agreed with the Fund; and (b) irrigation scheme transfer agreements are duly entered into with water user associations prior to the rehabilitation of small-scale irrigation schemes.
4. **Community contribution.** The District Assembly shall ensure that the Input for Assets Programme is carried out in accordance with the procedures and eligibility criteria set forth in the project implementation manual including, the requirement that 50% of the total grant amount allocated to the public works subprojects must be used for in-kind payments to community members in the form of agricultural inputs for construction work undertaken.
5. **Tax exemption.** The Government will make exempt from taxes the importation, procurement and supply of all goods and services financed by the loan. The value of such exemptions will be credited against the obligation of the Government to provide counterpart funds for the project.
6. **Counterpart funds.** The Government will take the necessary action to ensure that its counterpart funds for the project are accurately reflected in its annual budget in accordance with the annual workplan and budget.
7. **Insurance of project personnel.** The Government will ensure that key project personnel are insured against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.
8. **Gender focus.** The Government will ensure through the recruitment of project staff that women are represented in the organization and management of the project. The Government will also ensure that women beneficiaries are represented in all project activities and that they receive appropriate benefit from the project outputs.
9. **Suspension.** IFAD:
 - (a) may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the right of the Government to withdraw the proceeds of the IDA development grant agreement has been suspended, cancelled or terminated in whole or in part;

- (ii) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project have come to the attention of IFAD and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD; or thereafter, based on the conclusion of the aforesaid investigation and any other information connected to it, IFAD, in consultation with the Government, determines that such practices have occurred and the Government has failed to take timely and appropriate action to remedy the matter to the satisfaction of IFAD; and
 - (iii) procurement has not been carried out in accordance with this agreement.
- (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report required by the loan agreement has not been satisfactorily completed within 12 months of the financial reporting period set forth therein.
10. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) all conditions precedent to the effectiveness of the IDA development grant agreement have been fulfilled;
 - (b) the Government has established the project coordination unit and appointed thereto staff with terms of reference, qualifications and experience satisfactory to IFAD, including a project coordinator/irrigation engineer, a social/community development specialist, a procurement specialist, an accountant, two internal auditors, and a monitoring and evaluation specialist;
 - (c) the Government has prepared and adopted the project implementation manual in a form and substance that is satisfactory to the Fund;
 - (d) the Ministry of Agriculture has entered into a memorandum of understanding with MASAF and the District Assemblies in each of the participating districts (except for the districts of Balaka, Machinga, Karonga and Nkhotakota supported by the IFAD-funded Smallholder Flood Plains Development Programme) in form and substance satisfactory to IFAD;
 - (e) the Government has established the project steering committee;
 - (f) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (g) a favourable legal opinion, issued by the Attorney-General or other legal counsel acceptable in form and substance to IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

MALAWI

Land area (km² thousand) 2003 1/	94	GNI per capita (USD) 2003 1/	160
Total population (million) 2003 1/	10.96	GDP per capita growth (annual %) 2003 1/	2.3
Population density (people per km²) 2003 1/	117	Inflation, consumer prices (annual %) 2003 1/	10
Local currency	Kwacha (MWK)	Exchange rate: USD 1 =	1300 MWK
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	2.1	GDP (USD million) 2003 1/	1 714
Crude birth rate (per thousand people) 2003 1/	44	Average annual rate of growth of GDP 1/ 1983-1993	2.8
Crude death rate (per thousand people) 2003 1/	25	1993-2003	3.0
Infant mortality rate (per thousand live births) 2003 1/	112	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	38	% agriculture	38
Number of rural poor (million) (approximate) 1/	n/a	% industry	15
Poor as % of total rural population 1/	n/a	% manufacturing	10
Total labour force (million) 2003 1/	5.26	% services	47
Female labour force as % of total 2003 1/	49	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	20
School enrolment, primary (% gross) 2003 1/	140 a/	Household final consumption expenditure, etc. (as % of GDP)	85
Adult illiteracy rate (% age 15 and above) 2003 1/	38	Gross domestic savings (as % of GDP)	-5
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	463
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	45 a/	Merchandise imports 2003 1/	702
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	22 a/	Balance of merchandise trade	-239
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	10 a/	before official transfers 2003 1/	n/a
Physicians (per thousand people) 2003 1/	0	after official transfers 2003 1/	-203
Population using improved water sources (%) 2002 2/	67	Foreign direct investment, net 2003 1/	23
Population with access to essential drugs (%)	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	46	Cash surplus/deficit (as % of GDP) 2003 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	17	Total external debt (USD million) 2003 1/	3 134
Fertilizer consumption (hundreds of grams per ha of arable land) 2001 1/	839 a/	Present value of debt (as % of GNI) 2003 1/	108
Food production index (1999-01=100) 2003 1/	88	Total debt service (% of exports of goods and services) 2003 1/	8
Cereal yield (kg per ha) 2003 1/	1 257	Lending interest rate (%) 2003 1/	49
Land Use		Deposit interest rate (%) 2003 1/	25
Arable land as % of land area 2003 1/	24 a/		
Forest area as % of total land area 2003 1/	27 a/		
Irrigated land as % of cropland 2003 1/	1 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

PREVIOUS IFAD FINANCING IN MALAWI

Loan/Grant Number	Project Name	Approved Amount (USD)	Current Amount (USD)	Board Approval	Loan/Grant Effectiveness	Current Closing Date	Cooperating Institution	Project Status	Disbursed of Approved
A. Investment Projects									
70	Dowa West Rural Development Project	10 800 000	8 686 000	08-Sep-81	12-Oct-81	30-Sep-93	WB/ IBRD	Closed	80%
120	Smallholder Fertilizer Project	10 280 000	10 080 000	21-Apr-83	22-Jun-83	31-Mar-89	WB/ IDA	Closed	86%
158	Kasungu Agricultural Development Project	13 600 000	15 750 000	12-Dec-84	26-Apr-85	30-Apr-94	WB/ IDA	Closed	* 116%
212	Smallholder Agricultural Credit Project	6 900 000	6 710 000	02-Dec-87	02-Sep-88	30-Jun-95	WB/ IDA	Closed	96%
S/35	Smallholder Food Security Sub-project	13 002 000	13 002 000	15-Sep-93	30-Jul-94	30-Jun-00	UNOPS	Closed	62%
338	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%
Total 8 Investment Projects		93 811 000	93 457 000						
B. Grant Components									
C-109-MW	Smallholder Fertilizer Project	1 047 000	854 000	21-Apr-83	24-May-83	31-Mar-89	WB/ IDA	Closed	82%
C-166-MW	Smallholder Agricultural Credit Project	526 000	526 000	02-Dec-87	04-Mar-88	30-Jun-95	WB/ 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%
Total		2 573 000	2 380 000						

* 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

APPENDIX III

IFAD INFLUENCE ON PROJECT DESIGN

IFAD has participated extensively in the project design process of IDA for this project, in order to ensure that Fund's priorities relative to targeting and addressing poverty are explicitly addressed under the project. The final project appraisal document prepared by IDA has included specific reference to learning from IFAD's SFPDP in the main text, a project logframe as an annex, and results monitoring framework which has taken into account IFAD RIMS indicators, eligibility criteria for irrigation schemes, procedures for establishment of WUAs, identification of beneficiaries, detailed implementation arrangement including the methodology to be used for community sensitization and mobilisation. The main changes in project design to address IFAD needs are summarised below.

- The specific target group for the project has been identified and quantified on the basis of poverty criteria, and a focal area approach to concentrate investments has been adopted
- Specific project focal areas will be selected to concentrate project investments in order to enhance impact
- A community sensitisation and mobilisation process has been introduced at the very start of project implementation in order to promote participation by poor people
- Irrigation Development and Water Harvesting
 - Flexible selection of gravity schemes replaces pre-identified expensive pump schemes;
 - Mini-schemes introduced to address needs of poorest;
 - Approach to WUAs re-focused;
 - Roof water harvesting to benefit better-off eliminated;
 - Rural water supply to be addressed under separate Bank project.
- Farmer Services approach refocused
 - Extension less top-down and more demand driven with plurality of operators;
 - Livelihoods Funds' Ceilings drastically reduced to make activities accessible to poor.
- IFAD RIMS indicators have been included in the Results Monitoring Framework and include specific reference to gender.

LOGICAL FRAMEWORK

Narrative Summary	Impact/Results Indicators	Means of verification	Assumptions/Risks
Goal			
<ul style="list-style-type: none"> Reduce poverty by promoting sustainable pro-poor growth 	<ul style="list-style-type: none"> Rural poverty among the beneficiaries reduced by 10-20% At least half the assisted households cross the poverty line within 4 years of receiving project assistance Reduced prevalence of child malnutrition (weight for age & height, boys & girls) 	<ul style="list-style-type: none"> Rural household survey Crop production and yield surveys Farm income surveys Project progress reports 	<ul style="list-style-type: none"> Stable macro-economic environment Agriculture sector development strategy effectively implemented
Purpose/Objective			
<ul style="list-style-type: none"> Agricultural productivity and incomes of the poor rural household sustainably increased Institutional capacities of farmer organizations strengthened 	<ul style="list-style-type: none"> Improvement in incomes, assets ownership index and food security of about 196 500 poor rural household, disaggregated by gender Increases in crop yields/hectare and area (ha) cropped reported by smallholders Increased volume and value of incremental farm production Number of hectares improved through soil and water conservation/rain water harvesting measures Number of farmers reporting production/yield increases Incremental irrigated crops grown per season, by crop type and area (ha) Farmers (by gender) with sustainable access to irrigation water Number of farmers adopting promoted technologies and practices, (by gender) % of irrigation water delivery days/required Number of community demand driven projects functional, by type Number of water user associations (WUAs) operational and members by gender Number of women in management committees, by type of group 	<ul style="list-style-type: none"> Baseline survey, socioeconomic surveys and National Statistics; Representative household surveys at mid-term and project completion with specific reference to gender Project progress and monitoring reports with information provided by gender Annual independent evaluation reports Rapid results initiative reports Scheme case studies Representative household surveys at mid-term and project completion with reference to gender 	<ul style="list-style-type: none"> Implementation of economic, social and institutional reform programs would continue Policy dialogue would continue Macro-economic and governance situation do not markedly deteriorate Government would remain committed to implementing Malawi Poverty Reduction Strategy Ministry of Agriculture (MOA) re-organization will take place gradually and progressively Increase in private sector involvement in the economy Trade opportunities on international markets Urban markets create demand for agricultural Reduction in HIV prevalence rates

LOGICAL FRAMEWORK (CONTINUED)

Component Outputs	Impact/Results Indicators	Means of verification	Assumptions/Risks
<p>Irrigation Rehabilitation and Development:</p> <ul style="list-style-type: none"> • Irrigation and drainage systems rehabilitated, improved and operational • Mini-scale, small-scale irrigation and drainage systems developed • Small reservoirs rehabilitated, improved and supplied with irrigation water • Water harvesting structures installed on community demand, • Catchment area protected and conserved 	<ul style="list-style-type: none"> • A number of 1800 ha irrigation and drainage systems rehabilitated, improved and operational • A number of 560 ha developed in small-scale and 340 ha in the new mini-scale (less than 10 ha) irrigation schemes constructed • A number of 8 small reservoirs rehabilitated and 175 ha supplied with irrigation water • A number of 400 water harvesting structures constructed • 7 800 ha in catchment areas protected and conserved • 10 600 households benefiting from operational irrigation and drainage systems • 5 100 households benefiting from water harvesting structures and catchment conservation 	<ul style="list-style-type: none"> • Annual work plan and budgets (AWPBs) • Projects progress reports • Annual independent evaluation reports • Supervision mission reports • Rapid results initiative reports 	<ul style="list-style-type: none"> • Irrigation cost recovery would be a slow process and formation of functional WUAs would be a start for mobilizing irrigation financing, on gradual basis • WUAs are established and sign participatory and irrigation transfer agreements on a timely manner, prior to the start of construction works • Land is leased to WUAs for subleasing to their members, prior to the start of the construction works • Transparent beneficiary selection process, and strict adherence to eligibility criteria and selection of small-scale irrigation schemes
<p>Farmer Services and Livelihoods Fund:</p> <ul style="list-style-type: none"> • Farmer-based organizations (FBOs)/ cooperatives formed and trained in group formation and business skill • Extension and marketing advisory services provided on community demand, by FBOs • Community marketing and processing structures constructed • Households benefited from Funds and inputs provided to FBOs and community groups 	<ul style="list-style-type: none"> • Number of farmer organizations formed and their members, disaggregated by gender • Number of FBO staffs trained in extension, business and marketing skills • Person-months of advisory services provided by FBOs • Amount of funds distributed to community groups, disaggregated by group, members and gender • 13 400 households benefited from funds provided to FBOs • 110 community marketing and processing facilities established • Number of households accessing technical advisory services facilitated by project • Number of farmers trained in irrigation practices, crop production and marketing, by gender • Quantity of seeds and fertilizers (tons) and distributed by district • 23 600 households benefited from inputs 	<ul style="list-style-type: none"> • AWPBs • Project progress reports • Annual independent evaluation reports • Supervision mission reports • Rapid results 	<ul style="list-style-type: none"> • Government's decentralization programme effectively executed • Districts provide adequate back up and support to the farmer based organizations • The priorities and needs of the more vulnerable are reflected in the village development plans and consolidated action plan • The beneficiary selection process is transparent and acceptable to all

5

LOGICAL FRAMEWORK (CONTINUED)

Component Outputs	Impact/Results Indicators	Means of verification	Assumptions/Risks
<p>Institutional Development:</p> <ul style="list-style-type: none"> • Sustainable WUAs established, registered and functional • Trained leaders and members of WUAs • FBOs strengthened and trained in group dynamics, leadership, business plans • Market information provided to farmers • Bylaws of Irrigation Act and model constitutions for WUAs of mini, small and Government schemes prepared and executed • Participatory agreements for mini and small-scale schemes and eight management transfer agreements for Government schemes prepared and executed • Irrigation management of Government schemes (covering 1,800 ha) transferred to WUAs • All mini, small-scale schemes, tertiary and secondary canals effectively managed by WUAs • MOA's Market Development Unit, AMIS, Bunda and Natural Resources Colleges strengthened and supported <p>Project Coordination and Monitoring and Evaluation (M&E): Project activities effectively coordinated and efficiently managed</p>	<ul style="list-style-type: none"> • 90 WUAs established, registered and functional • Water charges imposed (MK/ha) by WUAs amount and percent collected • Water charges collected/Water charges due • Annual WUAs income/required annual operation and maintenance costs of the irrigation systems transferred • Number of trainer of trainers, trained, by subject and by gender • Number of leaders and members trained, by subject and by gender • Number of FBOs and staff trained in WUA organization and management • Number of farmers benefited from market information disseminated • A number of 10 bylaws and model constitutions prepared and enacted • A number of 82 participatory and irrigation agreements and 8 management transfer agreements prepared and executed • Number of 8 irrigation schemes covering 1800 ha transferred to WUAs • At least 85% of the mini and small-scale schemes and the tertiary canals and 40% of secondary canals effectively managed by WUAs at project completion • Number of WUA services established at Department of Irrigation • Number of irrigation water management units and district irrigation advisory service established/strengthened • Number of training, equipments, staff trained etc by discipline and gender disaggregated • Disbursement percentage against appraisal targets • M&E/management information system (MIS) set up and used for decision making • Project physical targets against Appraisal targets • Timely progress and financial reports submitted • Acceptable audits, procurement & financial reports 	<ul style="list-style-type: none"> • AWPB • Project progress reports • Annual independent evaluation reports • Supervision mission reports • Rapid results 	<ul style="list-style-type: none"> • Timely recruitment of the technical staff, and carrying out orientation training within six months of project effectiveness • Trained staff will be retained • Timely staff will be retained • Timely establishment of M&E system and project MIS • Government schemes transfer focussed on gradual transfer to beneficiaries of the infrastructure

FOCAL AREA CRITERIA AND COMMUNITY MOBILISATION PROCESS

Criteria for Selection of Project Focal Area in Each District

The use of selection criteria ensures transparency in the selection process and increases understanding regarding the selection decisions. All Extension Planning Areas (EPAs) or areas covered by Traditional Authorities (TA) in a district will be ranked against these criteria and selected on the basis of their aggregate score.

For districts in which the location of the irrigation scheme is already determined (Nkhata Bay, Zomba, Chikwawa and Nsanje):

- EPA or TA will be the one in which the scheme is located;

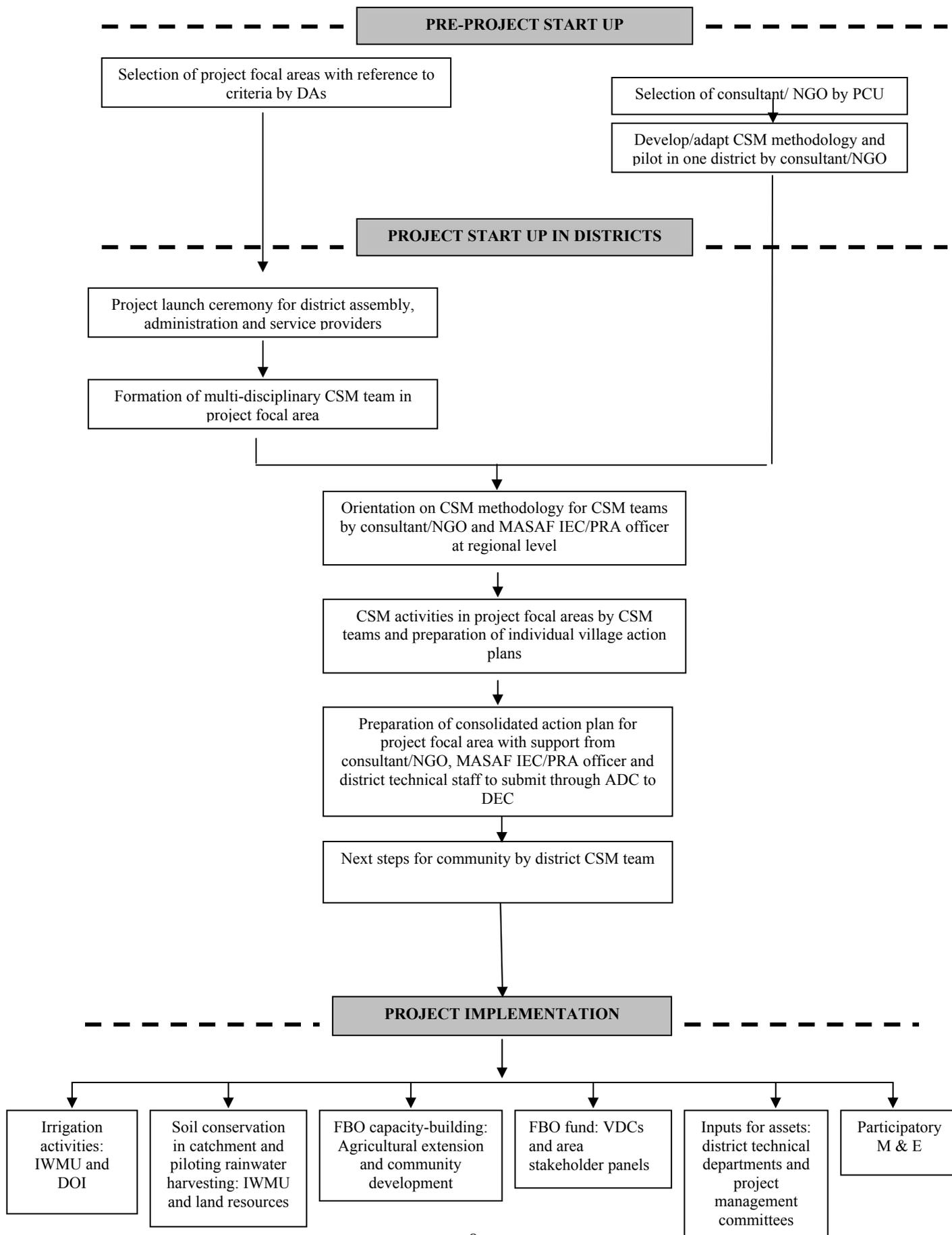
For districts in which there will be an irrigation component but the location is yet to be determined (Chitipa, Rumphi, Lilongwe and Dedza):

- Availability of water for irrigation
- Potential for small-scale gravity irrigation
- High population density
- High incidence and severity of poverty
- High incidence of soil erosion
- Potential for improving agricultural production
- Potential for rainwater harvesting
- Potential for improving community-based assets
- No other donors supporting similar types of activities as those covered by IRLADP

For districts where there is no irrigation component (Salima, Phalombe and Blantyre):

- High population density
- High incidence and severity of poverty
- High incidence of soil erosion
- Potential for improving agricultural production
- Potential for rainwater harvesting
- Potential for improving community-based assets
- No other donors supporting similar types of activities as those covered by IRLADP

OVERVIEW OF COMMUNITY SENSITIZATION AND MOBILIZATION PROCESS



COSTS AND FINANCING^a

Table 1: Components Project Cost Summary (USD' Million)

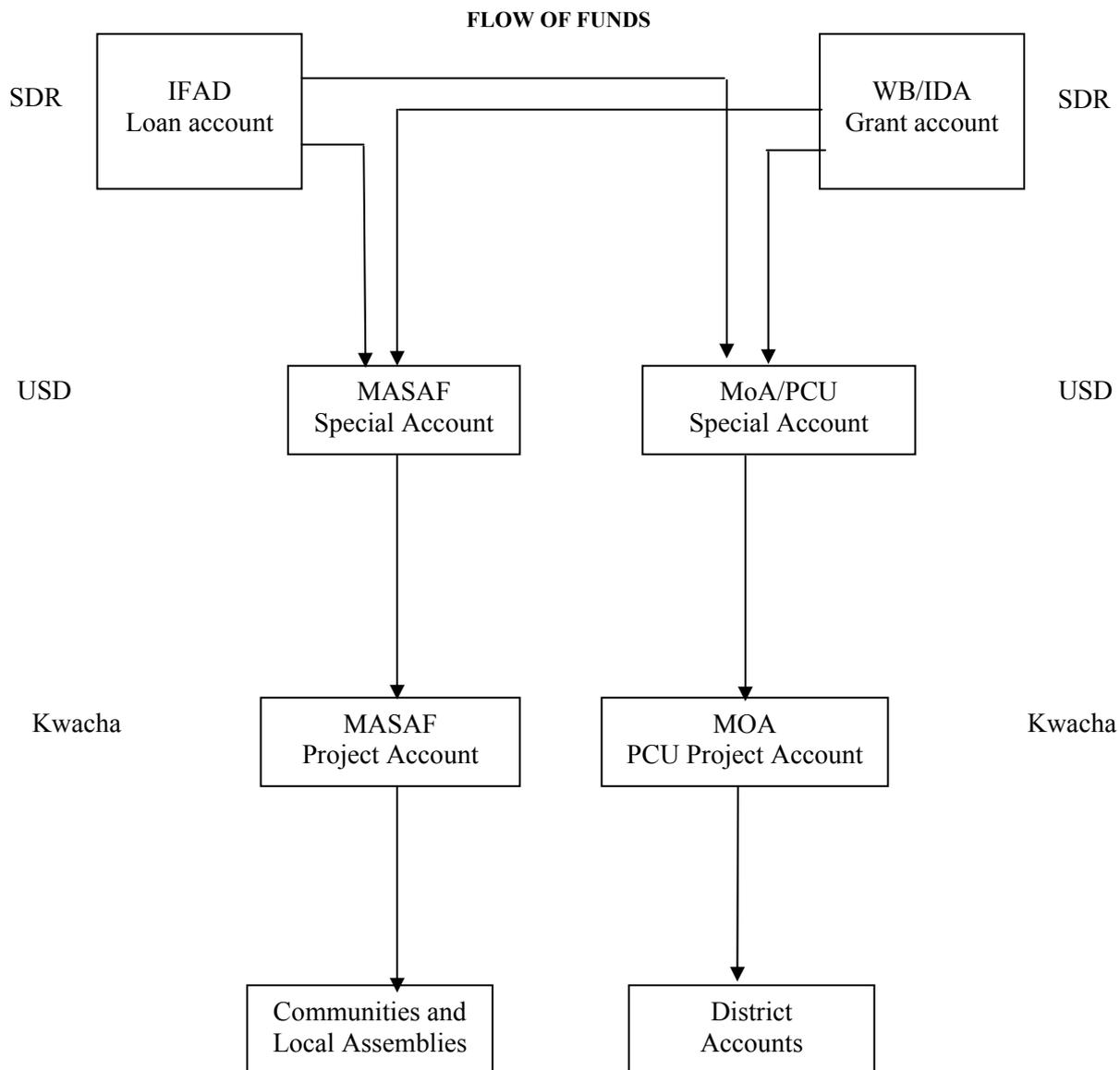
Components	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Irrigation Rehabilitation and Development					
Selective Rehabilitation and development of Irrigation Schemes	4.6	3.3	8.1	42	16
Small Scale Rainwater Harvesting and Catchment Conservation	2.1	1.7	3.8	44	8
Subtotal Irrigation Rehabilitation and Development	6.7	5.0	11.9	43	24
B. Farmer Services and Livelihoods funds					
Farmer Demand Driven Marketing Services and Assets and Extension	3.3	4.9	8.2	60	17
Input for Assets	6.1	9.2	15.3	60	32
Subtotal Farmer Services and Livelihoods funds	9.4	14.1	23.5	60	49
C. Institutional Development					
1. Support for MOA					
Department of Irrigation	1.4	1.5	2.9	51	6
Marketing Unit in MOA	0.2	0.5	0.7	73	1
Subtotal Support for MOA	1.6	2.0	3.6	55	7
2. Commun. Mobil. and Sensitization, and Environmental Management	0.6	0.6	1.2	50	3
3. Support to District Advisory Services and Communities					
Support to District Irrigation Advisory Services	1.8	0.9	2.7	34	6
Formation of WUAs	1.5	1.5	3.0	50	6
Subtotal Support to District Advisory Services and Communities	3.2	2.4	5.7	43	12
4. Support to Bunda, NRC and MoA Training Colleges	0.1	0.2	0.3	66	1
Subtotal Institutional Development and Project Coordination	5.6	5.2	10.8	48	22
D. Project Coordination and Monitoring and Evaluation	1.1	1.3	2.4	54	5
Total Baseline Costs	22.8	25.6	48.6	53	100
Physical Contingencies	0.9	0.8	1.8	47	4
Price Contingencies	0.8	0.9	1.7	51	4
Total Project Costs /1	24.6	27.3	52.1	53	107

^a Discrepancies in totals are due to rounding

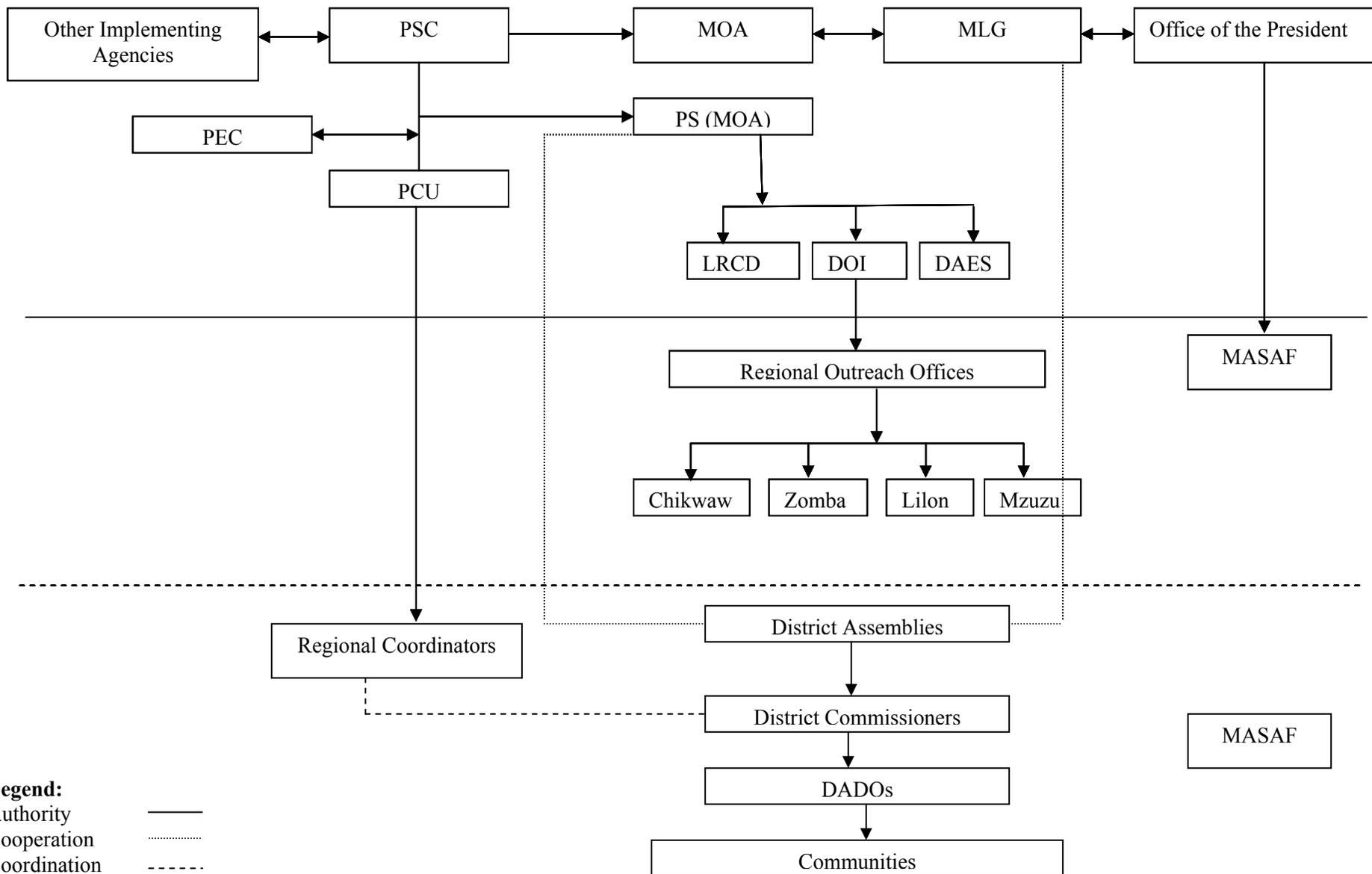
Table 2: Project Components by Financiers^a (USD' Million)

Components	The Government		IDA		IFAD		Beneficiaries		Total		For.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.		
A. Irrigation Rehabilitation and Development													
Selective Rehabilitation and development of Irrigation Schemes	0.1	1.2	7.1	74.9	1.3	14.7	0.8	9.3	9.3	17.6	3.8	5.3	0.0
Small Scale Rainwater Harvesting and Catchment Conservation	0.1	1.3	3.1	76.5	0.6	15.9	0.3	6.3	4.1	7.9	1.8	2.3	0.0
Subtotal Irrigation Rehabilitation and Development	0.2	1.2	10.2	75.4	2.0	15.0	1.1	8.4	13.4	25.5	5.6	7.6	0.0
B. Farmer Services and Livelihoods funds													
Farmer Demand Driven Marketing Services and Assets and Extension	2.0	23.0	5.3	61.6	1.3	15.4	0.0	0.0	8.6	16.5	5.1	1.5	2.0
Input for Assets	0.0	0.0	14.0	85.0	2.5	15.0	0.0	0.0	16.5	31.8	9.9	6.6	0.0
Subtotal Farmer Services and Livelihoods funds	2.0	7.9	19.3	77.0	3.8	15.1	0.0	0.0	25.1	48.3	15.0	8.1	2.0
C. Institutional Development													
1. Support for MOA													
Department of Irrigation	0.3	9.0	2.3	75.7	0.4	14.7	0.0	0.7	3.0	5.8	1.5	1.5	0.0
Marketing Unit in MOA	0.0	0.8	0.6	84.0	0.1	15.3	0.0	0.0	0.7	1.4	0.5	0.2	0.0
Subtotal Support for MOA	0.3	7.4	2.9	77.3	0.6	14.8	0.0	0.5	3.7	7.2	2.0	1.7	0.0
2. Commun. Mobil. and Sensitization, and Environmental Management	0.0	0.0	1.1	84.5	0.2	15.0	0.0	0.5	1.3	2.4	0.6	0.6	0.0
3. Support to District Advisory Services and Communities													
Support to District Irrigation Advisory Services	0.3	12.6	1.7	61.8	0.6	20.0	0.2	5.6	2.8	5.3	0.9	1.8	0.0
Formation of WUAs	0.0	0.2	2.6	84.5	0.5	15.3	0.0	0.0	3.0	5.8	1.5	1.5	0.0
Subtotal Support to District Advisory Services and Communities	0.4	6.1	4.3	73.7	1.0	17.6	0.2	2.7	5.8	11.2	2.5	3.3	0.0
4. Support to Bunda, NRC and MoA Training Colleges	0.0	0.0	0.3	85.0	0.0	15.0	0.0	0.0	0.3	0.6	0.2	0.1	0.0
Subtotal Institutional Development and Project Coordination	0.6	5.7	8.5	76.4	1.8	16.3	0.2	1.6	11.1	21.4	5.3	5.8	0.0
D. Project Coordination and Monitoring and Evaluation	0.0	1.6	2.0	82.1	0.4	16.3	0.0	0.0	2.5	4.8	1.3	1.1	0.0
Total Project Costs	2.8	5.4	40.0	76.7	8.0	15.4	1.3	2.5	52.1	100.0	27.3	22.6	2.0

Discrepancies in totals are due to rounding



ORGANIZATIONAL MANAGEMENT CHART



Federal

District

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
APPENDIX VIII

Legend:
 Authority ———
 Cooperation ·····
 Coordination - - - -

