President’s report

Proposed loan and grant to the Republic of Malawi for the

Rural Livelihoods and Economic Enhancement Programme
Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are
invited to contact the following focal point with any technical questions about this
document before the session:

Miriam Okong’o
Country Programme Manager
telephone: +39 06 5459 2191
e-mail: m.okongo@ifad.org

Queries regarding the dispatch of documentation for this session should be
addressed to:

Deirdre McGrenra
Governing Bodies Officer
telephone: +39 06 5459 2374
e-mail: d.mcgrenra@ifad.org
Contents

Abbreviations and acronyms ii
Recommendation for approval iii
Map of the programme area iv
Financing summary v

I. The programme 1
   A. Main development opportunity addressed by the programme 1
   B. Proposed financing 1
   C. Target group and participation 2
   D. Development objectives 2
   E. Harmonization and alignment 3
   F. Components and expenditure categories 3
   G. Management, implementation responsibilities and partnerships 3
   H. Benefits and economic and financial justification 4
   I. Knowledge management, innovation and scaling up 4
   J. Main risks 5
   K. Sustainability 5

II. Legal instruments and authority 5

III. Recommendation 5

Annex
Important assurances included in the negotiated programme financing agreement 6

Appendices
Key reference documents
Logical framework
Abbreviations and acronyms

ACF      Agricultural Commercialization Fund
ADP      Agricultural Development Programme
KIT      Royal Tropical Institute of the Netherlands
MGDS     Malawi Growth and Development Strategy
MLGRD    Ministry of Local Government and Rural Development
PSU      Programme Support Unit
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to the Republic of Malawi for the Rural Livelihoods and Economic Enhancement Programme, as contained in paragraph 36.
Map of the programme area

Malawi
Rural Livelihoods and Economic Enhancement Programme

IFAD-financed ongoing and proposed activities

IFAD-financed ongoing activities
- Irrigation, Rural Livelihoods and Agricultural Development Project
- Rural Livelihoods Support Programme

IFAD-financed proposed programme
- Proposed Focal Area for Groundnuts
- Proposed Focal Area for Potatoes

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD
Republic of Malawi

Rural Livelihoods and Economic Enhancement Programme

Financing summary

<table>
<thead>
<tr>
<th>Initiating institution:</th>
<th>IFAD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower:</strong></td>
<td>Republic of Malawi</td>
</tr>
<tr>
<td><strong>Executing agency:</strong></td>
<td>Ministry of Local Government and Rural Development</td>
</tr>
<tr>
<td><strong>Total programme cost:</strong></td>
<td>US$19.24 million</td>
</tr>
<tr>
<td><strong>Amount of IFAD loan:</strong></td>
<td>SDR 5.35 million (equivalent to approximately US$8.37 million)</td>
</tr>
<tr>
<td><strong>Amount of IFAD grant:</strong></td>
<td>SDR 5.3 million (equivalent to approximately US$8.33 million) inclusive of a Programme Preparatory Facility of US$0.35 million and US$0.2 million for the agreement with the Royal Tropical Institute of the Netherlands</td>
</tr>
<tr>
<td><strong>Terms of IFAD loan:</strong></td>
<td>40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum</td>
</tr>
<tr>
<td><strong>Cofinancier(s):</strong></td>
<td>Royal Tropical Institute of the Netherlands (KIT)</td>
</tr>
<tr>
<td><strong>Amount of cofinancing:</strong></td>
<td>US$0.10 million</td>
</tr>
<tr>
<td><strong>Terms of cofinancing:</strong></td>
<td>Grant</td>
</tr>
<tr>
<td><strong>Contribution of borrower:</strong></td>
<td>US$0.39 million</td>
</tr>
<tr>
<td><strong>Contribution of beneficiaries:</strong></td>
<td>US$2.04 million</td>
</tr>
<tr>
<td><strong>Appraising institution:</strong></td>
<td>IFAD</td>
</tr>
<tr>
<td><strong>Cooperating institution:</strong></td>
<td>Directly supervised by IFAD</td>
</tr>
</tbody>
</table>
Proposed loan and grant to the Republic of Malawi for the Rural Livelihoods and Economic Enhancement Programme

I. The programme

A. Main development opportunity addressed by the programme
1. Malawi is undergoing a period of economic liberalization in which parastatal marketing institutions and market interventions are being restructured at the same time as exposure to market competition is increasing. However, the rural population is unprepared for the realities of a market-led world. Very high levels of rural poverty persist, but smallholder farmers struggle to be competitive in a situation where they are not well connected to markets and lack the knowledge, skills and financial resources to participate fully in commercial transactions. A more market-led approach is required which involves production decisions based on market needs rather than the traditional production-oriented approach. The Malawi Growth and Development Strategy (MGDS) recognizes that there are opportunities to improve agriculture-derived livelihoods of poor rural producers and enable smallholder producers to benefit from efficient markets and local-level value addition. Success in achieving these objectives depends on effective engagement of the private sector and special measures to include smallholder farmers in the process.

B. Proposed financing

Terms and conditions
2. It is proposed that IFAD provide to the Republic of Malawi a loan in the amount of SDR 5.35 million (equivalent to approximately US$8.37 million), on highly concessional terms, and a grant in the amount of SDR 5.3 million (equivalent to approximately US$8.33 million) to help finance the Rural Livelihoods and Economic Enhancement Programme. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum.

Relationship to the IFAD performance-based allocation system (PBAS)
3. The allocation defined for Malawi under the PBAS is US$16.76 million over the 2007-2009 allocation cycle.

Relationship to national sector-wide approaches or other joint funding instruments
4. The programme has been designed in cognizance of the MGDS and the emerging multi-donor Agricultural Development Programme (ADP), and contributes directly to the ADP agribusiness and market development pillar.

Country debt burden and absorptive capacity of the State
5. Malawi’s recent attainment of irrevocable debt relief under the Heavily Indebted Poor Countries Debt Initiative signifies the return to macroeconomic stability that has been championed by the current administration. The country has managed to maintain budgetary and fiscal discipline and see improved exchange rate stability and reductions in inflation and interest rates. Improved macroeconomic management has restored the confidence of the international community, as demonstrated by the resumption of budget support by bilateral donors and a new International Monetary Fund (IMF) Poverty Reduction and Growth Facility.

Flow of funds
6. Funds will be channelled through a special account to be operated by the Ministry of Local Government and Rural Development (MLGRD) at the Reserve Bank of Malawi.
From this account, funds will be disbursed to the operational programme account in accordance with IFAD procedures and based on annual workplans and budgets.

**Supervision arrangements**

7. The programme will be supervised directly by IFAD.

**Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

8. No exceptions are foreseen.

**Governance**

9. A high standard of governance will be assured through stringent and transparent administrative and financial procedures. Formats for submitting financial statements and progress reports will be agreed with IFAD, and will be checked for compliance by supervision missions. Programme accounts will be subject to annual independent audit by auditors appointed by the Auditor General.

**C. Target group and participation**

**Target group**

10. In accordance with IFAD targeting policy, the principal target groups are the economically active rural poor and the transient poor who are at risk of slipping backwards into the ranks of the core poor, but also have the ability to move out of poverty. The programme will also extend its outreach to the core poor through employment opportunities generated by commercial development. It is expected that around 24,000 households will participate directly.

**Targeting approach**

11. Selection of priority commodities will be a key element of targeting strategy. Groundnuts and Irish potatoes are proposed as the initial priority commodities because they are primarily grown by smallholders, and have significant opportunities for value addition using technologies accessible to poor households. The second element of the strategy is selection of focal areas, taking into consideration the prevalence and severity of poverty as well as gender.

**Participation**

12. Value-chain mapping and analysis will be undertaken in a participatory manner to ensure that all value-chain actors have a say in the identification of constraints and opportunities and the preparation of action plans. Positive initiatives will be taken to engage smallholder farmers and other value-chain actors through publicity and awareness campaigns, sensitization and capacity-building for farmer groups.

**D. Development objectives**

**Key programme objectives**

13. The programme goal is to sustainably improve the incomes of economically active poor rural households engaged in the production, processing and marketing of selected agricultural, livestock and fisheries commodities (crops, livestock and fish) by advancing their integration with the emerging commercial sector. Objectives are to: (i) strengthen value chains and enhance the enabling environment to make it more conducive to rural commercial development; (ii) improve farmers’ linkages to value chains by establishing more efficient production, transport, storage, processing and marketing systems for target commodities, thereby expanding economic activity and employment; and (iii) facilitate and manage the programme in an efficient and effective manner.

**Policy and institutional objectives**

14. The programme will inform the policy and institutional processes within the MGDS and the ADP. Knowledge generated will be used to support the development of rural commercialization policy. The programme will also provide resources to strengthen national and local institutions in agricultural commercialization.
**IFAD policy and strategy alignment**

15. The programme is in line with the IFAD Strategic Framework 2007-2010, which emphasizes strengthening the organizational capacity of the rural poor and increasing their access to markets. The 2005 country strategic opportunities paper targets the capable poor and the transient poor in rural areas and aims to strengthen livelihoods through agricultural development and economic diversification. This requires that IFAD work with its national partners to design programmes that support smallholders directly; provide mechanisms for them to better connect to markets; support private-sector intermediaries; and promote dialogue to generate the policy, institutional and regulatory context required for enhanced market linkages.

**E. Harmonization and alignment**

**Alignment with national priorities**

16. The proposed programme is consistent with national priorities as described in the MGDS.

**Harmonization with development partners**

17. The programme has been developed in full consultation with donor partners. IFAD maintains contact with the principal donors through the Donor Coordination Group on Agriculture and Food Security, which is participating actively in the development of the ADP.

**F. Components and expenditure categories**

**Main components**

18. The programme has three components: (i) value-chain mobilization and organization; (ii) agricultural productivity enhancement and commercialization; and (iii) programme facilitation and management.

**Expenditure categories**

19. There are five expenditure categories: (i) agricultural commercialization grant fund (51 per cent); (ii) technical assistance (19 per cent); (iii) training, workshops and studies (8 per cent); (iv) civil works (1 per cent); equipment and vehicles (4 per cent); and (v) recurrent costs (17 per cent).

**G. Management, implementation responsibilities and partnerships**

**Key implementing partners**

20. MLGRD is the lead programme agency and will contract other implementing agencies to perform most of the activities. The prime opportunities for partnership lie with government agencies and public-private partnerships (PPPs) between government institutions, parastatals, companies, individual entrepreneurs, research institutions, NGOs, farmer organizations, cooperatives, fair trade operators, etc.

**Implementation responsibilities**

21. The overall coordination and management functions will be performed by the programme support unit (PSU) in MLGRD, under the oversight of the programme steering committee. Most activities will be implemented by other ministries or through contracted private sector organizations and service providers.

**Role of technical assistance**

22. The Royal Tropical Institute of the Netherlands (KIT) will facilitate a collaborative learning network on value-chain development. KIT will work under a partnership arrangement with a Malawian institution and will provide technical assistance, training and linkages to international sources of knowledge on pro-poor value-chain development. An internationally recruited agribusiness adviser will also be attached to the PSU during the three-year pilot phase.
Status of key implementation agreements
23. A portion of debt sustainability framework (DSF) grant funding will be provided by IFAD to advance start-up activities in the form of a programme preparatory facility (PPF). To ensure availability upon signing of the financing agreement, there will be a separate grant governing the use of the PPF, as well as a separate agreement with KIT to cofinance and implement the knowledge management partnership. Agreements between the PSU/MLGRD and implementing agencies will be governed by contracts and/or memoranda of understanding. Grants funded by the Agricultural Commercialization Fund (ACF) will be subject to grant agreements between PSU/MLGRD and the grantees.

Key financing partners and amounts committed
24. The total programme cost is US$19.24 million over eight years, comprising a three-year pilot phase and a five-year expansion phase. IFAD will finance US$16.70 million (87 per cent); the Government US$0.39 million (2 per cent); private sector and beneficiaries US$2.04 million (10.5 per cent); and KIT US$0.10 million (0.5 per cent).

H. Benefits and economic and financial justification
Main categories of benefits generated
25. The programme will assist the primary beneficiaries to (i) obtain the inputs and technologies necessary to obtain higher yields of better quality produce; (ii) add value to produce by processes including aggregation, sorting, grading, drying, and storage; (iii) make better commercial decisions on the basis of improved market information; (iv) obtain higher and more stable prices through participation in contract farming and/or outgrower arrangements; and (v) gain access to the financial and technical support services needed to make the transition from subsistence to small-scale commercial farming.

Economic and financial viability
26. The programme will generate economic and financial returns through: (i) increases in the quantity of agricultural production; (ii) higher farmgate prices due to aggregation, grading and quality enhancement; (iii) more stable prices due to the diversification of markets and products; (iv) further value adding post-farmgate through better storage, transport and processing; and (v) increased export revenue and/or reduced food imports. The economic rate of return is estimated to be 16 per cent.

I. Knowledge management, innovation and scaling up
Knowledge management arrangements
27. Creation of a knowledge management partnership on value chain development, with the support of KIT, will ensure that knowledge generated within the programme is captured and knowledge available from elsewhere is accessible.

Development innovations that the programme will promote
28. Engaging private-sector actors as the drivers of agricultural commercialization is a new approach in Malawi. The private sector will be engaged through participation in value chain mapping and analysis, formulation of action plans, and access to ACF grant windows. Private-sector participation in programme governance will be assured through representation on the programme steering committee. Other innovative features include (i) the commodity-based approach rather than the conventional area-based agricultural development programme; and (ii) the targeting strategies to be employed.

Scaling-up approach
29. The programme will begin with a pilot phase of three years. Following a comprehensive review – including reformulation, if necessary – the programme will be expanded to embrace up to six commodities. There will be many opportunities to
expand and replicate the initiative, both in Malawi and in surrounding countries, once key value-chain actors gain confidence in the approach.

J. Main risks
   Main risks and mitigation measures
30. The innovative nature of the programme entails a number of risks including: (i) reluctance of the private sector to fully engage in the programme; (ii) limited implementation capacity; and (iii) barriers to the participation of the poor in agricultural commercialization. The most important mitigation strategy is the three-year pilot phase with provision for a comprehensive review.

Environmental classification
31. Pursuant to IFAD’s environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability
32. Commercial incentives and private-sector participation are the keys to sustainability. Support will be provided for farmer groups to build forward and backward commercial linkages with input suppliers, traders and agribusiness enterprises, and will not be phased out until it is clear that the arrangements will remain operational on the basis of commercial incentives. At the institutional level, consideration will be given after completion of the pilot phase to discontinuing the PSU and transferring its functions to the regular departments of MLGRD and the implementing agencies.

II. Legal instruments and authority
33. A programme financing agreement between the Republic of Malawi and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. Important assurances included in the negotiated agreement are attached as an annex.

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

35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD.

III. Recommendation
36. I recommend that the Executive Board approve the proposed financing 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 three hundred and fifty thousand special drawing rights (SDR 5,350,000) to mature on or prior to 1 October 2047 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

   RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Malawi in various currencies in an amount equivalent to five million three hundred thousand special drawing rights (SDR 5,300,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President
Important assurances included in the negotiated programme financing agreement

(Negotiations concluded on 22 November 2007)

**Women and youth**
1. At all relevant time during the programme implementation period the Government will ensure that the Lead Programme Agency and other programme parties will strive to improve the participation of women and youth in the operations of the programme, develop targets and processes to achieve those targets, and present reports by the end of each programme year on the achievements towards this end.

**Pest management**
2. The Government will ensure that pesticides procured under the Programme do not include any pesticides banned by the FAO or classified as Extremely Hazardous or Highly Hazardous by the WHO.

**Fraud and corruption**
3. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the programme of which it has knowledge or becomes aware.

**Commitment to private sector engagement**
4. The Government confirms its commitment to engaging with the private sector under Public-Private Partnership arrangements in order to accelerate the development of rural commerce with the active participation of the programme’s target group.

**Commitment to the implementation of free market policies**
5. The Government confirms its commitment to implement free market policies creating an enabling environment for rural commercial development.

**Support for interactive processes**
6. The Government confirms its commitment to support for the interactive processes of the programme designed to ensure that outputs truly reflect stakeholder needs in the target groups.

**Support for knowledge management**
7. The Government confirms its commitment to supporting the programme’s knowledge management, with success and failures fully and transparently documented.

**Use of programme vehicles and other equipment**
8. The Government will ensure that:
   (a) all vehicles and other equipment procured under the programme are allocated for programme implementation;
   (b) the types of vehicles and other equipment procured under the programme are appropriate to the needs of the programme; and
   (c) all vehicles and other equipment transferred to or procured under the programme are dedicated solely to programme use.

**Suspension**
9. (a) IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan and grant accounts if:
   (i) IFAD, after consultation with the Government, has determined that the material benefits of the programme are not adequately reaching the
Target Group, as defined in the Agreement, or are benefiting persons outside the Target Group to the detriment of Target Group members; or

(ii) The Government has defaulted in the performance of any covenant set forth in the Agreement and such default shall have continued unremedied for a period of thirty (30) days, and IFAD has determined that such default has had, or is likely to have, a material adverse effect on the programme; or

(iii) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government had failed to take timely and appropriate action to address the matters to the satisfaction of IFAD; or

(iv) Procurement has not been or is not being carried out in accordance with the Agreement.

(b) IFAD will suspend, in whole or in part, the right of the Government to request withdrawals from the loan and grant accounts if the required audit has not been satisfactorily concluded within twelve (12) months of the financial reporting date.

Conditions precedent to withdrawals and transfers

10. No withdrawals for the loan and grant accounts shall be made until the Government has (i) duly opened the special account; and (ii) implemented measures to allow taxes and duties to be waived for all programme activities; and until the Lead Programme Agency has submitted a draft programme implementation manual.

Conditions precedent to effectiveness

11. The Agreement will become effective subject to the fulfilment of the following conditions precedent:

(a) the Programme Steering Committee has been duly constituted;

(b) the Programme Support Unit has been duly constituted and its key professional staff, consisting of the National Programme Director, the Financial Controller, the Procurement and Contracts Officer and the Monitoring and Evaluation Officer have been employed;

(c) the Agreement has been duly signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action; and

(d) a favourable legal opinion, issued by the Attorney General of the Government or other legal counsel authorized by the Government to issue such opinion, in respect of the matters set forth in the Agreement and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.
Key reference documents

Country reference documents

Government of Malawi: Microfinance Needs Assessment Study Report
Malawi Agricultural Sector Investment Programme (MASIP) (2007): Introduction to the Agricultural Development Programme
Malawi National Vulnerability Assessment Committee (2003): Baseline Data Summary Sheets for Kasungu-Lilongwe Plain
Malawi National Vulnerability Assessment Committee (2003): Malawi Baseline Livelihood Profiles
Ministry of Commerce and Industry: Integrated Trade and Industry Policy; March 1998
Ministry of Commerce and Industry: Micro and Small Enterprise Policy Statement – Constraints and Needs Identification
Ministry of Commerce and Industry: Microfinance Policy Statement
Ministry of Local Government and Rural Development (2005): Guidebook on Decentralisation and Local Government in Malawi
Ministry of Local Government and Rural Development: Programme Support Document for the Rural Growth Centres Development Programme
IFAD reference documents

IFAD (2006): Key Issues for IFAD in Eastern and Southern Africa
IFAD/IRLADP: Working Papers 4 & 5
IFAD: Learning Notes
IFAD: Strategic Framework 2007-2010 Enabling the Rural Poor to overcome Poverty
IFAD: Targeting Policy Reaching the Rural Poor

Other miscellaneous reference documents

A New Macmillan School Atlas for Malawi
Bua Consulting Engineers/Norconsult (2006): Infrastructure Services Project: Feasibility Studies for Provision of Coordinated Infrastructure Services
Economist Intelligence Unit: Country Profile Malawi 2006
Economist Intelligence Unit: Country Reports Malawi November December 2006
European Union IDAF financing proposal. Overview of IDAF and Programme
Food Security Joint Task Force, Technical Secretariat: Database for Projects on Agriculture, Food Security and Nutrition
Grain Traders and Processors Association (March 2006): Constitution
KIT Amsterdam (2006): Chain Empowerment Supporting African Farmers to Develop Markets
MEDI Consultants (June 2004): EU Capacity Building Programme for Economic Management and Policy Coordination - Credit Flow and its Utilization by Women
MEDI Consultants: EU Capacity Building Programme for Economic Management and Policy Coordination -Savings and Investment in Malawi
National Statistics Office (2005): Malawi Demographic and Health Survey 2004
OECD (2004): Promoting Entrepreneurship and Innovative MSEs in a Global Economy  
Prorustica (April 2007): A Public Private Partnership to Support the Development of the Fertiliser Supply Chain in Malawi: Draft Programme Concept Paper  
Tefera M, Barton T, Chasela C and Kachule, R. (2005): I-LIFE Illuminated: Benchmarks and Analysis From the Programme Baseline Study. For the I-LIFE Consortium Malawi  
UNDCF/USAID/UNDP (March 2006): Expanding Access to Financial Services in Malawi  
World Bank (2002): Diagnostic Trade Integration Study Volume 1  
World Bank (October 2005): Project Appraisal Report: Irrigation, Rural Livelihood and Agricultural Development Project (IRLADP)
### Logical framework

<table>
<thead>
<tr>
<th><strong>Narrative Summary</strong></th>
<th><strong>Verifiable Indicators a/</strong></th>
<th><strong>Means of Verification</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal:</strong> Sustainably improve the incomes of economically active poor rural households engaged in the production and marketing of selected commodities by advancing their integration with the emerging commercial sector</td>
<td>• Reduced incidence and severity of rural poverty&lt;br&gt;• Number of households with improved incomes and assets&lt;br&gt;• Number of households with reduced hunger gaps, improved nutrition and higher welfare status</td>
<td>• National poverty monitoring studies&lt;br&gt;• Agricultural production and income data&lt;br&gt;• MTR and completion reports&lt;br&gt;• IFAD PBAS reviews</td>
<td>• Continued Government commitment to economic growth strategy&lt;br&gt;• Donors support complementary initiatives&lt;br&gt;• Sustained pursuit of decentralization</td>
</tr>
</tbody>
</table>

**Objective 1:** Strengthen value chains and enhance the enabling environment to make it more conducive to rural commercial development.  

- Number of value chains developed  
- Volume of domestic and international trade  
- Farmgate prices for priority commodities  
- Amount of post-farmgate value addition  

| As above, plus: | M&E reports, surveys and case studies<br>Supervision mission reports<br>Impact assessment studies<br>Trade and employment statistics<br>Commercial and employment statistics<br>M&E reports, surveys and case studies<br>Supervision mission reports | As above, plus: | Macro-level economic liberalization and policy reform efforts continue<br>Barriers to export markets do not become more onerous<br>Development of input suppliers and agro-dealer networks are not disrupted by subsidized distribution of agricultural inputs |

**Objective 2:** Improve farmers’ linkages to value chains by establishing more efficient production, transport, storage, processing and marketing systems.  

- Number of households achieving sustainable improvements in incomes and living standards  
- Increase in Number of micro and SME enterprises  
- Number and type of jobs created  

| As above, plus: | Number of value chains developed<br>Volume of domestic and international trade<br>Number of ACF projects completed which address the constraints<br>Number of value-chain actors<br>ACF project reports<br>Policy, legal and regulatory frameworks remain conducive to removing trade barriers<br>Research institutions, trainers, service providers and policy-makers willing to participate | As above, plus: | Macro-level economic liberalization and policy reform efforts continue<br>Barriers to export markets do not become more onerous<br>Development of input suppliers and agro-dealer networks are not disrupted by subsidized distribution of agricultural inputs |

#### Outputs, Component 1: Value Chain Mobilization and Organization  

**Value chain action plans for 2-3 target commodities (pilot phase only)**  

| Number of value chain action plans prepared | Documented action plans owned by stakeholders | Commercial actors prepared to participate |

**Commodity-specific value chain networks formed and active**  

| Number of farmers and other actors actively participating in networks | Records of meetings and activities | Distrust between actors can be gradually overcome |

**Key constraints in the enabling environment for priority commodities identified and addressed**  

| Number and range of key constraints identified<br>Number of ACF projects completed which address the constraints | Reports, surveys and interviews with key value-chain actors<br>ACF project reports | Policy, legal and regulatory frameworks remain conducive to removing trade barriers |

**Learning alliance on value chain development formed and active**  

| Number of participants in learning alliance<br>Contribution to knowledge management and policy dialogue | Reports from institution(s) engaged to coordinate learning alliance | Research institutions, trainers, service providers and policy-makers willing to participate |

#### Outputs, Component 2: Agricultural Productivity Enhancement and Commercialization  

**Farmer groups in focal areas engaged by improving their connection to profitable market opportunities**  

| Number of groups formed and/or strengthened<br>Number of farmer groups and other value-chain actors’ groups acquiring agribusiness skills | Reports from service providers on number of persons and groups supported<br>Number of people accessing advisory services | People willing to change from dependency to self-help culture<br>Profitable markets identified<br>Refresher training effective<br>Poorer actors and women participate |

**Viable PPPs established linking private, government, parastatal and farmer actors, supported by ACF**  

| Number and range of ACF projects completed successfully | Reports on grant-funded activities | Private enterprise prepared to engage<br>ACF grant applications satisfactory<br>Evaluation criteria adhered to<br>Timely disbursement of grant funds |

**Demand-led and market-oriented research and extension services created**  

| Research and extension activities undertaken<br>Number of farmers participating in trials and demos<br>Number of people accessing advisory services | Research and extension reports<br>Survey of stakeholders to assess satisfaction with services provided<br>Research and extension services are prepared to adopt a demand-led approach<br>Stakeholders able to articulate their research and extension needs | Research and extension services are prepared to adopt a demand-led approach<br>Stakeholders able to articulate their research and extension needs |

---

*a/ All indicators to be gender disaggregated*