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Enabling poor rural people
to overcome poverty

Republic of Malawi

Country strategic opportunities programme

Executive Board —Ninety-eighth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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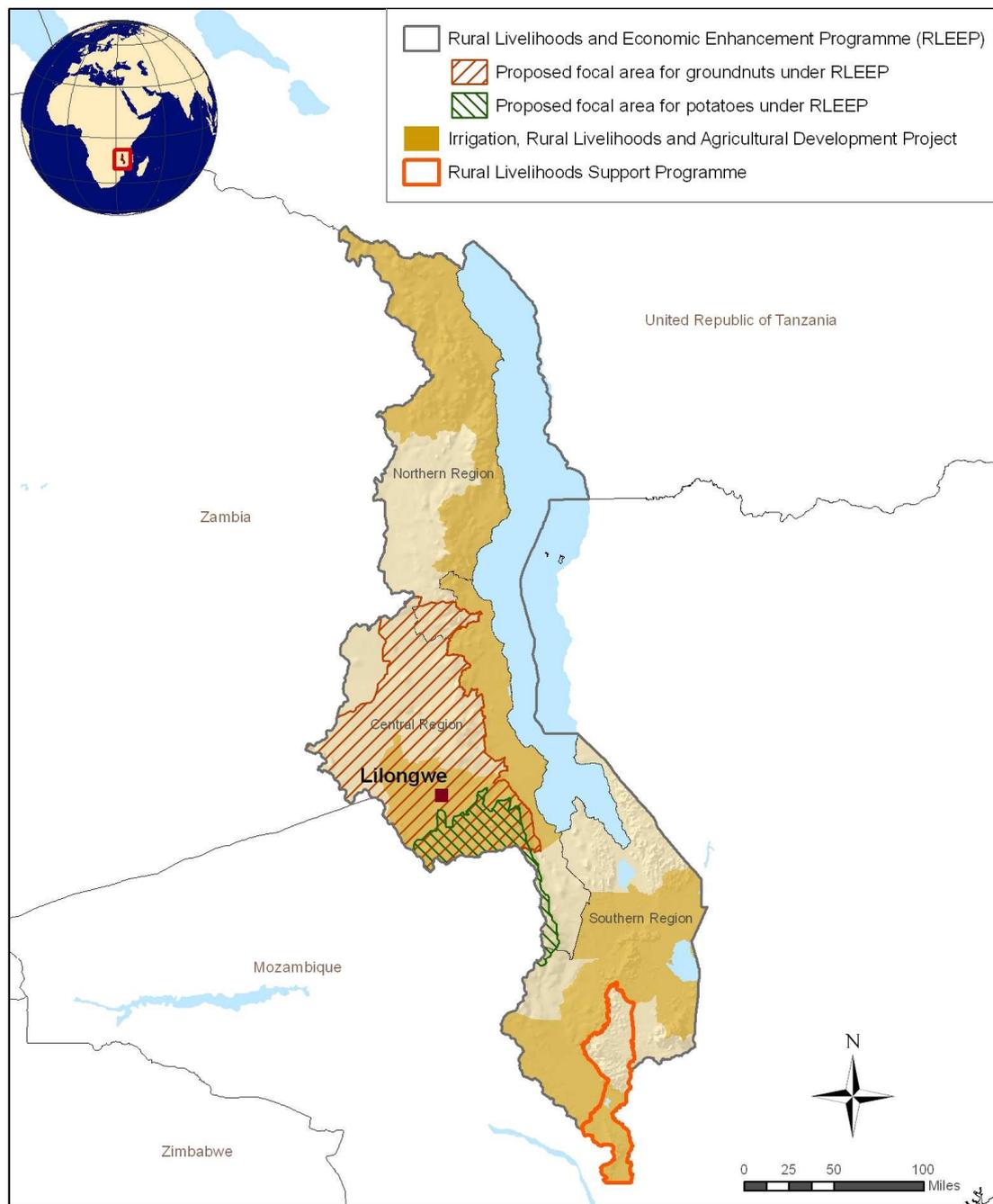
Abbreviations and acronyms

ASWAp	Agriculture Sector-Wide Approach
COSOP	Country Strategic Opportunities Programme
DCAFS	Donor Committee on Agriculture and Food Security
DFID	Department for International Development (United Kingdom)
IRLADP	Irrigation, Rural Livelihoods and Agricultural Development Project
M&E	monitoring and evaluation
MGDS	Malawi Growth and Development Strategy
MIWD	Ministry of Irrigation and Water Development
MLGRD	Ministry of Local Government and Rural Development
MOAFS	Ministry of Agriculture and Food Security
MOF	Ministry of Finance
PBAS	performance-based allocation system
PPP	public-private partnership
RLEEP	Rural Livelihoods and Economic Enhancement Programme
RLSP	Rural Livelihoods Support Programme
UNCT	United Nations Country Team
WUA	water users' association

Map of IFAD operations in the country

Malawi

IFAD-financed ongoing operations



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

Summary of country strategy

1. This six-year country strategic opportunities programme (COSOP) sets out a road map for the partnership in rural poverty reduction between IFAD and the Government of Malawi and covers the period 2010-2015. It is embedded in a background of IFAD support for Malawi dating from 1981 and comprising ten investment projects and three grants with a total value of US\$118 million. The current country programme includes three active projects covering rural development, irrigation and agricultural commercialization.
2. The great majority of rural households in Malawi are poor to very poor. With few opportunities to escape poverty through employment in other sectors of the economy, improved agricultural productivity and profitability represents the only accessible lifeline for the rural poor. This reality is reflected in the two key policy foundations of the COSOP: the Malawi Growth and Development Strategy and the Agriculture Sector-Wide Approach.
3. IFAD's comparative advantage in Malawi is based on a partnership with the Government that began in the early 1980s, and a common understanding of objectives and operational modalities. Areas where IFAD has been particularly successful include: (i) targeting poor households through community organizations, with a focus on women, youth and the economically active rural poor; (ii) working through decentralized government structures; and (iii) small- and medium-scale irrigation systems, including support for water users' associations. An emerging area of IFAD experience is rural commercialization.
4. The overarching goal of IFAD assistance to Malawi is to reduce poverty and expand economic opportunities for the rural population. The specific strategic objectives of the COSOP are to improve the access of the poor to: (i) appropriate technology and services for sustainable natural resource management; and (ii) sustainable agricultural input and produce markets. The expected results represent the combined impact of ongoing and prospective new projects and programmes.
5. **Strategic objective 1 puts the focus on natural resource management.** The aim is to achieve increased and sustainable productivity through improved management of land and water resources. This will include promoting enhanced agricultural techniques that have been successfully tested and demonstrated in the region, and supporting water management practices such as small- and medium-scale irrigation systems. Strategic objective 1 is designed to contribute to: (i) extending the adoption of improved and sustainable agriculture techniques such as conservation agriculture; (ii) reducing the rate of land degradation and soil fertility decline; (iii) improving water use efficiency and crop production; (iv) increasing areas under small- and medium-scale irrigation systems; and (v) promoting adaptation and mitigation strategies to strengthen farmers' resilience to climate-related risks.
6. **Strategic objective 2 centres on sustainable agricultural input and produce markets.** Support will be provided for the transition from subsistence farming to small-scale commercial farming built around public-private partnerships with agribusiness enterprises. Rural financial services will also be improved. Strategic objective 2 is designed to contribute to: (i) increasing the number of households with surplus produce for sale; (ii) expanding the share of Malawian produce in domestic, regional and international food markets; (iii) adding value to agricultural raw materials; (iv) increasing the number of rural households with access to financial services; (v) improving the availability of commercial agricultural inputs at fair prices; and (vi) reducing post-harvest losses.
7. To address these strategic objectives the project pipeline makes provision for up to four new projects (see appendix V) over the 2010-2015 period. The proposed Sustainable Agriculture Production Programme will be the first priority in pursuing strategic objective 1 and is scheduled for design in the latter part of 2009 and early 2010.

Republic of Malawi

Country strategic opportunities programme

I. Introduction

1. IFAD has supported rural poverty reduction in Malawi since 1981 through ten investment projects and three grants with a total value of US\$118 million. IFAD has also provided debt relief to Malawi amounting to US\$5.7 million under the Heavily Indebted Poor Countries (HIPC) Debt Initiative. During the current 2005–2009 country strategic opportunities programme (COSOP) period, the Smallholder Flood Plains Development Programme (SFDPD) was completed and two new projects were launched: the Rural Livelihoods Support Programme (RLSP) and the Irrigation, Rural Livelihoods and Agricultural Development Project (IRLADP). A third project, the Rural Livelihoods and Economic Enhancement Programme (RLEEP) is expected to begin in the final quarter of 2009.
2. This COSOP sets out a road map for the next six-year stage of the IFAD-Government partnership in rural poverty reduction over the period 2010-2015. The strategy is anchored in: (i) the Malawi Growth and Development Strategy (MGDS) 2006/11; (ii) the Agriculture Sector-Wide Approach (ASWAp), which was formerly known as the Agricultural Development Programme (ADP) and defines the agricultural development agenda for the period 2008-2012; and (iii) the Malawi Development Assistance Strategy 2006-2011, which is Malawi's blueprint for making development assistance more effective. The COSOP also takes note of: sectoral strategies covering environment, gender, HIV/AIDS, water and irrigation, rural development, food security and decentralization; the IFAD Strategic Framework 2007–2010; the Paris Declaration on Aid Effectiveness; the New Partnership for Africa's Development (NEPAD); and the Comprehensive Africa Agriculture Development Programme (CAADP).
3. The COSOP was developed during 2009 by a joint IFAD/Government team working in close consultation with all relevant Government, development partner, private sector and civil society organizations, and through consultations with a Government-convened COSOP Working Group, and the Donor Committee on Agriculture and Food Security (DCAFS).

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

4. Malawi is a densely populated landlocked country of about 14 million people in an area of 118,484 km², of which 24,000 km² is fresh water. Population growth is 2.6 per cent per annum and the country has one of the lowest levels of per capita GDP in the world. With a human development index of 0.493 Malawi is ranked 160th out of 182 countries, while its gender development index is 0.490, giving it a ranking of 134th out of 182 countries¹.
5. In May 2002, the Government launched the Malawi Poverty Reduction Strategy (MPRS) with the goal of achieving "sustainable poverty reduction through empowerment of the poor" over a three-year period. The MPRS achieved a modest decline in poverty levels while real GDP growth averaged only 1.5 per cent per annum. The MPRS was reformulated during 2005 as the MGDS, which remains the overarching policy framework for social and economic development. Under the MGDS, real GDP growth for 2004-2008 averaged 6.4 per cent and is expected to continue to be strong, helped by increased revenue from mining. The fiscal deficit has been brought down, and HIPC relief has greatly reduced the burden of debt service.

¹ United Nations Development Programme (UNDP) Human Development Report 2009.

6. Malawi has a predominantly agricultural economy, with most of the population depending on subsistence farming and exports heavily reliant on the key cash crops, tobacco, tea, sugar and cotton. Real GDP growth rates averaged less than 4 per cent during the 1990s, but have ranged from 2 per cent to nearly 7 per cent since 2002. The current account deficit of nearly 13 per cent of GDP is financed by donor grants and development credits. The country has very limited access to alternative modes of external financing and has attracted very limited foreign direct investment.
7. Agriculture provides over 80 per cent of exports and contributes some 34 per cent to GDP; services make up 46 per cent of GDP and industry 20 per cent. The performance of agriculture is therefore critical for the economy. Average growth in the sector is highly dependent on climatic factors, reaching nearly 7 per cent during the 1990s and 9 per cent between 2002 and 2006, with a drop to -9 per cent in the 2005 drought. The services and industry sectors create only limited employment opportunities. Manufacturing and small-scale enterprises are poorly developed. In addition, the inflow of aid, while meeting emergency, relief and social needs, has been associated with growing Government and private consumption, and has done little to augment productive capacity.
8. Notwithstanding recent performance, the socio-economic challenges remain formidable and the ability to maintain a level of economic growth to ensure poverty reduction remains limited by: (i) the narrow economic base; (ii) the small and low-value domestic market; (iii) poor infrastructure/high transport costs; (iv) erratic power supply and heavy reliance on energy imports; (v) the dominance of parastatal corporations in the business sector; (vi) Government intervention in key market sectors; and (vii) weak institutional management capacity in the public and private sectors. Education levels and productivity are low and the country is extremely vulnerable to shocks, particularly drought, as a result of its heavy dependence on rainfed agriculture. Inflation and high interest rates remain a disincentive to investors. Chronic food insecurity and malnutrition, combined with HIV/AIDS prevalence of 11.9 per cent, add to the challenges.

Agriculture and rural poverty

9. **The agricultural sector.** Agriculture is the most important sector of the economy, employing about 80 per cent of the workforce. The sector is dualistic, comprising smallholder and estate subsectors that historically have been subject to different legal and institutional rules regarding crop production, pricing and land tenure. More than 90 per cent of the rural population is constituted by smallholders (around 2.5-3.0 million) with customary land tenure. They cultivate small and fragmented landholdings over approximately 2.4 million hectares, with low yields, and are mainly subsistence-oriented. Average landholding size has fallen from 1.5 hectares in 1968 to around 0.8 hectares today. Over 80 per cent of this land is planted to maize. The estate land is mainly under freehold or leasehold tenure and the main crops are tobacco, tea, sugar and coffee. Tobacco is Malawi's largest export cash crop, accounting for over 50 per cent of export earnings, followed by tea and sugar.
10. There are two main farming systems: maize mixed (covering 85 per cent of cropland) and cereal-root crop mixed in the south (15 per cent of cropland). The original niche of smallholders was in the provision of maize to feed estate and urban workers, and they were prevented from engaging in high-value cash crop production. Today, maize remains the dominant crop, although there has been some shift to other food crops in recent years. About one third of smallholders also cultivate tobacco, groundnuts, rice and cotton. In good rainfall years with favourable prices and access to inputs, Malawi is able to produce around 3.0 million tons of maize, which is above the self-sufficiency level of 2.3 million tons. However, in poor seasons widespread food shortages are experienced. Many households with large families and small plots endure chronic food insecurity and malnutrition.

11. Despite the availability of better technologies, the productivity of most crops has not improved since the 1970s, largely as a result of declining soil fertility. Also contributing to the low yield are factors such as poor access to financial services and markets, unfavourable weather, small landholdings and nutrient-depleted soils, coupled with limited use of fertilizers. The use of improved varieties, together with fertilizers, better crop husbandry and irrigation, has the potential to greatly improve yields. Post-harvest losses are estimated to be around 40 per cent of production.
12. Malawi has long experience in water management, especially with irrigation schemes on both a small and a large scale. However, over 98 per cent of cultivated land is used for subsistence rainfed farming with less than 1 per cent under irrigation, mainly on customary land. Major problems revolve around management of land and water, canal repairs, mobilization of labour for maintenance and rules for resolving disputes. Some schemes have been destroyed by deliberate grazing of cattle in the rice fields.
13. Malawi developed a National Land Policy in January 2002 that aims to allow customary land to be registered and protected against arbitrary conversion to public land, and formalize the traditional role of chiefs, clan leaders and family heads to standardize procedures and improve transparency in customary land transactions. Under the new policy landholders are encouraged to register their land as private customary estates with tenure rights that preserve the advantages of customary ownership and ensure security of tenure. This will enable the creation of private leasehold estates out of registered customary estates without the landholder relinquishing customary ownership. This provision will allow traditional leaders, family heads and individual holders of registered customary land to grant leases. Enactment of this law would go a long way in resolving one of the most important challenges in irrigation schemes.
14. Fishing is an important source of employment for around 250,000 people and accounts for 60-70 per cent of the animal protein intake. More than 90 per cent of the catch is landed by artisanal fishers. Livestock ownership is very low by regional standards with an average of 0.53 tropical livestock units per household or around 0.12 per capita. Poor performance of the livestock sector is a reflection of the lack of emphasis on strategies and policies for the sector. Another factor is the poor performance of the cropping sector: as cropping extends into grazing areas, the number of ruminant livestock has been decreasing. Increases in livestock in Malawi will depend on improved productivity in arable agriculture. Per capita meat consumption and animal protein intake is low, contributing to poor nutrition among children. Forests and woodlands play a major role in rural livelihoods as a source of fuelwood, fodder, medicinal plants, and materials for handicrafts and construction, but forest cover is declining rapidly.
15. Markets for agricultural inputs and produce are weak, especially in the more remote areas partly as a result of the former dominance of the Agricultural Development and Marketing Corporation, and currently disrupted by the supply of subsidized inputs. The private sector is also weak and the majority of smallholders are poorly integrated into the marketing system, lacking the skills to identify market opportunities and to negotiate effectively. The situation is compounded by limited market infrastructure, poor quality feeder roads, inadequate market information, and a lack of skills and facilities in post-harvest storage and agroprocessing. Other constraints include: (i) the country's landlocked status, which makes inputs expensive and exports difficult; (ii) declining soil fertility; (iii) erratic rainfall combined with poor irrigation management; (iv) under-resourced research and extension; (v) weak institutional capacity; (vi) budgetary allocations to agriculture mainly used for seed and fertilizer subsidies; (vii) poorly developed farmer organizations; and (viii) weak rural financial services.

16. **Rural poverty overview**². There has been little progress in reducing poverty and inequality over the past decade. About 52 per cent of the population live below the national poverty line of 16,165 Malawian kwachas/year (equivalent to US\$115/year) or 44.3 kwachas per person per day³ and about 22 per cent live in extreme poverty. According to the Human Development Report for 2009 compiled by the United Nations Development Programme (UNDP), 73.9 per cent of the population live below the income poverty line of US\$1.25/day and 90.4 per cent below the US\$2.0/day threshold. The proportion of poor and ultra-poor is highest in rural areas of the southern and northern parts of the country, while the centre is less poor. Over 90 per cent of the poor live in rural areas. Frequent and widespread shocks (related to climate and HIV/AIDS) result in large movements into and out of poverty. Between 1998 and 2005 some districts experienced a reduction in poverty, while others saw increases.
17. Recent trends in human development indicators broadly support the conclusion that progress in reducing poverty has been limited. Progress towards the Millennium Development Goals remains mixed and access to assets, services and opportunities is profoundly unequal across the population. The extent of inequality does not vary much across rural areas but is substantially higher in urban areas.
18. **Characteristics of rural poverty.** Larger households are more likely to be poor, particularly those with a high number of children. Education is also a major driver of relative wealth, but access to education is highly inequitable. However, almost 30 per cent of poor children do not even start primary school. Only 60 per cent of students reach standard 5 and only 39 per cent standard 8. The cost of schooling appears to be a major reason for failure to enrol and for the high drop-out rates. Secondary and higher education is largely confined to non-poor households. Limited access to markets and services is another constraint. The poor tend to live in remote areas with few roads and means of transport, which limits their economic opportunities. Access to financial services is severely limited. Only 12 per cent of households have access to credit and access is especially difficult for smallholder farmers.
19. The rural poor are unable to diversify out of agriculture and tend to remain underemployed for most of the year. About 38 per cent of households earn their livelihood only from farming or fishing. An additional 25 per cent combine work on their farm with other jobs, largely in agriculture. Other income sources tend to be limited to poorly paid agricultural labour (*ganyu*). Few economic opportunities combined with the marked seasonality of rainfed agriculture leads to labour shortages during the critical phases of the cropping season, with underemployment for the rest of the year.
20. The recurrence of shocks frustrates attempts to escape rural poverty. The most common shocks are weather-related, such as crop failures and increases in the price of food. Illness or injury is also very common, as are shocks associated with death of family members, reflecting the HIV/AIDS epidemic. Shocks often force households to sell assets, thereby undermining their ability to engage in productive activities. As a result, poor households remain highly exposed to shocks and have to adopt costly coping strategies such as selling assets, withdrawing children from school and reducing food consumption. Such coping mechanisms permanently damage the household's ability to engage in productive activities.
21. **Gender dimension of poverty.** Gender inequalities are major contributors to poverty. About 78 per cent of rural women are employed in the agricultural sector, compared with 68 per cent of rural men. Despite this, rural women's access to agricultural inputs, such as improved seed, fertilizer, extension services and credit

² Largely drawn from the World Bank /Government of Malawi "Malawi Poverty and Vulnerability Assessment – Investing in our Future" December 2007.

³ At the time of the second integrated household survey 44.3 kwachas were approximately US\$0.50.

remains limited. National literacy is 71.8 per cent, with literacy being higher among males than females, at 79 per cent and 64 per cent respectively⁴. Maternal mortality is among the highest in the world. The rate of HIV infection among women is much higher than among men. One third of households are headed by women who are divorced, unmarried, widowed, in a polygamous marriage or *de facto* heads while their husbands work away from home. Woman-headed households have fewer assets, limited access to inputs, more dependants and longer periods of food insecurity.

B. Policy, strategy and institutional context

National institutional context

22. Malawi has been a multiparty democracy since 1994. Financial and economic policy is driven by the Ministry of Development Planning and Cooperation and the Ministry of Finance. IFAD's principal partner ministries are the Ministry of Finance (MOF), the Ministry of Agriculture and Food Security (MOAFS), the Ministry of Local Government and Rural Development (MLGRD), and the Ministry of Irrigation and Water Development (MIWD). These, and other Government ministries generally have limited capacity in policy, planning, implementation, and monitoring and evaluation (M&E) due to budget shortfalls and shortages of qualified staff, exacerbated by high staff turnover. There is potential to build the capacity of these ministries, although their ability to retain quality staff remains a concern.
23. Malawi's National Decentralisation Policy was enacted in 1999, providing for the devolution of certain central government functions to 28 elected district assemblies. Below the district level there is a dualistic system of governance incorporating traditional authorities and elected village councils, which are members of village development committees and area development committees. IFAD programmes are implemented at the district assembly level and below, and have consistently encountered serious capacity limitations owing to the multitude of demands on the decentralized staff of sectoral ministries and the low technical and financial capacity.
24. Government policies favour mainstreaming donor-supported programmes within Government systems, phasing out parallel project implementation structures and adopting sector-wide approaches on a wider basis. At the same time there is recognition by MOF and the sectoral ministries that these represent longer-term aspirations rather than short-term targets. Most ministries are severely under-resourced and the situation at the district assembly level is even worse. Most district assemblies lack financial management capacity and there is a need for project-appointed staff to undertake grass-roots activities at the district level and below. Similarly, the need for project facilitation/support units embedded in the host ministries is acknowledged, as is the need for technical assistance.
25. Other key partners include NGOs and farmer organizations such as the National Smallholder Farmers' Association of Malawi (NASFAM), the Farmers Union of Malawi, international research institutions (Consultative Group on International Agricultural Research) and their national counterpart organizations, academic institutions.

National rural poverty reduction strategy

26. The MGDS gives appropriate weight to rural poverty, recognizing that the great majority of poor people live in rural areas. The philosophy of MGDS is poverty reduction through sustainable economic growth and infrastructure development. The six key priority areas of MGDS are: (i) agriculture and food security, including measures to improve smallholder productivity, link farmers to markets and develop exports; (ii) irrigation development; (iii) transport infrastructure development; (iv) provision of electricity in both rural and urban areas; (v) integrated rural development based on rural growth centres; and (vi) prevention and management of nutritional disorders, and HIV/AIDS. MGDS is built around five broad thematic areas:

⁴ UNDP Human Development Report 2009.

- (i) sustainable economic growth through increasing investment in productive sectors, promoting exports and addressing supply-side constraints; (ii) social protection for the most vulnerable and disaster risk management; (iii) social development with emphasis on health, population, education and gender mainstreaming; (iv) infrastructure development; and (v) improving governance, fiscal management, control of corruption, decentralization, law and justice, security and human rights.
27. **Agricultural sector strategy.** The ASWAp 2008-2012 was formulated as a means of achieving the goals of the MGDS. The ASWAp offers a strategy for increasing agricultural productivity, food security and the contribution of agroprocessing to economic growth. It envisages a single comprehensive programme and budget framework, and a formalized process for better coordination between the Government and donors. The programme targets three focus areas, two key support services and two cross-cutting issues.
 28. **Focus areas.** (i) Food security will be addressed by increasing maize productivity, reducing post-harvest losses, diversifying food production and managing risk by maintaining food reserves. Malnutrition will be reduced through agricultural diversification that includes legumes, vegetables, fruits, small livestock and fish. (ii) The development of commercial agriculture, agribusiness and markets will entail diversification, agroprocessing for import substitution and value addition, domestic and export market expansion, and the building of public-private partnerships (PPPs). (iii) Management of natural resources will focus on sustainable land and water utilization. Emphasis will be placed on conservation agriculture, afforestation, protection of fragile catchment areas, rehabilitation of degraded land, water use efficiency and expanding irrigation.
 29. **Key support services.** Support services will focus on market-oriented research complemented by extension and training. Capacity-building will concentrate on strengthening institutions, building management systems and improving resource allocation.
 30. **Cross-cutting issues.** HIV/AIDS issues will be mainstreamed to minimize morbidity and mortality, enhance resilience and household coping mechanisms, and reduce infection risks. Gender issues are also mainstreamed in order to reduce disparities and enhance the capacity of the youth, women and men to contribute to agricultural productivity.
 31. The ASWAp will be implemented by MOAFS through the ASWAp secretariat. Implementation is governed by a memorandum of understanding to be signed by stakeholders. Annual workplans will be prepared by MOAFS and the implementing agencies down to the district assembly level. M&E will be based on annual joint reviews conducted using agreed indicators of performance. The total budget over four years is estimated at US\$1.3 billion with funds to be sourced from both Government and donors. Three funding mechanisms are envisaged: pooled funding, earmarked funding and discrete funding. The Government has indicated its preference for the pooled funding modality. To date, all the major donors have committed to working within the ASWAp framework, although none so far has committed to the pooled funding modality. There is recognition that pooled funding is not a realistic prospect at this stage as Government systems are not adequately resourced. An ASWAp support programme was approved by the World Bank in 2008.
 32. **The Agricultural Input Subsidy Programme** was launched in 2005-2006 to increase agricultural production and assure food security. The scheme has coincided with a significant jump in maize production, although it is unclear how much of this is attributable to the subsidy and how much to improved seasonal conditions. The subsidy programme is now a firmly established pillar of agricultural policy. However, it presents a number of policy dilemmas: (i) the cost of the programme is so high that most other initiatives have to be sidelined, including the extension and research services needed to ensure optimal use of the inputs; (ii) the programme has tended

to crowd out private-sector input suppliers and displace commercial input purchases by farmers; and (iii) the distribution of inputs has tended to favour the more food-secure households rather than vice versa. Over 60 per cent of the MOAFS budget is used for subsidized fertilizers, which greatly reduces expenditure on agricultural research and extension.

33. Key challenges related to the subsidy programme include: (i) the escalation of costs due to increases in both fertilizer prices and the scope of the programme, which in 2008/09 was extended to cover other (non-maize) commodities and inputs; (ii) management of the voucher system for targeting beneficiaries and the efficient use of inputs; (iii) limited participation of private-sector input traders; and (iv) the lack of an exit strategy. The subsidies need to be accompanied by complementary measures such as improved agronomic management and sustainable land and water management practices.

Harmonization and alignment

34. IFAD programmes are implemented through Government systems and aligned with national policies and complementary donor initiatives. The agricultural sector is widely supported by donors such as: the European Union, the World Bank, the African Development Bank, the Norwegian Agency for Development Cooperation (Norad), the Department for International Development (DFID) of the United Kingdom, the Japan International Cooperation Agency (JICA), the United States Agency for International Development (USAID) and a number of NGOs. Maintaining strategic partnerships has been a challenge for donors. The lack of a consistent commitment to agreed policies makes donor coordination mechanisms difficult to sustain, particularly in the face of periodic food crises requiring rapid responses that may not reflect existing policy agreements. The challenge is accentuated by the very complex array of donor and Government initiatives (see key file 3). Nevertheless, donor coordination has significantly improved under DCAFS, of which IFAD is a member.
35. With regard to coordination within the United Nations system, IFAD is a member of the United Nations Country Team (UNCT), and contributes to the working group on sustainable economic growth and food security. The RLSP and the World Food Programme (WFP) are currently partners under the WFP school feeding programme, and during the COSOP period partnership opportunities with the Food and Agriculture Organization of the United Nations (FAO) and WFP will be further pursued. Nevertheless IFAD has found it challenging to participate in the UNCT and the United Nations Development Assistance Framework (UNDAF) processes due to human resource constraints. To enhance engagement, the Fund has appointed a proxy country presence, with the possibility of appointing a fully accredited country officer as the IFAD programme expands.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

36. The overarching goal of the 2005 COSOP was "to strengthen the livelihoods of the rural poor through agricultural development and economic diversification", in particular by focusing on the rural poor with productive capacity. The three objectives of the 2005 COSOP were: (i) strengthen agriculture as the main livelihood for semi-commercial and emergent farmers; (ii) secure and diversify rural livelihoods for marginal farmers and vulnerable households; and (iii) strengthen local institutions and human, physical and natural resources at the community and household levels. Overall, the performance of the country programme has been satisfactory but plagued by slow implementation related to capacity shortfalls in Government institutions. As the size of the IFAD programme grows, these limitations will become increasingly important and necessitate a high level of implementation support.

B. Lessons learned

37. Foremost among the lessons learned from IFAD's experience in Malawi are: (i) weak local government capacity creates a need for support from programme support units (PSUs), capacity-building of district assemblies, and the engagement of competent NGOs and the private sector for selected aspects of service delivery; (ii) high management costs are difficult to avoid owing to the need for PSUs and the high market rates for competent staff; (iii) sufficient resources and time need to be allocated to M&E, which needs to remain focused on a small number of indicators; (iv) strong coordination with other donor funded activities needs to be maintained; (v) "stop-go" implementation of macroeconomic policies and lack of coordination among different initiatives can significantly affect programme execution; (vi) small- and medium-scale irrigation schemes are cheaper and work better than those on a larger scale, provided there is strong support for water users' associations (WUAs); (vii) it is very challenging for commercialization initiatives to target the ultra-poor as they often lack the capacity to participate; (viii) patience and a long-term perspective are needed to overcome the entrenched dependency and aversion to change, risk, entrepreneurial capacity and even project ownership among the poor; (ix) the Government's fiscal situation precludes significant financial contribution; and (x) delays in project start-ups indicate that early implementation support through a programme preparatory facility would be beneficial.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

38. IFAD's comparative advantage in Malawi is based on a solid foundation of partnership with the Government dating from the early 1980s, and a common understanding of objectives and operational modalities. IFAD has been particularly successful in areas such as: (i) targeting poor households through community organizations, with a focus on women, youth and the economically active rural poor (through the RLSP); (ii) working through decentralized government structures (RLSP and IRLADP); and (iii) small- and medium-scale irrigation including support for WUAs (IRLADP and Smallholder Flood Plains Development Programme). An emerging area of IFAD experience will be in rural commercialization through the RLEEP.
39. The RLSP has been very effective in the selection of communities with high levels of poverty and in directing support to the poorest and most vulnerable. Both the RLSP and the IRLADP have had a positive impact on the decentralization process and have greatly increased the capacity of district assemblies to respond to the needs of poor rural communities. The IRLADP is working with the Government to develop a legal and institutional framework for managing WUAs and for leasing Government irrigation schemes to provide security of tenure to smallholder irrigation farmers. Other areas in which IFAD has a comparative advantage include: (i) flexibility in addressing poverty issues working through the decentralized system; (ii) targeting families in remote areas with poor infrastructure, where there are few other supporting initiatives; and (iii) empowering self-help groups and building their capacity to establish priorities and procure services from other sources.
40. Lessons learned from the expanding country programme will make a valuable contribution to evidence-based policy formulation within a comprehensive knowledge management framework. To some extent, this will depend on partnerships being formed with key institutions and development agencies to enable them to make informed policy choices reflecting the priorities of the rural poor and contribute to policy dialogue. The country presence now in place will facilitate the engagement of IFAD in policy and programmatic processes.

B. Strategic objectives

41. IFAD will support the Government in its efforts to achieve a sustainable reduction in the high level of rural poverty, as envisaged in the MGDS and the ASWAp. The

strategic objectives of the COSOP are therefore closely aligned with these two policies and focus on: (i) natural resource management; and (ii) sustainable agricultural input and produce markets. The expected results represent the combined impact from ongoing and prospective new projects and programmes.

42. **Strategic objective 1. Improve access for the poor to appropriate technology and services for sustainable natural resource management.** Productivity will be intensified through enhanced management of land and water resources, for example by promoting improved agricultural practices such as conservation agriculture that have been successfully tested and demonstrated in the region (also under an IFAD-supported regional programme), and providing support for small- and medium-scale irrigation systems and water management. Strategic objective 1 is designed to contribute to: (i) extending the adoption of improved and sustainable agriculture techniques such as conservation agriculture; (ii) reducing the rate of land degradation and soil fertility decline; (iii) improving water use efficiency and crop production; (iv) increasing areas under small- and medium-scale irrigation systems; and (v) promoting adaptation and mitigation strategies to strengthen farmers' resilience to climate-related risks.
43. **Strategic objective 2. Improve access to sustainable agricultural input and produce markets.** Support will be provided for the transition from subsistence farming to small-scale commercial farming built around PPPs with agribusiness enterprises. This is closely related to the national food security initiative since food security is a precondition for commercialization. Rural financial services will also be improved. Strategic objective 2 is designed to contribute to: (i) increasing the number of households with surplus produce for sale; (ii) expanding the share of Malawian produce – especially non-tobacco commodities – in domestic, regional and international food markets; (iii) adding value to agricultural raw materials; (iv) increasing the number of rural households with access to financial services; (v) improving the availability of commercial agricultural inputs at fair prices; and (vi) reducing post-harvest losses.
44. The proposed "Green Belt" initiative,⁵ which aims to support massive irrigation development, is consistent with both strategic objectives and their focus on natural resources (land and water), and sustainable and competitive agricultural input and produce markets. In addition, it will address broader MGDS objectives. The COSOP strategic objectives are also designed to improve the effectiveness of the input subsidy programme, which in financial terms is the main thrust of Government support for the agricultural sector.
45. HIV/AIDS, gender, youth and nutritional issues will be mainstreamed across both strategic objectives and in all programmes/projects. Gender mainstreaming aims to enhance the role of women as agents of change and bring about a gradual enrichment of gender relations. A key challenge is to enable women to take a more active part in decision-making at the household and community levels. The COSOP will seek to improve income-generating opportunities for women, youth and men, to ease their workload and improve their economic standing. Closer engagement of women and young people will be a key entry point for mainstreaming nutritional issues, since they are the main drivers of food production and the guardians of household nutrition management.

C. Opportunities for innovation

46. Malawi's lack of success in reducing rural poverty calls for an innovative approach rather than "business as usual". In particular there is a need to sharpen the distinction between social welfare instruments and agricultural development initiatives. This approach is consistent with strategic objective 1 (natural resource

⁵ The initiative aims at increasing production and productivity of agricultural crops, livestock and fish farming both inland and along the shores of Lake Malawi, the banks of Shire River and other water bodies.

management), which recognizes the close linkages between poverty and environmental degradation. One opportunity for innovation under strategic objective 1 lies in the provision of support for improved agricultural techniques that have the potential to lower costs, enhance crop yields and greatly reduce soil erosion and fertility decline. This initiative will build on successful practices in the region demonstrated through agronomic packages that have proven popular among smallholder farmers. However, widespread dissemination and adoption of these packages will require further adaptive research and demonstrations to fine-tune the packages to different farming systems and monitor changes in soil and water conditions. Strategic objective 1 also presents opportunities for innovation in improving water management. The COSOP focuses on small- and medium-scale irrigation schemes, including initiatives to improve the operation and maintenance of existing schemes to underpin their sustainability and raise water use efficiency.

47. Strategic objective 2 (improve access to sustainable agricultural input and produce markets) recognizes that increasing maize production through subsidized inputs is unlikely to deliver a permanent escape from poverty, although it has improved food security. Diversification into higher-value crops and/or livestock, increased value addition, improved market linkages and better access to inputs (including financial services) are all needed if significant numbers of the target group are to escape poverty. While these ideas are not new, the emphasis on the development of successful PPPs with a focus on smallholders will require novel approaches.

D. Targeting strategy

48. In most of northern and southern Malawi at least 60 per cent, and in many cases over 70 per cent, of the people are poor. Most of the remainder are near-poor, and at risk of slipping backwards into the ranks of the poor. In these circumstances it is tempting to take the approach of selecting communities with high levels of poverty and treating all households as part of the target group. While this may be valid for natural resource management initiatives (particularly for common property resources), agricultural commercialization requires a more selective targeting strategy. The COSOP therefore proposes a two-pronged targeting strategy, with one approach for natural resource management and another for agricultural commercialization. In this context Malawi's rural poor are generally characterized in three categories: (i) the economically active (or capable poor) who are able-bodied, of working age and in good health, but lack productive assets; (ii) the transient poor, who are at risk of becoming poor due to periodic or transitory shocks, but also have the ability to move out of poverty; and (iii) the ultra-poor, who have no capacity to generate income and are in a cycle of continuous poverty, in particular, the elderly, sick, disabled and orphans. About one third of the rural population is thought to be in this category.
49. The ultra-poor rarely participate in commercial agriculture or trade, other than as providers of labour. Under strategic objective 2, therefore, the capable and transient poor will be targeted and commercial agricultural development will be promoted. The strategy will focus on rural households with potential to participate more extensively in the commercialization of selected commodity chains. However, it will also extend its reach to the ultra-poor through employment opportunities generated by commercial development. It is also recognized that better-off (non-poor) farmers and other chain actors will play a role.
50. Entire poor rural communities will be targeted under strategic objective 1, with special measures to encourage the inclusion of more vulnerable households without excluding the relatively better-off, who are still poor by most standards. Special attention will be given to the needs of vulnerable groups such as women and youth-headed households, households affected by illness or disability, those recovering from shocks, orphans and the aged. The institutional framework will also be promoted in such a way that communities are engaged in the decentralized

development process. Specific measures will be adopted to facilitate inclusion of vulnerable groups, such as: (i) incorporating poverty and gender-sensitive perspectives into project area selection criteria; (ii) ensuring that key stakeholders understand the programme's commitment to pro-poor and gender-sensitive implementation; (iii) developing the capacity of district and NGO staff and other service providers in group dynamics, gender and HIV/AIDS mainstreaming; (iv) empowering vulnerable people to participate through community sensitization and mobilization, supported by a communication strategy; (v) forming and strengthening farmer organizations with incentives for inclusion of the poor; (vi) ensuring the representation of poorer households in community decision-making processes; and (vii) self-targeting activities that are attractive for poor households but unlikely to be of interest to the better-off.

E. Policy linkages

51. The COSOP results management framework in appendix III details a number of potential areas for policy dialogue between IFAD, the Government and other development partners. Policy and institutional issues to be addressed in relation to strategic objective 1 include: (i) increasing agricultural productivity; (ii) strengthening implementation capacity of local government institutions; (iii) tackling environmental and marketing concerns associated with irrigation schemes; (iv) supporting WUAs in operation and maintenance; (v) aligning the MOAFS budget with ASWAp focal areas; and (vi) clearly articulating the MOAFS policy on conservation agriculture, together with its links to national social and environmental policies, and securing adequate resources for its implementation.
52. A number of policy and institutional issues will need to be addressed also in relation to strategic objective 2: (i) building an enabling environment that will attract private investment; (ii) developing a collaborative approach between private and public sectors within the framework of PPPs; (iii) formulating a comprehensive rural microfinance policy and regulatory framework; and (iv) strengthening coordination and M&E arrangements under the ASWAp umbrella.
53. The COSOP provides a framework for systematic engagement in the policy process built around project design, direct supervision and in-country representation. A range of instruments will be employed, such as issue-specific studies (e.g. rural financial services), seminars and workshops, study tours, pilot programmes and demonstrations. IFAD will contribute to the MGDS, beginning in 2010, specifically in relation to rural poverty and environmental issues. There will also be annual reviews of COSOP implementation and the rural sector performance scores.

V. Programme management

A. COSOP management

54. COSOP monitoring will be linked to project M&E, with the outcome-level project indicators informing the COSOP milestone indicators, which in turn inform the COSOP outcome indicators. Specific tasks will need to be carried out, such as establishing baseline and quantitative targets for the outcomes and milestones for each strategic objective. It will also be necessary to conduct an analysis of: (i) the project M&E and Results and Impact Management System (RIMS) reports. IFAD will provide support to improve the timeliness and quality of project M&E data and the design of project M&E systems; (ii) data from country programme issue sheets, project status reports and the performance-based allocation system (PBAS) rural sector performance scores; (iii) supervision reports, mid-term reviews and completion impact assessments; and (iv) information in other reviews such as MGDS annual monitoring reports, Millennium Development Goal progress reports, and household surveys.
55. Each year members of the Country Programme Management Team (CPMT) and representatives of key ministries, parastatal corporations, project teams,

beneficiaries, NGOs, civil society organizations and donor partners will participate in an in-country review of the COSOP. The conclusions will contribute to an annual progress report on COSOP implementation, based on the results framework and its indicators. The COSOP mid-term review will take place after the second MGDS has been finalized and is tentatively scheduled for late 2012 or early 2013, by which time the first three-year PBAS cycle will be complete and the resources available for the second cycle will be known. Completion evaluation will take place in 2015.

B. Country programme management

56. **Project pipeline.** Appendix V presents four project/programme concept notes for possible inclusion in the project pipeline. During the COSOP period, two of the current IFAD projects (RLSP and IRLADP) will come to an end. The RLEEP will be implemented during the COSOP period and run on into the following COSOP. The pipeline therefore makes provision for up to four new projects over the 2010-2015 period. The proposed Sustainable Agriculture Production Programme will be the first priority in addressing strategic objective 1 and is scheduled for design in the latter part of 2009 and early 2010. The Rural Financial Services Programme will address strategic objective 2, but requires a comprehensive sector review as a basis for decision on design. The Smallholder Water Management Project, which also addresses strategic objective 1, is envisaged as a follow-on from the IRLADP and will not therefore be ready for design until the IRLADP nears completion around 2012-2013.
57. The **CPMT** will improve the coherence and impact of the programme. The team will comprise the IFAD country officer and project directors, together with co-opted members such as representatives of the UNCT, DCAFS, NGOs, partner ministries and the private sector. There will be annual reviews to identify implementation bottlenecks, share lessons learned and make recommendations on policy issues. Synergy will be built between ongoing and new projects, supervision and implementation support, and technical assistance and grant programmes, both national and regional.
58. The country officer will provide continuous monitoring and implementation support. Initially this will be a part-time/*de facto* officer, but the justification for a fully accredited country representative will increase as the programme expands from the current three active projects to four or five projects and several country/regional grants. By the end of 2009 IFAD will be directly supervising two projects (RLSP and RLEEP). The World Bank will continue to supervise the IRLADP. All new projects will also be directly supervised by IFAD, except where IFAD is a junior financing partner. Direct supervision will enable IFAD to address policy issues, improve learning and knowledge management, and strengthen partnerships. More intensive implementation support will raise performance, particularly in project start-up, release of counterpart funds, processing of withdrawal applications and "no objections", procurement, audit compliance and effective M&E.
59. **Retrofitting.** Two of the three existing projects are a good strategic fit for the COSOP strategic objectives: the IRLADP for strategic objective 1 and the RLEEP for strategic objective 2. The second tri-term review of the RLSP scheduled for early 2010 will provide an opportunity to partially retrofit this programme to the new COSOP. There is a need to simplify the approach, building on the lessons learned to date, and to give greater emphasis to the RLSP's agriculture and natural resource management dimensions.

C. Partnerships

60. IFAD will continue to develop partnerships with NGOs, community-based organizations, government agencies, development partners, farmer organizations, the private sector and civil society organizations. MOF will remain the central partner with responsibility for financial regulations, procedures and fund flows. Other key partners will include MOAFS, MLGRD, the Ministry of Industry, Trade and Private

Sector Development, MIWD and the Ministry of Gender, Child Development and Community Development, in addition to the United Nations agencies and bilateral and multilateral donors active in agriculture and rural development. Opportunities for PPPs will be explored to support smallholder market-oriented agricultural development, market access and value chain development. Further partnership opportunities will be identified in the course of designing new projects.

D. Knowledge management and communication

61. Knowledge management and communication will be a key feature of the programme. The partnership between the RLEEP and the Royal Tropical Institute of The Netherlands will be leveraged to implement a country knowledge management strategy designed to improve learning and sharing, promote success stories and best practices, and increase visibility of the country programme. Annual workplans and budgets will include knowledge management activities and budget lines to support timely reporting, stakeholder participation in knowledge sharing forums, and preparation of case studies and publications. Linkages will also be made with the IFAD-supported thematic and knowledge management networks such as FIDAFRIQUE-IFADAFRICA, the IFAD knowledge management network for sub-Saharan Africa. IFAD will support technical assistance to strengthen the communication skills of the CPMT and facilitate implementation of the communication strategy.

E. PBAS financing framework

62. Malawi is eligible for financing on the basis of 50 per cent grants and 50 per cent highly concessional loans. IFAD's indicative funding allocation for the previous funding cycle (2007-2009) was US\$16.7 million. Given the final outcome of IFAD's replenishment, this could well be higher for the 2010-2012 cycle. Moreover, the annual allocation could increase or decrease according to the rural sector performance assessment and the project-at-risk (PAR) rating. Table 1 shows the PBAS scores, while table 2 illustrates how the allocation could vary in response to changing PAR and rural sector scores.

Table 1
PBAS: Indicators and rural sector scores for 2008

<i>Indicators</i>		<i>Scores</i>
A (i)	Policy and legal framework for rural organizations	4.00
A (ii)	Dialogue between government and rural organizations	4.00
B (i)	Access to land	3.75
B (ii)	Access to water for agriculture	3.75
B (iii)	Access to agricultural research and extension services	3.33
C (i)	Enabling conditions for rural financial services development	3.75
C (ii)	Investment climate for rural business	3.33
C (iii)	Access to agricultural input and produce markets	3.67
D (i)	Access to education in rural areas	5.00
D (ii)	Women's representation	4.33
E (i)	Allocation and management of public resources for rural development	3.50
E (ii)	Accountability, transparency and corruption in rural areas	4.00
Average of combined scores		3.87
Project-at-risk (PAR) rating 2008		5
IRAI rating 2007		3.41

Table 2
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/-1)</i>	<i>Rural sector performance score (+/-0.3)</i>	<i>Percentage change in PBAS country score</i>
Hypothetical low	4	3.57	-22
Base case	5	3.87	0
Hypothetical high	6	4.17	+23

F. Risks and risk management

63. The innovative nature of the country programme implies a number of risks that call for the incorporation of mitigation strategies, as detailed in the following table.

<i>Risks</i>	<i>Possible consequences</i>	<i>Mitigation measures</i>
Generic risks spanning the entire country programme		
<ul style="list-style-type: none"> Limited implementation capacity in relevant institutions. 	<ul style="list-style-type: none"> Delayed and ineffective implementation. 	<ul style="list-style-type: none"> Adequately resource project support units. Invest in capacity-building. Make maximum use of private service providers and NGOs.
<ul style="list-style-type: none"> Lack of capacity among service providers. 	<ul style="list-style-type: none"> Expensive and poor quality services delivery. 	<ul style="list-style-type: none"> Organize training and capacity-building for service providers in relevant fields.
<ul style="list-style-type: none"> Delay in achieving loan effectiveness and project launch. 	<ul style="list-style-type: none"> Possibly lengthy implementation and disbursement delays. 	<ul style="list-style-type: none"> Secure minimal conditions of effectiveness. Provide IFAD financing for project preparatory facilities.
<ul style="list-style-type: none"> Weak and/or unstable coalition governments. 	<ul style="list-style-type: none"> Long delays in project implementation. 	<ul style="list-style-type: none"> Align project design and implementation with the electoral cycle.
<ul style="list-style-type: none"> The impacts of HIV/AIDS. 	<ul style="list-style-type: none"> Attention diverted from productive activities. Some investments in capacity-building wasted. 	<ul style="list-style-type: none"> Mainstream HIV/AIDS in all programmes and projects.
<ul style="list-style-type: none"> Inconsistent agricultural policy framework. 	<ul style="list-style-type: none"> Failure to align budgetary allocations with policies. 	<ul style="list-style-type: none"> Encourage Government to allocate budgetary resources to the ASWAp accordingly.
<ul style="list-style-type: none"> Deterioration in Government's fiscal position and/or loss of donor support. 	<ul style="list-style-type: none"> Declining budgetary resources for agriculture and rural development. 	<ul style="list-style-type: none"> Maximize opportunities for private sector engagement that do not rely on Government resources.
<ul style="list-style-type: none"> Difficulty in establishing an effective CPMT. 	<ul style="list-style-type: none"> Weak sense of ownership of IFAD-supported programmes. 	<ul style="list-style-type: none"> Provide incentives to attract well qualified CPMT members.
Strategic objective 1 (natural resource management)		
<ul style="list-style-type: none"> Farmers are unwilling to diversify maize-based farming systems. 	<ul style="list-style-type: none"> Increased maize yields improve food security but do not reduce poverty levels. 	<ul style="list-style-type: none"> Support commercialization efforts to develop profitable cash crops. Link farmers to markets.
<ul style="list-style-type: none"> Conservation agriculture methods are not popular among farmers. 	<ul style="list-style-type: none"> Low adoption rates. 	<ul style="list-style-type: none"> Conduct on-farm trials and demonstrations and farmer-to-farmer extension.
<ul style="list-style-type: none"> Poor maintenance of irrigation systems. 	<ul style="list-style-type: none"> Water use efficiency declines. Systems abandoned in extreme cases. 	<ul style="list-style-type: none"> Establish and support WUAs that can take full responsibility for operation and maintenance.
<ul style="list-style-type: none"> Climate-related hazards such as drought and floods. 	<ul style="list-style-type: none"> Poor harvests lead to food insecurity and further entrenched poverty. 	<ul style="list-style-type: none"> Support sustainable water management practices. Support local specific index-based weather insurance systems.
<ul style="list-style-type: none"> Government directs investments to large-scale irrigation schemes. 	<ul style="list-style-type: none"> Small- and medium-scale schemes receive inadequate support. 	<ul style="list-style-type: none"> Engage in policy dialogue to ensure that small- and medium-scale schemes receive due attention.
Strategic objective 2 (sustainable agricultural input and produce markets)		
<ul style="list-style-type: none"> Reluctance of the private sector to fully engage in the programme. 	<ul style="list-style-type: none"> Farmers remain isolated from markets. Over-reliance on parastatal marketing organizations. 	<ul style="list-style-type: none"> Ensure full private sector participation in project design. Establish private-sector representation on Steering Committees.
<ul style="list-style-type: none"> Weak rural financial services. 	<ul style="list-style-type: none"> Farmers and small and medium-sized enterprises (SMEs) are unable to obtain funding needed. 	<ul style="list-style-type: none"> Link farmers and SMEs to sources of finance.
<ul style="list-style-type: none"> Low participation of target groups in agricultural commercialization. 	<ul style="list-style-type: none"> Poorer farmers and value chain actors are unable to benefit from commercialization. 	<ul style="list-style-type: none"> Mainstream poverty and gender in commercialization initiatives. Provide capacity-building in business and negotiation skills for target groups.

COSOP consultation process

Design of the 2010-2015 COSOP was undertaken during 2009 and included the following processes:

A three week COSOP Design Mission in February 2009 involving:

- close interaction and discussions with Government coordinated by MOF;
- consultations with other key ministries and departments including MOAFS, MIWD, MLGRD, MITPSD;
- meetings with other development partners in agriculture and rural development including the World Bank, African Development Bank, NORAD, FICA, EU, JICA, DFID and USAID;
- meeting with the Donor Committee on Agriculture and Food Security;
- consultations with UN agencies including FAO, WFP and with the UN Resident Coordinator;
- meetings with other internationally financed projects including IRLADP and RLSP (IFAD), FIDP and IDAF (EU);
- meetings with rural financial service-providers including the Malawi Rural Finance Corporation and Opportunity International Bank in Malawi;
- meetings with various NGOs, farmers organizations (NASFAM), CSOs and private sector (Africa Invest); and
- meetings with the COSOP working group convened by MOF.

The first draft of the COSOP was prepared in March-April 2009 and circulated for review within IFAD. A meeting of the IFAD CPMT was held on 4th June 2009 to discuss the draft COSOP and offer comments for consideration.

A revised draft was circulated in Malawi and discussed with all key stakeholders during June-July 2009. This included a presentation to the Donor Committee on Agriculture and Food Security. Participants included representatives from World Bank, African Development Bank, EU, NORAD, Irish Aid, FICA, JICA, DfID FAO, WFP, UNDP and USAID. The draft was widely endorsed by Government and the donor community.

The draft was subsequently revised on the basis of government, stakeholder and donor comments, and on 01 September 2009, Government of Malawi sent a letter to IFAD fully endorsing the draft COSOP and urging the accelerated implementation of the SOs. The COSOP has been approved on 02 October 2009 by IFAD's Operational Strategy and Policy Guidance Committee (OSC).

Presentation of the COSOP to IFAD's Executive Board is scheduled for December 2009.

Country economic background

COUNTRY DATA

Malawi

Land area (km2 thousand) 2006 1/	94	GNI per capita (USD) 2006 1/	230
Total population (million) 2006 1/	13.57	GDP per capita growth (annual %) 2006 1/	5
Population density (people per km2) 2006 1/	144	Inflation, consumer prices (annual %) 2006 1/	14
Local currency Kwacha (MWK)		Exchange rate: USD 1 = MWK 140	
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 2000-2006 1/	2.6	GDP (USD million) 2006 1/	3 164
Crude birth rate (per thousand people) 2006 1/	41	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2006 1/	15	2000	1.6
Infant mortality rate (per thousand live births) 2006 1/	76	2006	7.4
Life expectancy at birth (years) 2006 1/	48	Sectoral distribution of GDP 2006 1/	
Number of rural poor (million) (estimate) 1/	0	% agriculture	34
Poor as % of total rural population 1/	0	% industry	20
Total labour force (million) 2006 1/	6.29	% manufacturing	14
Female labour force as % of total 2006 1/	50	% services	46
Education		Consumption 2006 1/	
School enrolment, primary (% gross) 2006 1/	119	General government final consumption expenditure (as % of GDP)	12
Adult illiteracy rate (% age 15 and above) 2006 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	77
Nutrition		Gross domestic savings (as % of GDP)	11
Daily calorie supply per capita	0	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2006 2/	49 a/	Merchandise exports 2006 1/	540
Malnutrition prevalence, weight for age (% of children under 5) 2006 2/	19	Merchandise imports 2006 1/	1 209
Health		Balance of merchandise trade	-669
Health expenditure, total (as % of GDP) 2006 1/	12 a/	Current account balances (USD million)	
Physicians (per thousand people)	0	before official transfers 2006 1/	n/a
Population using improved water sources (%) 2004 2/	76	after official transfers 2006 1/	n/a
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2006 1/	n/a
Population using adequate sanitation facilities (%) 2004 2/	61 a/	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2006 1/	n/a
Food imports (% of merchandise imports) 2006 1/	15	Total expenditure (% of GDP) 2006 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2006 1/	353 a/	Total external debt (USD million) 2006 1/	850
Food production index (1999-01=100) 2006 1/	92	Present value of debt (as % of GNI) 2006 1/	6
Cereal yield (kg per ha) 2006 1/	1 107	Total debt service (% of GNI) 2006 1/	3
Land Use		Lending interest rate (%) 2006 1/	32
Arable land as % of land area 2006 1/	28 a/	Deposit interest rate (%) 2006 1/	11
Forest area as % of total land area 2006 1/	36 a/		
Irrigated land as % of cropland 2006 1/	2 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2008

2/ UNDP, *Huan Development Report*, 2009

COSOP results management framework

Country Strategy Alignment	Key Results			Institutional/Policy Objectives
	Goal: Reduce Poverty and Expand Economic Opportunities among the Rural Population			
MGDS and Draft ASWAp Targets	Strategic Objectives	Outcomes which COSOP Seeks to Influence a/	Milestones Showing Progress Towards SOs a/	Specific Policy/Institutional Ambitions
<ul style="list-style-type: none"> • Sustainable land management through adoption of improved agricultural land use (ASWAp). • Protect and manage water resources to meet agricultural demand (MGDS). • Sustainable water management by increasing the irrigated area for high value commodity production (ASWAp). 	<p>SO1: Improved access to appropriate technology and services for sustainable natural resource management (land and water) Sustainable management of land and water resources.</p>	<ul style="list-style-type: none"> • Improved productivity of rainfed and irrigated agriculture. • Widespread adoption of conservation agriculture techniques. • Reduced rate of land degradation and soil fertility decline. • 33% increase in the area under small and medium scale irrigation systems. • Improved water use efficiency and crop production in existing and new irrigation schemes. • Improvement in household incomes and nutrition status of participating smallholders. 	<ul style="list-style-type: none"> • At least 10 000 smallholders adopting improved agriculture techniques in programme areas. • Area of smallholder farms irrigated using sustainable land and water management systems increased by at least 30%. • No. of Water User Associations taking responsibility for operation and maintenance. • 50% increase in value of production from smallholder irrigation. 	<ul style="list-style-type: none"> • Clearly articulate and adequately resource MOAFS policy on conservation agriculture and link to national social and environmental policies. • Address environmental issues associated with irrigation schemes. • Strengthen market linkages for irrigation and other smallholder farmers. • Alignment of MOAFS budget with ASWAp focal areas.

Country Strategy Alignment	Key Results			Institutional/Policy Objectives
	Goal: Reduce Poverty and Expand Economic Opportunities among the Rural Population			
MGDS and Draft ASWAp Targets	Strategic Objectives	Outcomes which COSOP Seeks to Influence a/	Milestones Showing Progress Towards SOs a/	Specific Policy/Institutional Ambitions
<ul style="list-style-type: none"> • Increase agricultural productivity, avoid food shortages, add value and increase food exports (MGDS). • Food Security: increase maize productivity and reduce post-harvest losses; diversify food production for improved nutrition; risk management to sustain national food availability (ASWAp). • Commercial Agriculture: promote agricultural exports; develop commercial agriculture and agro-processing for the domestic market (ASWAp). 	<p>SO2: Improved Access to Sustainable agricultural input and produce markets</p> <p>Facilitate the transition from subsistence to small and medium scale commercial farming.</p>	<ul style="list-style-type: none"> • Number of households able to satisfy their food needs with surplus available for sale. • Volume and value of non-tobacco agricultural exports. • Increased share of Malawian produce in domestic regional and international food markets. • Amount of value adding applied to agricultural raw materials. • Number of rural households with access to financial services. • Availability of commercial agricultural inputs in rural areas. 	<ul style="list-style-type: none"> • At least USD 100 million of investment in agribusiness with smallholder participation. • 3-4 PPPs established for nucleus estate/outgrower schemes. • At least 50,000 smallholders participating in outgrower or contract farming schemes. • 50% improvement in household incomes and nutrition status of participating smallholders. 	<ul style="list-style-type: none"> • Develop an enabling commercial environment which will attract the necessary private investment. • Develop a collaborative approach between private and public sectors within the framework of PPPs. • Formulate a comprehensive rural microfinance policy and regulatory framework. • Alignment of MOAFS budget with ASWAp focal areas. • Strengthen coordination and M&E arrangements across relevant ministries and donor organisations under the ASWAp umbrella.
<ul style="list-style-type: none"> • Promote growth and development of rural growth centres (MGDS) 	Rural growth centres will have an important role to play in agricultural commercialisation through the development of input supplies, marketing, agro-processing and provision of financial services.			<ul style="list-style-type: none"> • Streamline and focus RLSP approach to develop a model for integrated rural development.
<ul style="list-style-type: none"> • Prevent and manage nutrition disorders, HIV and AIDS (MGDS) 	HIV/AIDS, gender, youth and nutritional issues will be mainstreamed across both SOs and in all programmes and projects included in the COSOP.			<ul style="list-style-type: none"> • Contribute to refinement of GOM policies on nutrition, gender and HIV/AIDS.

a/ All indicators to be gender disaggregated. Targets and indicators will be defined during project design.

2005 COSOP logical framework

Programme structure	Verifiable indicators	Means of verification	Assumptions/risks
<p>Goal: Livelihoods of rural poor strengthened through agricultural development and economic diversification</p>	<p><i>Impact indicators based on RIMS:</i></p> <p>No of households with improvement in household assets ownership index</p> <p>Reduction in prevalence of child malnutrition (weight for age)</p> <p>No of households with improved food security</p> <p>Literacy rates (by sex)</p>	<p>National Monitoring Indicators</p> <p>PBAS</p> <p>Completion evaluations</p>	
<p>Objectives:</p> <p>Objective 1. Strengthen agriculture as main livelihood for semi-commercial and emergent smallholders (MPRSP pillar 1 pro-poor growth and MEGS)</p> <p>Objective 2. Secure and diversify rural livelihoods for marginal farmers and vulnerable households (MPRSP pillar 3 improve quality livelihoods for vulnerable)</p> <p>Objective 3. Strengthen human, social, physical and natural resources at community and household level (MPRSP pillar 2 strengthen human capital)</p>	<p><i>Second-level results based on RIMS:</i></p> <p>Incremental hectares of crops grown (rainfed, irrigated, <i>dimba/dambo</i>)</p> <p>No of farmers adopting promoted technologies and practices</p> <p>No of farmers reporting production/yield increases</p> <p>No of farmers reporting increased herd sizes</p> <p>No of farmers reporting livestock production/yield increases</p> <p>No of farmers with secure access to water</p> <p>No of water user associations operational</p> <p>No of functioning marketing, storage, processing facilities</p> <p>No of farmer marketing groups operational</p> <p>No of off-farm enterprises operating after three years</p> <p>No of jobs generated by small and medium enterprises</p> <p>No of women on management committees by type of group</p> <p>No of active savers (by sex)</p> <p>No of active borrowers (by sex)</p> <p>No of households reporting reduction in property grabbing</p> <p>Ha improved through soil and water conservation measures</p>	<p>Reports on results and impacts</p> <p>Project Progress Reports</p> <p>Supervision Mission Reports</p> <p>Evaluations</p>	<ul style="list-style-type: none"> • GOM committed to implementing MPRSP • GOM creates enabling policy and institutional environment to stimulate economic growth • Increase in private sector involvement in economy • Reduction in HIV prevalence rates • Reduction in external shocks to economy
<p>Outputs:</p> <p>1.1 Intensify agricultural production for semi-commercial and emergent smallholders.</p> <p>1.2 Improve access to profitable markets.</p> <p>2.1 Effective utilisation of limited resources for partial food security for marginal farmers and vulnerable households.</p> <p>2.2 Develop and diversify non-farm employment.</p>	<p><i>First-level results based on RIMS:</i></p> <p>No of farmer field schools formed (by sex of members)</p> <p>No of farmers trained in crop and livestock production (by sex)</p> <p>No of farmers using purchased inputs</p> <p>No of hectares under small scale irrigation established</p> <p>No of farmers trained in irrigation agronomy (by sex)</p> <p>No of water users associations formed (by sex of members)</p> <p>No of farmers trained in marketing (by sex)</p> <p>No of marketing groups formed (by sex of members)</p> <p>No of household storage facilities constructed/improved</p> <p>No of marketing facilities constructed/rehabilitated</p> <p>No of processing facilities established</p> <p>No of farmers trained in business skills and micro-enterprises</p>	<p>Project Progress Reports</p> <p>PPMS Reviews</p>	<p>Trade opportunities on international markets</p> <p>Urban markets create demand for agricultural produce</p> <p>Opportunities for profitable crop and livestock production</p> <p>Rural industrialisation</p> <p>Opportunities for non-farm employment</p> <p>People willing to switch to more nutritious, non-maize based diets</p> <p>People willing to reduce HIV-risky behaviour</p>

Programme structure	Verifiable indicators	Means of verification	Assumptions/risks
<p>3.1 Develop community's capacity to participate in development initiatives.</p> <p>3.2 Develop farmers' capacity to use financial services and promote culture of savings.</p> <p>3.3 Strengthen human resources and gender empowerment.</p> <p>3.4 Increase understanding about HIV/AIDS and stimulate behaviour change.</p> <p>3.5 Introduce HIV/AIDS workplace programmes.</p> <p>3.6 Increase understanding about nutrition, particularly for PLWHA.</p> <p>3.7 Promote asset protection and development.</p> <p>3.8 Maintain and enhance natural resource base and environment.</p>	<p>(by sex)</p> <p>No of farmers trained in savings and credit (by sex)</p> <p>No of people attending functional adult literacy classes (by sex)</p> <p>No of people attending gender training (by sex)</p> <p>No of community based organizations formed (by sex of members)</p> <p>No of HIV/AIDS community conversations held (by sex and age)</p> <p>No of HIV/AIDS workplace programmes in place</p> <p>No of nutrition education classes (by sex)</p> <p>No of hectares under nutritious crops</p> <p>No of enabling policies promulgated by type</p> <p>No of farmers trained in soil and water conservation and agro-forestry (by sex)</p>		<p>People willing to reduce gender inequalities</p> <p>People willing change from culture of dependency to self-reliance</p> <p>People willing to recognise new property and inheritance legislation</p>

Project pipeline during the COSOP ⁶

I. Sustainable Agriculture Production Programme (SAPP)

A. Possible Geographical Area and Target Groups

1. The programme will target entire poor rural communities, with special measures to encourage inclusion of more vulnerable households, without intending to exclude the better off, who are still poor by most standards. In most of northern and southern Malawi at least 60%, and sometimes over 70% of people are poor. Programme activities would start in 4-6 districts in the north and south of the country where overall poverty levels are high. Districts with serious but reversible levels of land degradation and heavy population pressure will be given priority.

B. Justification and Rationale

2. Malawi has one of the highest population densities in Africa with around five people per arable hectare, placing heavy pressure on the environment. Poverty is closely linked to the capacity of the environment to support such pressure as poor people rely mostly on exploitation of natural resources. Declining soil fertility, land degradation as well as the combination of low or declining crop yields, small landholdings and erratic rainfall means that Malawi frequently experiences large food deficits, and widespread hunger and starvation in drought years. There is a need to break this cycle of poverty and hunger by introducing new ways of growing crops which are more productive but affordable by the poor, and offer potential to reverse the long-term decline in soil fertility.

C. Key Programme Objectives

3. The Programme will directly address Strategic Objective 1 which is intended to contribute to: (i) widespread adoption of improved agriculture techniques; and (ii) reduced rate of land degradation and soil fertility decline with the aim of achieving sustainable and increased agricultural productivity.

D. Ownership, Harmonisation and Alignment

4. The Programme will be implemented by the Ministry of Agriculture and Food Security (MOAFS). It is harmonised with the Malawi Growth and Development Strategy (2006-2011) and the Agriculture Sector Wide Approach - ASWAp (2008-2012). In the ASWAp, the Programme addresses the pillar on sustainable management of land and water; and also addresses the pillar on food security and risk mitigation by promoting innovations which sustainably improve crop yields overall, and reduce the risk of crop failure in dry years.

E. Components and Activities

5. The Programme will include two main initiatives (plus programme management) which will be incorporated into a number of components and activities to be further defined during the design process. These may include:

- a) **Farmer Adoption of Improved Agriculture Techniques** to improve average crop yields, especially in drier areas and poor rainfall years, reduce yield variability, reduce labour inputs and improve soils. Activities may include : (i) creation of a low-cost farmer-to-farmer extension network with the specific purpose of demonstrating and promoting sustainable agricultural technologies; (ii) support for farmer organisations and farmer groups in the promotion of superior and appropriate agronomic approaches; (iii) support for large numbers of on-farm demonstrations, and monitoring of their performance; (iv) support for the conduct

⁶ Names of projects may change during design

of farmer-to-farmer training programmes based on the demonstration sites; (v) preparation and dissemination of extension materials designed for use by potential beneficiaries with low levels of literacy; and (vi) engagement with input suppliers/agro-dealers to encourage the commercialisation of input and equipment supplies needed for sustainable agriculture.

- b) **Applied Research and Knowledge Management** to further refine and adapt the agronomic techniques to the socio-economic and agro-ecological conditions. Activities may include: (i) on-farm trials to refine the agronomic technologies already in existence for different agro-ecological conditions, farming systems, and socio-economic contexts; (ii) further development and testing of equipment (hand tools, animal traction equipment etc); (iii) studies of adoption behaviour and adoption constraints of CA and other agriculture techniques; (iv) baseline studies and monitoring of the physical, biological, social and financial impacts of the various agricultural technologies; (v) preparation of technical literature on sustainable agriculture practices, including crop and farm budgets; (vi) support for creation of, and participation in, national and regional networks on sustainable agriculture; and (vii) study tours, workshops and seminars to increase awareness amongst MOAFS personnel and other organisations engaged in agriculture and rural development.

F. Costs and Financing

6. The size and scope of the Programme will be tailored to match the availability of financing from IFAD and possible co-financiers, and would most likely fall in the range of USD 15-30 million over 7 -8 years. Government financing the Programme will be limited to taxes paid or foregone

G. Organisation and Management

7. The Programme will be managed within the ASWAp framework with overall responsibility assigned to a programme support unit within MOAFS. Organisation and management will coordinate closely with other sustainable agricultural production and intensification initiatives supported by other development partners. Collaboration will also be with agricultural research and training institutions.

H. Monitoring and Evaluation Indicators

8. Specific indicators⁷ may include: (i) measures of capacity and performance farmer groups and farmer-to-farmer extension networks engaged in promotion of improved agricultural practices; (ii) the number and quality of on-farm demonstration sites established, and farmer awareness of these; (iii) number of farmers trained and rates of adoption of improved methods by target group farmers; (iv) data on the physical, biological, social and financial impact of CA on the fields of adopting and non-adopting farmers; (v) availability and quality of extension and training materials; (vi) commercial availability of inputs in the Programme areas; (vii) documented results of on-farm trials to refine and adapt selected agricultural methods; (viii) quality and quantity of technical literature generated by the Programme; and (ix) reports on the activities of national and regional networks, study tours, workshops etc.

I. Risks:

9. The Programme will be subject to a number of generic risks affecting the entire country programme which are detailed in section V.F of the COSOP. Risks which relate specifically to the sustainable agriculture production programme include: (i) lack of institutional capacity of MOAFS particularly at District level and below, and on research stations; and (ii) the potential for agricultural research and extension effort to be dissipated among a number of un-coordinated initiatives; and (iii) other initiatives offering free or subsidised handouts which reduce the incentives for farmers to change the way they grow their crops.

⁷ All indicators will be gender disaggregated.

J. Timing: 2009/2010.

II. RURAL FINANCIAL SERVICES PROGRAMME (RFSP)

A. Possible Geographical Area and Target Groups

1. The Programme will have a thematic rather than a geographic focus. The target will be smallholder farmers who have the potential to move from subsistence to semi-commercial activities which will increase their cash incomes from the current very low levels.

B. Justification and Rationale

2. It is estimated that approximately only 12% of the population have access to financial services. Millions of poor rural households are seeking access to financial services. Households use financial services to build incomes, mitigate risk, and protect against vulnerability often exacerbated by economic crises, illness, and natural disaster. For the most part, agricultural production is not integrated into markets, and remains a subsistence-oriented activity. Financial services are critical for sustainable agricultural production and commercialization.

C. Key Programme Objectives

3. The Programme will directly address Strategic Objective 2. A sector review will be carried out and will provide a more definitive Programme strategy, objectives and components. Specific quantitative objectives may include: (i) increased outreach of microfinance institutions in rural areas; (ii) an increase in the number of rural households engaged in commercial activities which have access to a broad range of financial services; and (iii) establishment of an enabling policy, legal and regulatory environment.

D. Ownership, Harmonisation and Alignment

4. The Programme concept is harmonised with the Malawi Growth and Development Strategy (2006-2011) and the Agriculture Sector Wide Programme (2008-2012). In the ASWAp, it addresses the pillar on agri-business and market development by supporting the commodity value chain in terms of financing; and also addresses the pillar on food security and risk mitigation by providing innovations for reducing risks.

E. Components and Activities

5. The Programme will include three main initiatives (plus programme management) which will be incorporated into a number of components and activities. These may include:

- a) **Supply side initiatives** to improve the capacity of microfinance institutions to offer services to the target groups. This may include activities such as: (i) capacity building and capital raising for microfinance institutions; (ii) incentives for microfinance institutions to expand their services to rural areas, including the promotion of branchless banking technologies; (iii) support development of the microfinance support infrastructure, e.g. deposit insurance system, credit bureaus; and (iv) development of instruments for managing risks and widening the range of financial products.
- b) **Demand side initiatives** to stimulate demand for rural financial services through sensitisation and awareness-raising among target groups. This may include activities such as: (i) support to farmer groups to form linkages with microfinance service providers as part of wider smallholder agribusiness development initiatives; (ii) training for actual/potential microfinance clients in the use of various types financial services, linked to financial literacy and business management training; and (iii) support for savings and loans groups as an entry point to the formal

financial services sector; and (iv) consider linking up with on-going initiatives in such innovative fields as smart card applications and the expansion of risk mitigation strategies in agricultural finance, e.g. weather indexed insurance.

- c) **Policy, legal and regulatory** reforms. This may include activities such as: (i) development of the necessary legal and regulatory framework to enable the Reserve Bank of Malawi to supervise the sector in the interests of quality, transparency and sustainability; (ii) measures to address the shortage of capital in the microfinance sector; (iii) measures to encourage the adoption of best practices by rural financial service providers; and (iv) improved coordination among the actors in the microfinance sector through support for sectoral organisation(s).

F. Costs and Financing

6. Approximately USD 15-30 million. Government financing of the Programme will be limited to taxes paid or foregone.

G. Organisation and Management

7. The Ministry of Finance is leading the process of addressing rural finance. Against this background, the ministry will take the lead in designing the Programme, working closely with the Ministry of Industry, Trade and Private Sector Development, and the ASWAp Secretariat.

H. Monitoring and Evaluation Indicators

8. Specific indicators⁸ may include: (i) measures of capacity and performance among rural microfinance service providers; (ii) the extent to which microfinance service providers extend their reach in rural areas (e.g. number of branches or agencies, number of clients); (iii) the range of products and services on offer to the target group; (iv) number of farmer groups and group members with linkages to financial institutions; (v) measures of financial literacy among farmer groups; (vi) number of active savings and loan groups; (vii) existence of an enabling legal and regulatory environment for rural financial services; (viii) amount capital available to the sector; and (ix) rate of adoption of best practices by relevant institutions.

I. Risks

9. The Programme will be subject to a number of generic risks affecting the entire country programme which are detailed in section V.F of the COSOP. Risks which relate specifically to rural financial services include: (i) the possibility that microfinance institutions and/or commercial banks will be reluctant to develop their services in rural areas; (ii) the Programme will be seen as a Government initiative or Government may intervene in ways that lead to poor loan recovery rates (as has occurred in the past); and (iii) other initiatives will offer subsidised services making it difficult to establish a sustainable rural microfinance sector.

J. Timing

10. Design of the Programme will await the findings of the proposed rural microfinance sector review proposed to take place during 2010. Subject to the findings of the review, and the availability of IFAD funds from the 2010-2012 PBAS cycle, design could take place during 2011.

⁸ All indicators will be gender disaggregated.

III. Smallholder Water Management Project (SWAMP)

A. Possible Geographical Area and Target Groups

1. The primary target group will be smallholder farmers who have access to irrigation infrastructure, but lack the means to independently operate and manage the schemes. These would include small-scale and semi-commercial farmers, and emergent smallholder farmers with potential to produce a marketable surplus from plots in irrigation schemes, or *dambo*⁹ lands.

B. Justification and Rationale

2. Malawi has both a great need for irrigation development and great potential. Most rural households grow only one crop per year, and are underemployed during the long dry season when no crops are grown. The result is a low level of national and household food security and persistent high levels of poverty and malnutrition. A very small fraction of agricultural land is irrigated despite the availability of water from Lake Malawi, the Shire River, and a number of smaller perennial streams and *dambo* lands. Irrigation has the potential to increase yields substantially and provide at least two harvests per year, thereby generating attractive benefit/cost ratios as well as assuring sustained food security.

C. Key Project Objectives

3. The Programme will directly address both Strategic Objectives 1 and 2. It will also create a platform for IFAD engagement in policy dialogue on environmental issues associated with irrigation schemes, the need to strengthen market linkages for irrigation farmers, and the responsibility of WUAs for operation and maintenance.

4. Specific quantitative objectives would include: (i) sustained increases in smallholder agricultural production on small-scale irrigation schemes; (ii) increased net incomes and reduced prevalence of poverty and malnutrition among target group households; and (iii) strengthened local-level institutional capacity for sustainable self-management of land and water resources.

D. Ownership, Harmonisation and Alignment

5. The Programme concept is harmonised with the Malawi Growth and Development Strategy (2006-2011) and the Agricultural Development Programme (2008-2012). In the ASWAp, it addresses the pillar on sustainable land and water management; and also the pillar on food security.

E. Components and Activities

6. The Programme will include three main initiatives (plus programme management):

- a) **Sustainable Land and Water Management** to improve water use efficiency and cropping intensity in irrigation schemes. This may include activities such as: (i) introduction or scaling-up of improved irrigation technologies and training for farmer groups in their application; (ii) rehabilitation – physical and organizational – of small-scale irrigation schemes (with emphasis on on-farm irrigation improvement); (iii) enhancing adoption of improved varieties and cropping practices and efficient water management practices; (iv) strengthen agriculture extension service and technology transfer in and around the irrigation; and (v) addressing issues concerning security of land tenure in irrigation areas.
- b) **Commercialisation** of agriculture on small-scale irrigation schemes. This may include activities such as: (i) support to farmer groups to form linkages with microfinance service providers and commercial enterprises as part of wider smallholder agribusiness development initiatives; (ii) training for farmers in basic financial management, marketing, agro-processing and business management; (iii)

⁹ Swampy lowlands capable of producing crops in the dry season.

linking farmer groups to financial services; and (iv) support for SME-scale agribusiness enterprises and other value chain actors with the potential to add value to agricultural produce .

- c) **Institutional Development** to support communities and their capacity to access complementary goods and services to optimise their returns from irrigation farming. This may include activities such as: (i) facilitation and training support for WUAs; (ii) support for implementation of the new legal and regulatory framework and operational guidelines which devolve responsibility for water management to WUAs; and (iii) improved coordination among the actors in the small-scale irrigation sector through support for sectoral organisation(s).

F. Costs and Financing

7. The size and scope of the Programme will be tailored to match the availability of financing from IFAD and possible co-financiers, and would most likely fall in the range of USD 15-30 million. Government contribution to the financing of the Programme will be limited to taxes paid or foregone.

G. Organisation and Management

8. The Programme will be managed within the ASWAp framework with overall responsibility assigned to the Ministry of Irrigation and Water Development (MIWD). Several other ministries will have responsibility for specific sub-components and activities, including the Ministry of Agriculture and Food Security, and the Ministry of Trade, Industry and Private Sector Development.

H. Monitoring and Evaluation Indicators

9. Specific indicators¹⁰ may include: (i) number and type of improved irrigation technologies deployed and number of farmers trained in their application; (ii) area of small-scale irrigation schemes rehabilitated; (iii) number of small-scale irrigation farmers with secure land tenure; (iv) number of farmer groups with established linkages to microfinance institutions and agro-enterprises; (v) number of farmers trained in business skills; (vi) SME agribusiness enterprises supported by the Programme; (vii) number of water user associations formed, trained and sustained as effective management units; (viii) number of farmers trained in sustainable water and environmental management of the schemes; and (ix) legal and regulatory instruments for devolving water management responsibility to water user associations.

I. Risks

10. The Programme will be subject to a number of generic risks affecting the entire country programme which are detailed in section V.F of the COSOP. Risks which relate specifically to small-scale irrigation development include: (i) institutional complexity relating to the involvement of two ministries (agriculture and irrigation) and possible ambiguities about roles and responsibilities; (ii) shortages of technical capacity in the irrigation sector as well as failure to recognise the importance of soft investments to complement civil works; (iii) diversion of resources and capital into the construction of new large scale irrigation schemes; and (iv) a tendency to discontinue support for water user associations before they have the capacity to independently manage schemes in a sustainable manner.

J. Timing

11. Design of the Programme will take place in the second half of the COSOP period with funding allocated from the 2013-15 PBAS cycle. This will also allow time for completion and evaluation of IRLADP to inform the design process, and for the design to fit within the proposed irrigation development master plan which is likely to be formulated in the next few years. On this basis the Programme would be launched around 2013-14 and run for 6-7 years.

¹⁰ All indicators will be gender disaggregated.

IV. Smallholder Agricultural Commercialisation Programme (SACP)

A. Possible Geographical Area and Target Groups

1. The geographic location of the Programme cannot be defined at this stage since it depends on decisions by the commercial partner about the type of enterprise (most likely an industrial crop), the availability of land for a nucleus estate, and very likely the availability of irrigation water and transport infrastructure. The main target will be smallholder farmers who have the potential to move from subsistence agriculture to become small-scale commercial farmers as outgrowers linked to a nucleus estate. The Programme's outreach will extend to some of the "ultra-poor" through employment opportunities generated by commercial development.

B. Justification and Rationale

2. The great majority of Malawi's smallholder farming households are caught in a poverty trap related to small landholdings, poor infrastructure, low education standards, and limited access to markets and services. The poor tend to live in remote areas with limited roads and/or means of transport which restricts their access to markets and limits their economic opportunities. Any cash income they are able to generate is immediately spent to satisfy urgent needs and the rural economy is unable to generate sufficient savings to finance the investments needed to break out off the circle of low productivity and poverty.

3. A key development issue is the need for sustained rural economic development through commercially oriented investments to overcome the constraints of limited market demand, underdeveloped entrepreneurial capacity and the inability of most households to effectively manage risk. Malawian farmers are generally un-prepared for the market-led world. They 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 the commercial transactions. Few have succeeded in transforming from subsistence to small scale semi-subsistence or semi commercial status. Public-Private Partnerships (PPPs) offer a new option for addressing these issues, and the Government is currently drafting a bill to regulate such arrangements.

C. Key Programme Objectives

4. The Programme will directly address Strategic Objective 2 of the COSOP. Specific quantitative objectives will be articulated during the programme design process, and may include: (i) increased private investment in Malawi's agricultural sector with substantial smallholder participation; (ii) an increase in the number of rural households engaged in commercial activities under outgrower and/or contract farming arrangements; and (iii) establishment of an enabling policy, legal and regulatory environment for profitable agribusiness investments.

D. Ownership, Harmonisation and Alignment

5. The Programme concept is fully in line with the Malawi Growth and Development Strategy (2006-2011) and the Agriculture Sector Wide Approach (2008-2012). In the ASWAp, it addresses the pillar on commercial agriculture, agro-processing and market development by integrating smallholders within larger scale commercial operations; and also addresses the pillar on food security and risk mitigation by providing innovations for reducing risks.

E. Components and Activities

6. The Programme will include two main initiatives (plus programme management) which will be incorporated into a number of components and activities:

- a) **Nucleus Estate Development:** This would be financed by one or more private investors, and calls for a number of complementary initiatives by Government in

order to provide the investor(s) with secure access to land and water resources and a regulatory framework which underpins satisfactory social and environmental protection: This may include activities such as: (i) acquisition or lease of agricultural land (and probably irrigation water) required for establishment of a nucleus estate; (ii) establishment of crops/plantations and agro-industrial facilities; (iii) development of transport and social infrastructure; and (iv) recruitment of outgrowers and/or contract growers and the development of outgrower support services such as input supplies, technical training, financial services, crop harvesting, transport, storage etc.

- b) **Outgrower and Contract Farming Initiatives:** This would include the “soft” investments needed to ensure that the smallholder component of the investment operates as planned for the benefit of the target group. This may include activities such as: (i) support to farmer groups in their dealings with the nucleus estate, and to provide complementary social and environmental services; (ii) livelihood support for community members who are not engaged as outgrowers; (iii) provision of extension services (in conjunction with the nucleus estate); (iv) special incentives to encourage participation of vulnerable groups who may otherwise lack the resources or capacity to be engaged as outgrowers; and (v) assisting to connect outgrower farmers to financial services.

F. Costs and Financing

7. The size and scope of the Programme will be tailored to match the availability of financing from IFAD and possible co-financiers, and would most likely fall in the range of USD 15-30 million. Government contribution to the financing of the Programme will be limited to taxes paid or foregone. The private sector partner would be expected to finance development of the nucleus estate and processing/marketing facilities, and also provide technical support for outgrower groups.

G. Organisation and Management

8. The Programme would be organised and managed as a PPP under a memorandum of understanding (MOU) between the Government and the agribusiness investor(s). The Ministry of Agriculture and Food Security (MOAFS) may be the lead Government agency. The Ministry of Industry, Trade and Private Sector Development (MITPSD) and the Ministry of Local Government and Rural Development (MLGRD) would also be key players.

H. Monitoring and Evaluation Indicators

9. Specific indicators¹¹ may include: (i) measures of the value of private investment in agribusiness (local and foreign) with smallholder participation; (ii) the number of smallholders participating in outgrower or contract grower arrangements and their levels of income and other livelihood measures including food security; (iii) measures of production and value addition relating to smallholder output from nucleus estate schemes supported by the Programme; and (iv) overall fiscal impact - the amount of taxation revenue generated from the investments less the cost of services provided by the Government.

I. Risks

10. The Programme will be subject to a number of generic risks affecting the entire country programme which are detailed in section V.F of the COSOP. Risks which relate specifically to the smallholder commercialisation programme include: (i) the possibility that it will prove difficult to attract suitable agribusiness investor(s) – in which case the proposed scheme(s) would never get off the ground; (ii) the possibility that the an investor might pull out or fail to meet its obligations under the proposed MOU; and (iii) failure to attract the participation of significant numbers of smallholders or if smallholders engage in rampant “side-selling” to competitors.

¹¹ All indicators will be gender disaggregated.

J. Timing

11. It is not possible to determine precisely when it will take place, since it depends on securing an agreement with a private investor. Should a suitable investor come forward at an early date it would be desirable to initiate the Programme as soon as possible, or the opportunity may be lost. Experience from similar initiatives suggests that once an agreement is in place, implementation can proceed quite rapidly.

Key file 1: Rural poverty and agricultural/rural sector issues

Priority Areas	Major Issues	Possible Actions by Programme
Commercialisation of smallholder production, promotion of value addition and MSE development	<ul style="list-style-type: none"> • Lack of entrepreneur culture, business and financial management skills • Absence of contract loyalty/credit repayment culture among small farmers • Limited supply contract-based market linkages • Low purchasing power of local consumers, local market volumes • Limited value addition and high MSE dependence on buying and selling of unprocessed agricultural products, dominated by food items • Limited availability of skilled service providers • Lack of adequate and timely market information • Inadequate market infrastructure: storage, collection centres, feeder roads • Limited availability/access to financial services • Lack of comprehensive policy/regulatory framework for MSE development • Limited capacity of farmer based organisations to bargain and negotiate • Lack of skills in post harvest, value-adding and agro-processing activities • Limited capability to identify/exploit value chain opportunities • High levels of illiteracy, innumeracy 	<ul style="list-style-type: none"> • Sensitise/promote entrepreneurial culture, farmer group/MSE business, financial management skills • Facilitate resilient market linkages based on sustainable MSE business relationships • Promote market-led, rural-based MSE agro-processing ventures • Facilitate generation of market information and timely dissemination • Facilitate development of storage and market infrastructure by private sector/joint venture • Collaborate with relevant stakeholders to promote financial services to support business ventures • Develop marketing skills among service providers • Identify market opportunities and convey to farming community • Support MSE lobbying for sector policies and regulations for improved business environment • Facilitate access to functional adult literacy classes, related to enterprise development
Poor natural resource management	<ul style="list-style-type: none"> • High population density limiting availability of quality agricultural land • Limited use of organic methods to improve soil fertility • High price of inorganic fertiliser for profitable production • Environmental degradation through deforestation, erosion and siltation • High demand for fuel wood to meet domestic and agricultural usage 	<ul style="list-style-type: none"> • Promote low cost organic soil conservation methods -- mulching, manuring and composting - to prevent erosion and build/protect fertility • Promote community reforestation activities • Roll-out successfully demonstrated conservation agriculture packages suitable for smallholder adoption • Promote water use efficiency through water user associations
Vulnerability of rural livelihoods	<ul style="list-style-type: none"> • Predominantly subsistence production on small acreage holdings • Dependence on a few crops with low marketing potential • Unreliable climatic conditions -- frequency of 	<ul style="list-style-type: none"> • Diversify farm base through market-led opportunities supported by training and improved extension • Promote group action and cohesion - and contract discipline • Provide demand/commodity led research and disseminate appropriate

Priority Areas	Major Issues	Possible Actions by Programme
	droughts/floods <ul style="list-style-type: none"> • Risk averse approach to production • Limited use of improved technologies/reliance on manual cultivation • Limited access to extension services • Weak input supply and marketing systems • Food insecure for a number of months a year • Limited opportunity to strengthen asset base and diversify income • Large percentage of ultra poor who have little time, resources, ability or motivation to participate in agricultural commercialisation 	technologies for smallholders <ul style="list-style-type: none"> • Facilitate linkage with suppliers, providers and buyers and support collaboration • Build self-reliance based on commercial approach and relationships - and higher incomes
Weak public sector capacity for support to community and enterprise development	<ul style="list-style-type: none"> • Poorly funded and resourced District Administrations • Government extension and community development services limited by low staff: farmer ratio and inadequate operating funds • Weak knowledge integration for small farmer decision making • Inadequate attention to sustainability/ownership issues as communities are not fully involved in planning and decision making for development • Slow and imperfect implementation of the decentralised processes 	<ul style="list-style-type: none"> • Focus public services on few critical areas related to financial aspects of development and livelihood uplift; and clearly define public/private responsibilities • Promote private sector/ NGO provision of services, in tandem with public services, where possible • Promote service provision that responds to market oriented knowledge needs of the poor • Strengthen capacity of DAs to coordinate development partners in their area • Promote capacity and participation by smallholders and farmer organisations in planning and review exercises that influence how funds are utilised • Promote public/private/NGO partnerships for synergy, sustainability
Gender inequality and HIV/AIDS	<ul style="list-style-type: none"> • Limited access to natural and productive resources for women • Limited opportunities for income generation for women • Restriction of women benefiting from income by traditional male dominance • High illiteracy rates and limited outside exposure among women • Reduced productivity, increased costs and depletion of family assets from the disease and its side and after effects • Limited availability/use of labour saving technologies and practices 	<ul style="list-style-type: none"> • Include gender/socio-economic analysis in pre-implementation baseline and awareness exercises • Support gender and HIV/AIDS sensitive/informed development initiatives • Link Programme activities with gender/HIV efforts/resources of other projects, initiatives • Promote gender equity in service provision and decision making by the farmer groups and service providers • Assist women to access productive resources (physical and knowledge) • Provide functional literacy training in context of value chain/enterprise development • Encourage affected people and families that have capability to join enterprise groups • Attempt to develop inclusive approaches for affected people and orphans in enterprise activities

Key file 2: Organisations SWOT analysis

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
Ministry of Finance	<ul style="list-style-type: none"> Qualified and experienced staff for budgetary allocations and disbursements of funds 	<ul style="list-style-type: none"> Delays in disbursement of funds Weak monitoring system 	<ul style="list-style-type: none"> Streamline financial flows and disbursement procedures Strengthening capacity for effective monitoring Conscious/supportive of need for more realistic and sustainable local economic development 	<ul style="list-style-type: none"> Plays a key role in Programme implementation re flow of funds.
Ministry of Development Planning and Cooperation	<ul style="list-style-type: none"> Highly qualified and experienced staff Responsible for economic planning, project and programme oversight 	Limited presence/capability in District affairs	<ul style="list-style-type: none"> Conscious/supportive of need for more realistic and sustainable local economic development 	<ul style="list-style-type: none"> Plays key role in Programme planning, oversight.
Ministry of Agriculture and Food Security (MOAFS)	<ul style="list-style-type: none"> Well established structure from headquarters to District level Past investments in facilities for the delivery of services to the farmers Staff well trained in several aspects Established system of communication Core functional analysis is being conducted Taking lead role in formulating the ASWAP 	<ul style="list-style-type: none"> Poor past record of development effectiveness Over-dependency on donor-funding Insufficient public funding for services/facilities Inadequate coordination of activities in the five main departments High level of turnover and attrition mainly due to HIV/AIDS, affects service delivery capability Weak leadership and analytical skills of field staff Gender imbalance in staff and targeting of services Inadequate financial know-how, M&E and accountability Inability to retain staff due to low salaries NGO demand for staff compromises availability Reluctance to devolve power and resources under decentralization 	<ul style="list-style-type: none"> Agriculture remains a priority of Government Donors willing to support MOAFS to implement policies Existence of training institutions for capacity building Tax exemption for agricultural inputs Complementarity and synergy with NGOs and the private sector 	<ul style="list-style-type: none"> Need capacity to direct involvement of NGOs in delivery of services to the farmers Decentralization process is still new, and responsibilities of central ministry and district level staff still need to be clarified Possible service provider
Ministry of Local Government and Rural Development	<ul style="list-style-type: none"> Government supports decentralization Key staff positions at Centre and District level filled with qualified staff Incorporates National Local Government Finance 	<ul style="list-style-type: none"> Limited operating budget Weak democratic representation at District level due to election delay Limited M&E capacity Limited experience/understanding of commercial aspects of local development 	<ul style="list-style-type: none"> Identification of development projects that are reflective of real need and priorities of rural people Strong commitment to implementing decentralization to get resources out to rural areas and measure impact Good working relations with other 	<ul style="list-style-type: none"> A key role in streamlining decentralization process and development of community-based projects Main Programme Government counterpart

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
	Committee which determines District budget allocations <ul style="list-style-type: none"> • Experience under RLSP and other District development projects 	<ul style="list-style-type: none"> • Pressure of work for staff at Centre 	ministries	
Ministry of Industry, Trade and Private Sector Development (MITPSD)	<ul style="list-style-type: none"> • Government policy supports increased participation of MSEs and smallholder farmers in commercially viable business enterprises • MITPSD is currently well positioned as the lead Government agency charged with development issues relating to MSE and MFI sectors 	<ul style="list-style-type: none"> • Lack of adequate funding for operational budget, computers and transport facilities • Lack of adequate/qualified staff at HQ and in field • Low capacity for effective operation in rural areas • Lack of sufficient MSE sector information and capacity for M&E • Slow progress in re-drafting and implementing MFI and MSE policies and regulations 	<ul style="list-style-type: none"> • Internal policy commitment for MFI and MSE sectors • Significant donor interest and involvement in working with MITPSD towards development of MFIs and MSEs • MITPSD currently coordinating the process of re-drafting MSE and MFI policies and regulations • Clear appreciation of private sector as engine of growth • Willingness to work with other MSE and MFI stakeholders • Collaboration between Programmes 	<ul style="list-style-type: none"> • Needs additional qualified staff, finances, computers, transport • Need to decentralise operations to field level for more effective interaction with rural MSEs • MSE commitment not yet reflected in sector policies and regulations • Major service provider, if enabled
Ministry of Irrigation and Water Development (Department of Irrigation)	<ul style="list-style-type: none"> • Specialist staff available, experienced and competent at Centre • Policy and development strategy in place for small scale irrigation • Track record of water user association (WUA) formation and support 	Pressure of work, other project commitments -- including IFAD/WB IRLADP -- of HQ staff Limited number of field staff, since role now to facilitate, not implement <ul style="list-style-type: none"> • Lack of proper, full training of staff • Dubious past history of project implementation, irrigation promotion and financial management 	<ul style="list-style-type: none"> • Potential for development, improvement, expansion of micro-irrigation schemes and WUAs in value chains 	<ul style="list-style-type: none"> • Ambitious programme of capacity building, expansion underway for IRLADP purposes • Possible service provider • Possible adviser and member of project PSCs
Ministry of Mines, Natural Resources and Environment (MMNRE)	<ul style="list-style-type: none"> • Several specialized departments: forests, fish, with qualified staff • Well established offices nationwide • Devolved functions • Legal and policy framework to ensure service delivery to the public 	<ul style="list-style-type: none"> • Loss and limited ability of qualified staff • Bureaucratic rigid decision-making processes • Insufficient public funding of ministry activities • Poor planning/coordination of dept activities • Absence of sustainable supplementary funding • Functions devolved but severe lack of facilities, equipment at some Districts/offices • Lack of management information system 	<ul style="list-style-type: none"> • Specialized departments • Donor interest in NRM issues • Increased involvement of local communities in natural resource management issues • Diverse natural resources • Poverty leading to over exploitation of natural resources 	<ul style="list-style-type: none"> • Need to promote community-based natural resource management • Low level of awareness historically and locally on environmental issues
Ministry of Women and	<ul style="list-style-type: none"> • Addresses both gender and community development through 	<ul style="list-style-type: none"> • Short of staff • High level of turnover and attrition 	Fourth department to be established from July 2007: Entrepreneurship	

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
Child Development (MWCD)	economic activities all in one Ministry Has experience of working with donor funded projects (such as SSEEPP)	mainly due to HIV/AIDS and staff leaving to work with other organizations	Development, under which Economic Activities of the Community Development Department will fall and links will be made with the MITPSD and Private Sector	
Department of Agricultural Extension Services (DAES within MOAFS)	<ul style="list-style-type: none"> • New demand driven pluralistic extension policy • Experienced extension staff at Centre • Gender and HIV/AIDS mainstreaming activities underway 	<ul style="list-style-type: none"> • Shortages of qualified and trained staff generally • Lack of staff trained in new demand driven mode of extension service delivery • Weak competence of Subject Matter Specialists • Limited back-up capability to support extension delivery at District level • Weak extension-research linkages • Shortage of basic resources for extension delivery • Weak agri-business/marketing extension service 	<ul style="list-style-type: none"> • Experience in forming and farmer associations • Resources available to upgrade services with European Union support • Restructuring on-going under EU funding to better align with a decentralized mode of operation 	<ul style="list-style-type: none"> • Need for organizing farmers and training for decentralized structures • Lack of clear definition of responsibility between Central Ministry and District staff • Requires change of MOAFS mindset from traditional supply-side extension service delivery approach • Possible service provider
Other MOAFS Depts: Planning; Trade and Marketing; Land Resources and Conservation; Co-operatives; and Communications	<ul style="list-style-type: none"> • Professional staff and specialist units at Centre capable, active • Substantive donor/project funding and support 	<ul style="list-style-type: none"> • Shortage of staff away from HQs • Loss of trained staff to other ministries and private sector due to salary levels, prospects • Lack of on-the job training • Lack of facilities for full operation • More theoretical than practical, esp commercial • Over-reliance on projects, donor funding 	<ul style="list-style-type: none"> • New agriculture sector policy and strategy • ASWAp implemented • Experience of development of farmer organisations 	<ul style="list-style-type: none"> • Need reorientation, strengthening to comply with new decentralization and demand-led approach • Probable service providers
Department of Community Development (of MWCD and at District level)	<ul style="list-style-type: none"> • Has staff experienced in facilitating communities to form groups carrying out economic activities • Has expertise in training, for instance in business management and leadership • Used to working with NGOs 	<ul style="list-style-type: none"> • Short of staff numbers -- about one third of positions filled at District • Insufficient operating expenses therefore transport not maintained, equipment lacking, insufficient funds for group training 	<ul style="list-style-type: none"> • CD staff considered key for the implementation of projects -- particularly for formation and sensitisation of farmers groups 	<ul style="list-style-type: none"> • As above • Key service provider, Programme partner, if enabled
National Smallholder Farmers Association of Malawi (NASFAM)	<ul style="list-style-type: none"> • Well qualified and motivated staff • Specific mandate to work with private sector • Professional approach to tasks • Ability to identify niche sectors and support farmers to exploit 	<ul style="list-style-type: none"> • Donor funded and maintained with yearly financial budget • Uncertainty of sustainability if donor withdrawal • Serving specific areas based on the funds available • Seen as unfair competitor by private 	<ul style="list-style-type: none"> • Government support for diversification of food crops as well as rural incomes • Existing involvement in value chain commodities trading • Existing extension capacity -- need to justify their costs • Strong affiliation with farmer groups 	<ul style="list-style-type: none"> • Sound capability and interest to provide advice and services to small holder farmers • Probable value chain partner

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
	them	sector <ul style="list-style-type: none"> • Seen as equivocal buyer by some farmer groups • Caters more for commercial farmers 		
Bunda College of Agriculture	<ul style="list-style-type: none"> • Well established curriculum • Fully accredited college • Professional staff, good facilities • Experience in drafting collaborative projects with private sector and Farmers Union of Malawi (FUM) 	<ul style="list-style-type: none"> • Reliant on Government subventions for developments • Limited commercial knowledge, understanding • Emphasis on theoretical aspects and limited practical training 	<ul style="list-style-type: none"> • Need to develop suitable curricula for training in market oriented smallholder agriculture • Involved in collaborative groundnut improvement proposal with private sector and FUM. 	<ul style="list-style-type: none"> • Capability to develop tailor-made training courses in market-oriented smallholder agriculture • Has professional staff in areas of interest of the Programme • Probable adviser, service provider
Natural Resources College	<ul style="list-style-type: none"> • Good infrastructure and facilities • Good demonstrations • Practical training tailored to local needs 	<ul style="list-style-type: none"> • Qualifications only at certificate level • Diploma courses not recognized by University 	<ul style="list-style-type: none"> • Practical training in high demand at field level • Institution is autonomous and self sustaining 	<ul style="list-style-type: none"> • Capability to train trainers in natural resources management and environmental subjects • Probable adviser, service provider
Malawi Social Action Fund (MASAF)	<ul style="list-style-type: none"> • Financial management, accountability • Multi-disciplinary staff • Proven methodologies for community mobilization and empowerment • Use of decentralized structures for implementation, with safeguards, guidelines and MoUs • Well equipped 	<ul style="list-style-type: none"> • Slow responsiveness to requests, because it follows a systematic approach • Heavy demand on staff from existing activities, including IRLADP • Decentralization process has led to loss of control over implementation • Assumption of new responsibilities may be beyond its capabilities 	<ul style="list-style-type: none"> • Ability to deliver projects with community-based, demand-driven approach 	<ul style="list-style-type: none"> • Capability to assist implementation and financial management of demand-driven initiatives • Probable adviser, service provider
Malawi Rural Finance Corporation (MRFC)	<ul style="list-style-type: none"> • Significant amount of Government financial resources available • Qualified and motivated staff • Well represented at the District level • Comparatively better financial management system, loan recovery rate 	<ul style="list-style-type: none"> • High dependence of Government financing and likely future decrease/suspension • Focused on provision of micro credit and weak capacity in non-credit BDS services • No mandate nor capacity to mobilize savings • Government-driven business operations • High loan default rate and unlikely financial sustainability 	<ul style="list-style-type: none"> • Possible source of financing for value chain development activities 	<ul style="list-style-type: none"> • Needs to re-orient attitude towards sustainable commercial business • Need to sensitize organisations on importance for other non-credit business development services • Possible service/finance provider

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
Input Suppliers	<ul style="list-style-type: none"> • Significant retail branch network in the rural areas for the main input suppliers (Kulima Gold, Farmers World, Chipuku Stores, Peoples Supermarket) • Professional approach to business 	<ul style="list-style-type: none"> • Limited technical knowledge regarding application of inputs being dealt with resulting in limited extension support services • Inadequate staffing and transport facilities to facilitate after sales support in form of extension services to smallholder farmers • Overly high interest and dependence on Government subsidy schemes • Possibility of unsustainable business operations in the event Government subsidies are withdrawn • Shortages and high cost of working capital 	<ul style="list-style-type: none"> • Potential to offer BDS services to farmers • Potential to maximize outreach given the wide rural branch network 	<ul style="list-style-type: none"> • Some input suppliers are not genuinely interested in farmers welfare • May be more interested in maximizing profits, which is reflected in the common practices of buying back, at the lowest possible price, coupons provided to poor households under the subsidy scheme • Possible advice/service providers, value chain partners
International NGOs	<ul style="list-style-type: none"> • Sound experience • Well financed with resources to carry out identified tasks • Ability to mobilize communities through PRAs, rights based approaches, gender/HIV-AIDS awareness training • Good linkages, mentoring of local NGOs 	<ul style="list-style-type: none"> • Staff professional capabilities often expensive • Depend on public sector staff for tasks locally • In many cases operate independent of consensus with the public sector • Decrease in financial support from donors • Time required to build trust with communities • Perceived competition between NGOs and the Government • Some resentment due to differences in remuneration • Failure to address needs of the communities but instead carry out what they perceive is required. • High operational costs • Draw staff away from Government service to work for NGOs 	<ul style="list-style-type: none"> • Potential capability to supply essential services, both ad hoc and longer term • Need for Programme to develop contracts with fair terms but rigorous performance rewards/penalties • Need for Programme/donors/Government to intervene to break up apparent cartel approach 	<ul style="list-style-type: none"> • Better cooperation required between public and NGO sectors • At broader level, Government appreciates their role and has retained services on public funded projects to support and train Government staff • Probable advice/service providers
National NGOs	<ul style="list-style-type: none"> • Good experience and knowledge of local situations. • Understand national and local issues 	<ul style="list-style-type: none"> • Limited resources as they are dependent on international NGOs and donors • Activities very localized at times due to limited financial resources • Difficulties in recruiting, retaining qualified staff 	<ul style="list-style-type: none"> • Relatively low operational cost. • Decrease in financial support from donors • Competition between national NGOs for qualified staff 	<ul style="list-style-type: none"> • Government appreciates their role and has retained their services on public funded projects to support and train Government staff • Probable advice/service provider

Institution	Strengths	Weaknesses/Threats	Opportunities	Remarks
Local NGOs	<ul style="list-style-type: none"> • Clear understanding of local problems • Identify with and trusted by local communities • Government appreciates their role in rural development. • Motivated staff 	<ul style="list-style-type: none"> • Limited resources both human and financial • Tend to be partisan when there are disputes between communities • Limited outreach • Not sustainable as they are initiated with donor funds and last as long as the funding is available • May have unqualified/less qualified staff 	<ul style="list-style-type: none"> • Fill the existing gaps in public sector • Decentralization policy has a role for local NGO in service delivery to local communities • Often donor-driven and wind up after funding ceases 	<ul style="list-style-type: none"> • Many activities initiated are not sustainable • Need to be strengthened as the staff understand local situations • Many are opportunistic and have no clear vision • Possible advice/service provider

Key file 3: Complementary donor initiatives/partnership potential

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
European Union/ MOAFS	Farm Income Diversification Programme (FIDP) – Phase 1	<p>Coverage: Country-wide, 17 Districts, including 4 (non-RLEEP) Districts in the Central Region.</p> <p>Objective: Overall objective: To achieve a sustainable improvement in livelihoods of rural communities through diversifying farmers' income.</p> <p>Programme purpose: to increase food security and income levels of rural households ensuring a sustainable use of soil and water resources by encouraging business development and employment as well as improved marketing of agricultural products in selected communities.</p> <p>Components: On-farm activities; Capacity building; Support at village level supplies; Technical Assistance</p> <p>Planned Output/ Results:</p> <ul style="list-style-type: none"> - Improved knowledge, attitude and organisation of rural communities. - Sustainable management of soil conservation and soil fertility. - Enabling environment for agriculture business initiatives promoted. - Improved capacity of rural communities to access and develop post-harvest agricultural activities. <ul style="list-style-type: none"> - Timely and relevant education and training opportunities available in horticulture. 	<p>Close Date (CD): 31-Mar-08</p> <p>Total Costs (TC): Euro 16.2m</p>	<ul style="list-style-type: none"> • similar approach and content to RLEEP, but less emphasis on commercialization and economic growth • complementary and liaison/learning opportunities
European Union/ MOAFS	Institutional Development Across the Agri-Food Sector (IDAF)	<p>Coverage: Country-Wide</p> <p>Objective: 1. To achieve sustainable improvement in Livelihoods of the rural poor in line with the national strategic priorities as set out in the Malawi Poverty Reduction Strategy, National Indicative Programme and ongoing policy development for the Malawi Agri-food sector.</p> <p>2. To foster an enabling institutional environment for the development and growth across the agricultural and food industry, through the development of institutional capabilities of public and non-public actors, within a coherent conceptual framework.</p> <p>Components: 1. MOAFS functions, mandate and organizational structure are revised and reviewed.</p> <p>2. MOAFS capacities are strengthened in policy formulation, strategic planning, provision of production services and support to decentralization.</p> <p>3. District agricultural services are responsive to demands of agricultural stakeholders.</p> <p>4. Farmers based organizations are supported and developed.</p> <p>5. Institutions and support systems to promote agri-food trade and access export markets are developed and promoted.</p> <p>6. Systems, facilities and competent personnel are in place to attain international standards in agri-food exports.</p> <p>Planned Output/ Results:</p> <p>1. Growth pattern and development in the agricultural and food sector particularly after implementation of the major reforms and capacity building during the first 2 years.</p> <p>2. New mandate and organigram of Ministry of Agriculture and Food Security, active performance management system and impact evaluation report and strategic plans.</p>	<p>CD: 01-Jun-11</p> <p>TC: Euro 7.97m</p>	<ul style="list-style-type: none"> • covers much of ground of RLEEP, but in broad brush, strategic and capacity building way • possibility of synergy for some activities, including policy dialogue

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
World Bank/ GEF/Norad	Malawi Social Action Fund (MASAF) III	<p>Coverage: Country-Wide.</p> <p>Objective: Improve the effectiveness of investments aimed at food security and sustainable agricultural growth; and the global environmental objective is to strengthen the natural resource base in agricultural lands through doubling the area under sustainable land management as a basis for securing ecosystem services and sustainable agricultural productivity</p> <p>Components: 1. institutional development and capacity building in preparation of a Sector Wide Approach (SWAp) in agriculture. 2. Sustainable food security 3. Project coordination</p> <p>Planned Outputs: 1 strengthen institutional capabilities necessary to further develop, and implement, a harmonized and aligned investment framework leading towards a full-fledged SWAP in the agricultural sector; 2. increase the land, water and nutrient use efficiency of maize Based rainfed cropping systems targeted by the Government's Agricultural Development Programme; and 3. increase the resilience of the maize supply system to cope with climate induced risks and shocks .</p>	CD: 15- SEPT 2013 TC: USD 47.5m	<ul style="list-style-type: none"> • Key partner as project is support to the ASWAp.
World Bank, IFAD, Government	Irrigation Rural Livelihoods and Agricultural Development Project (IRLADP)	<p>Coverage: Nsanje, Chikwawa, Blantyre, Phalombe, Zomba, Dedza, Lilongwe, Salima, Nkhatabay, Rumphu, Chitipa</p> <p>Objective: 1. To raise agricultural productivity and net incomes of the rural households in 11 target districts in a sustainable manner by providing an integrated package of support covering irrigation, agricultural/irrigation advisory services, marketing and post-harvest assets and services 2. To strengthen the country's institutional capacity for long-term irrigation development</p> <p>Components: 1. Irrigation rehabilitation development 2. Farmer Services and Livelihoods Funds 3. Institutional Development 4. Project Coordination and monitoring and evaluation</p> <p>Planned Output: 1. Small scale irrigation schemes rehabilitated and developed 2. Existing small storage reservoirs rehabilitated 3. Demand for rainwater harvesting and catchment conservation increased 4. Farmer services and livelihoods enhanced 5. Institutional development and community mobilization strengthened 6. Project implementation well coordinated</p>	CD: 31- May-12 TC: USD 52.5m (IFAD USD 8m)	<ul style="list-style-type: none"> • other main IFAD-assisted project • possible synergy for learning on implementation
World Bank, Government	Community Based Rural Land Development Project (CBRLD)	<p>Coverage: Mulanje. Thyolo, Mangochi, Machinga</p> <p>Objectives: 1. To increase incomes of 15,000 poor rural families through a decentralised community based and voluntary approach to land reform; 2. Facilitate land acquisition for the landless and poor rural people.</p> <p>Components: 1. Land acquisition and Farm Development; 2. Land administration; 3. Capacity building.</p>	Continuing until 2009	Has potential to draw lessons on land reform process in Malawi.

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
		Planned Outputs: 1. Increased incomes of beneficiary families control group and/or pre-project income levels; 2. Increased and sustainable agricultural productivity on participating farms; 3. Effective evaluation of the piloted approach; 4. Security of tenure of acquired land guaranteed; 5. Land accessing, titling and registration improved.		
World Bank, Government	Business Environment Strengthening Technical Assistance (BESTAP)	Coverage: Country wide Objective: To reduce constraints to new business formation and expansion and increase the productivity of SMEs supported by the project. Components: 1. Strengthening private property rights institutions and services 2. Promoting access to finance and productivity enhancement 3. Strengthening private property rights institutions and business facilitation 4. Capacity building and implementation support	Continuing until 2012	Possible linkage with commercialization and agribusiness development.
Africa Development Bank (AfDB)	Smallholder crop production and marketing project	Coverage: Balaka, Chikwawa, Chitipa, Dedza, Dowa, Karonga, Kasungu, Lilongwe, Machinga, Mangochi, Mchinji, Mzimba, Nkhatabay, Nkhotakota, Nsanje, Ntcheu, Ntchisi, Rumphu, Zomba. Objectives: To increase productivity and income of rural livelihoods in the project area through promotion of intensification and diversification of existing cropping system and improvement of the marketing system which will significantly increase production, productivity and incomes of the small farmer whilst improving household nutrition and environment management of natural resources. Components: 1. Irrigation developed; 2. Farmer support programme; 3. Project coordination and management. Planned outputs: 1. Irrigation schemes; 2. Increased household income above baseline information; 3. Improved marketing systems; 4. Natural resources management improved; 5. Improved nutrition status of households; 6. Increased crop productivity.	Continuing until 2013	
AfDB	Smallholder Irrigation project.	Coverage: Mwanza, Nsanje, Chikwawa, Neno, Thyolo, Chiradzulu, Blantyre Objectives: 1. To improve the well being of Malawians through poverty alleviation among rural people, by promoting broad based and accelerated agricultural development 2. To contribute to food security by increasing the irrigated land by 4600ha and increasing agricultural productivity of 12000 smallholders Components: 1. capacity building (training staff of MoAFS, Bunda College, NRC) Planned Output: 1. Building institutional capacity in irrigation technology and rural microfinance credit nationwide; 2. Establish a credit system; 3. Establishment of small scale irrigation schemes managed by farmers; 4. Irrigated land increased by 4,600ha in 25 EPAs by PY5; 5. Average farm income increase from US\$ 260 to 2,225 annually; 6. Irrigated land will be cultivated 2.5 times per year and productivity will increase more than 2.2 times by end of PY5; 7. Target group (12,000 families) adopt, form, own and manage 400 farmer clubs and 12 credit unions by PY5; 8. Survey, Soil, water flow and soil sampling practices in DOI, 4 RDPs and 2 research stations improved by end of PY5; 9. Capacity of the two NGOs group formation and training significantly improved by PY2; 10. Capacity of managing micro credit by MFI significantly improved	Continuing until 2009	

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
IFAD	Rural Livelihoods Support Programme	<p>by end of PY2.</p> <p>Coverage: Thyolo, Nsanje, Chiradzulu</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. The overall goal is sustainable poverty reduction through the promotion of on and off – farm and wage based income 2. Promoting sustainable agricultural production and simple but efficient natural resources management technologies for improved food security. 3. Nutrition and agriculture based incomes for better living conditions for the selected target groups 4. Promoting the development of skills for selected targets and availing financial support for both on and off farm investments that will utilise the acquired skills to improve their incomes. 5. Promoting employment through support for infrastructure development to provide incomes especially during off seasons. 6. Developing/improving individual and local community capacities and capabilities in terms of their organisation to access relevant resources to improve their livelihoods <p>Components: 1. Village investment; 2. Abolish a dual system of local administration; 3. Promote accountability, good governance and popular participation in local development process; 4. Improve coordination among the ministries/departments operating at the district level; 5. Diversification of household incomes, with improved health and nutritional status of the target groups; 6. Support target groups with resources to invest in a series of activities that respond to their concerns and that use local opportunities as identified through the village planning process.</p> <p>Planned Outputs: 1. Invest in human capital. All villagers empowered to express, act upon including seeking support in resolving matters of genuine concern to them; 2. District administration and service providers oriented towards helping all villagers to solve problems of concern; 3. Village investments: Improved productivity of villagers’ assets. Poorest villagers’ asset based improved; 4. Programme management and co-ordination; 5. Effective management and co-ordination of 1-3 above, which involves ensuring transparency in operations, accountability, in local resource and timely follow up; 6. Effective management of resources, direction on modes of operation downwards and upwards reporting to Govt. and IFAD.</p>	Continuing until 2013	Lessons can be drawn for future interventions.
IFAD	Rural livelihoods and Economic Enhancement project (RLEEP)	<p>Coverage: Country wide</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Strengthen value chains and enhance the enabling environment to make it more conducive to rural commercial development. 2. Improve linkages to farmers to value chains by establishing more efficient production, transport, storage, processing and marketing systems for targeting commodities thereby expanding economic activity and employment 3. Facilitate and manage the programme in an effective and efficient manner. <p>Components:</p> <ol style="list-style-type: none"> 1. Value chain mobilisation and organisation 2. Agricultural production enhancement and commercialisation 	Just completed, discussions not effective yet	Will provide practical experiences with commercialisation.

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
EU	Publics Works programme (PWP)	<p>3. Programme facilitation and management</p> <p>Coverage: Blantyre, Chikwawa, Dedza, Lilongwe, Dowa, Mchinji, Ntcheu, Kasungu, Nkhotakota, Machinga, Mangochi, Mzimba, Mulanje, Thyolo, Zomba</p> <p>Objectives: To contribute to the governments objective of poverty reduction in line with the Malawi Poverty Reduction Strategy (MPRS)</p> <p>Components: Roads, Irrigation, Forestry</p> <p>Planned Output: 1. Rural roads maintenance: 4050 kms of roads maintained; 2. Forestry: 27 Million trees planted and 3050 village clubs formed and accountable. 3. Irrigation: 4,940 treadle pumps distributed and 1,040 water harvesting projects 4. District assembly capacity: 15 district assemblies enhanced. 5. Cross cutting issues: 79,000 people empowered through awareness 30%of women and youth employed MK 210 million earned by women and youth. 30% of women and youth represented in development committees 610 linkages are facilitated 6. Project management: 10 local project managers employed and earn MK184 million</p>	Continuing until 2010	
JICA	Capacity development of Smallholder Farmers for the Management of Self Help Irrigation Scheme (Medium Scale)	<p>Coverage: Country wide</p> <p>Objectives: 1. To formulate action plan for the improvement of crop productivity in the existing self help irrigation schemes (Medium scale) 2. To formulate development plan for the self help irrigation schemes (medium scale) in the potential irrigable area 3. To carry out capacity development of Malawi counterpart personnel as well as of the communities concerned in the course of the study.</p> <p>Components: 1. Irrigation scheme 2. O&M of irrigation facilities 3. Farm management 4. Farmers group management</p> <p>Planned output: 1. Irrigation development plans 2. Improved crop productivity 3. Low cost rehabilitation with maximum use of local materials and minimum use of outside materials. Mobilisation of simple structures to be constructed, operated and maintained by smallholder farmers themselves.</p>	Continuing	
JICA	Smallholder Irrigation Technical Cooperation Project	<p>Coverage: Country wide</p> <p>Objectives: 1. To establish a package for extension system for small scale irrigation development in all potential EPAs; 2. To adapt small scale irrigation farming technologies and systematize experiences.</p> <p>Components: Establishment of a nationwide extension system for comprehensive small scale irrigation farming.</p> <p>Planned Output: 1. Extension system for small scale irrigation development package established at all EPAs. 2. Adaptation of small scale irrigation farming technologies and experiences systematized.</p>	Continuing until 2009	

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
JICA	Farmer Artificial Insemination Technician Foster Project	Coverage: Nation wide Objectives: Strengthen the system for artificial insemination (AI) service delivery through training for farmer AI technicians by dispatching several numbers of JOCVs specialized on Animal Husbandry.	Continuing until 2011	
FAO	Integrating food and Nutrition Security with Sustainable Livelihoods	Coverage: Kasungu and Mzimba Objective: Strengthen and build capacity of community groups, particularly farmer associations; improve nutritional and hygienic knowledge and status at household and community level. Components: Farmer based organisations, communities and government capacity strengthened and Gender and HIV and AIDS knowledge and issues main streamed.	Continuing	
NORAD/FAO	Enhancing Food Security and Developing Sustainable Rural Livelihoods	Coverage: Mangochi, Machinga, Balaka Objective: Alleviate immediate problems poverty and food security for chronically poor by sustainable use environment. To reach approx.40,000 HHs with tot. pop.of 250,000 Components: Small scale irrigation; water control; watershed development; intensify/diversify farm production; capacity building / institution strengthening.	Continuing until 2011	Potential to draw lessons for the design of natural resource management project
FAO	Capacity Building in farm planning and management for extension workers and farmers	Coverage: Country wide Objectives: 1. Strengthen the capacity of the staff of agribusiness units and frontline extension workers in pilot districts in farm business management. 2. Strengthen the capacity of the extension service to design and implement a farm data system for the collection, compilation, analysis and utilization of farm and enterprise management information relevant to farmers' needs. 3. Strengthen the capacity of selected 'lead farmers' in pilot district sites to develop skills and competencies for market driven farming activities. Components: 1.Computerised database 2. Capacity building Planned Output: 1. Computerised databases and simple excel programme for collating farm data for enterprise profitability analysis in the eight pilot districts 2. A portfolio of tools developed for farm level data collection and analysis 3. Analysed farm management information for use by farm management specialists and frontline extension workers at district level. 4. CTT (eight individuals) trained in the use of a training of trainers manual in farm business management 5. Thirty subject matter specialists at district level trained in data collection, processing and analysis. 6. Hundred and twenty extension personnel trained in farm business management in eight pilot districts. 7. Fifty lead farmers from the ADD pilot areas trained through farm business schools; 8. National action plan for scaling up farm management extension activities throughout the country prepared.	Continuing	
FAO	Enhancing Food Security in Cassava based Farm systems in Malawi and Zambia	Coverage: TBA Objective: Increase incomes and living standards of small rural households via more profitable agriculture production systems. 10,000HHs reached. Components: Production and productivity of cassava enhanced in new areas.	Continuing	

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
		Profitability and consumer acceptability of cassava increased by intro of on-farm value adding, processing, utilization technologies.		
NORAD	National Smallholder Farmers Association Support Programme	<p>Coverage: Country wide</p> <p>Objectives: 1. To improve the livelihoods of smallholder farmers by promoting farming as a business and by delivering programmes that produce economic and social benefits for members, their communities and the country.</p> <p>Components: 1. Input and output markets 2. Association development and management 3. Crop production 4. Training of association members 5. Farmer sensitization to issues of gender, adult literacy and HIV/AIDS 6. Policy and advocacy 7. Crop and input financing</p> <p>Planned outputs: 1. Improved commercial revenues or households incomes by providing members with access to competitive outputs and input markets 2. Increased production of good quality and yields of crop varieties demanded by local and international markets 3. Members, and when practical non-members provided with the best possible technical help with regard to running their farms as businesses. 4. Members provided the livelihood skills and options that promote improved access to foods, equitable participation of both sexes in association activities and leadership; and HIV/AIDS interventions. 5. Smallholder farmers provided with a voice and enhance their ability to contribute to national development.</p>	Continuing until 2012	
NORAD	Capacity Development for Bunda College of Agriculture	<p>Coverage:</p> <p>Objectives: To enhance the performance of BCAs as a lead institution in relevant and efficient learning, teaching, research and outreach for the agricultural and natural resources sectors in Malawi and enable the college play the significant role in the development of the country.</p> <p>Components: 1. Human resource development 2. Outreach programme; 3. Research; 4. Regional, national, international cooperation through exchange visits with partner colleges.</p> <p>Planned Output: 1. Teaching and research capacity improved; 2. Revenue generation improved; 3. Financial management improved; 4. Human resource capacity enhanced; 5. Infrastructure capacity of the college improved; 6. Teaching, learning, administrative and financial management improved; 7. institutional collaboration/cooperation and linkages strengthened; 8. Organisational restructuring/ reforms strengthened; 9. programmes management, coordination and implementation enhanced.</p>	Continuing until 2011	
Irish Aid /NASFAM	Promoting Conservation Agriculture in	<p>Coverage: 19 districts</p> <p>Objectives: 1. To increase awareness and adoption of Conservation Agriculture principles and practice in smallholder farming systems; 2. To build capacities within NASFAM to support implementation of Conservation Agriculture practices; 3. To</p>	2009 – 2010 TC: App	Good potential for linkages with the proposed SAPP

Donor/ Implementing Agency	Nature/Title of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
	Smallholder Systems	document and promote 'best bet' practices in Conservation Agriculture among smallholder farmers; 4. Increase food and cash production through increased productivity from use of nitrogen fixing plants; Promote water conservation in response to erratic rainfall Panned Outputs: 1. Strengthened adoption of CA practices among farming systems; 2. Strengthened capacity by NASFAM to implement CA practices; 3. Best bet practices on CA documented and disseminated; 4. Increase productivity of food and cash crops through use of N-fixing plants	Euro 230 000	
Irish Aid / International Potato Center (CIP)	Rooting Out Hunger with Nutritious Orange-Fleshed Sweet Potato in Malawi	Coverage: Chikwawa, Phalombe, Dedza, Zomba Objectives: 1. Improve vitamin A intake for rural vulnerable groups in Central and Southern Malawi; 2. Increase effective demand by changing the perception of sweetpotato and develop fresh root marketing chains for orange-fleshed sweetpotato; 3. Increase the productivity and quality of sweetpotato; 4. Increase the capacity of DARS to produce clean, tissue culture sweetpotato plantlets, maintain primary multiplication sites, and design and conduct seed systems and integrated crop management research. Planned outputs: 1. Improved nutrition among the vulnerable groups in central and southern Malawi through Vitamin A intake from sweet potato.; 2. Increased supply and demand for orange fleshed sweet potato with developed value marketing chains; 3 Increased productivity and quality of sweet potatoes; 4. Increased capacity of DARS to produce clean, tissue culture sweet potato plantlets, maintain primary multiplication sites, and improved integrated crop management research.	2009 (To be extended for 4 years) TC: Euro 215 000	Potential for linkages with RLEEP
Irish Aid/ICRISAT	Malawi Seed Industry Development	Coverage: 11 districts Objectives: 1. Develop the Capacity of Existing and Potential Local Seed Companies; 2. Improve the Policy Environment for Seed Trade; 3. Strengthen the Commercial Distribution Networks for Improved Seeds, Complementary Inputs, and Resulting Crop Outputs Planned Outputs: 1. Increased number of NASFAM farmers growing high quality certified seeds; 2. Increased quality and speed of seed processing using proper equipment; 3. Seed production and processing operated in a sustainable way.	2002 (To be extended) TC: app Euro 450 000	Important potential for partnership related to quality seed production and supply .

Key file 4: Target group identification, priority issues and operational response

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	Possible Programme Response
Economically Active and Transient Poor Smallholder Farming Households	<ul style="list-style-type: none"> • Few opportunities to diversify livelihoods • Inadequate access to markets, knowledge about market opportunities and marketing skills • Traditional and cultural practices limiting women's production and access to services, markets and cash • Low literacy, numeracy, especially for rural women • Limited access to quality agricultural land • Dependence on rainfed farming • Limited productive and household assets • Limited access to farm inputs: availability, cost, credit • Limited use of improved cropping practices • Limited contact with extension services • Non-profitability of input use, especially fertilizers • Loss of livestock due to disease, theft and funerals 	<ul style="list-style-type: none"> • Sell produce on local markets at low prices • Rent land • Risk averse cropping pattern • Restrict use of purchased inputs • Use manure to improve soil fertility if available 	<ul style="list-style-type: none"> • Improved access to information and markets • Opportunities for adding value through processing and storage • Opportunity to diversify livelihoods into non-farm activities • Enterprise related literacy training • Access to land and/or micro-irrigation • Opportunities to diversify crops/livestock • Improved seed varieties • Access to affordable credit • Reformed, enhanced extension services • Reduced post harvest losses • Improved farming skills • Availability of appropriate technologies 	<ul style="list-style-type: none"> • Promote commercial crop/livestock diversification • Develop skills in produce marketing • Form and strengthen FBOs through training • Facilitate access to finance, advice, training and mentoring for farmer groups to develop enterprises • Link farmers, women to private sector co-actors • Enforce discipline in contract arrangements • HIV & AIDS awareness, understanding for behavioural change • Gender training and empowerment • Ensure representation of women in grassroots organizations and participation in decision making
Smallholder Farming Communities in General	<ul style="list-style-type: none"> • High incidence of HIV/AIDS, TB and malaria • Shortage of labour in households and the community due to sickness, care-giving, funerals and death • Increased food insecurity and poor nutrition • Heavy responsibility for the core poor: orphans, aged, vulnerable female headed households • Marked and persistent dependency syndrome 	<ul style="list-style-type: none"> • Take up <i>ganyu</i> labour • Use traditional doctors • Leave land uncultivated or switch to less labour intensive activities • Food aid and relief income 	<ul style="list-style-type: none"> • Assistance with home-based care including safe care practices • Appropriate health care and improved nutrition for the sick • Ease burden of rural living, for example, fetching water and firewood • Promote, support self-help, self reliance 	<ul style="list-style-type: none"> • Improve nutrition through diverse production and higher income • Build HIV/AIDS awareness and behaviour change communication into enterprise activities • Apply gender training and empowerment in connection with value chain development • Ensure women's representation and participation on enterprise and community decision-making bodies

