



**New Partnership for
Africa's Development (NEPAD)**
**Comprehensive Africa Agriculture
Development Programme (CAADP)**



**Food and Agriculture Organization
of the United Nations**
Investment Centre Division

GOVERNMENT OF THE REPUBLIC OF MALAWI

SUPPORT TO NEPAD-CAADP IMPLEMENTATION

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**NATIONAL MEDIUM TERM INVESTMENT PROGRAMME
(NMTIP)**

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MALAWI: Support to NEPAD–CAADP Implementation

Volume I: National Medium–Term Investment Programme (NMTIP)

Bankable Investment Project Profiles (BIPPs)

Volume II: Commercialization of High-Value Crops

Volume III: Integrated Water Management and Rural Agricultural Credit

Volume IV: Livestock and Fishery Development

Volume V: Agricultural Technology Development and Dissemination

MALAWI:
NEPAD–CAADP National Medium–Term Investment Programme (NMTIP)

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Abbreviations

ACP	African, Caribbean and Pacific
ADD	Agricultural Development Division
ADMARC	Agricultural Development Marketing Corporation
AfDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
AIMs	Agricultural Input Markets [Development Project]
ALDSAP	Agricultural and Livestock Development Strategy and Action Plan
APIP	Agricultural Productivity Investment Programme
CAADP	Comprehensive Africa Agriculture Development Programme
CAP	Country Assistance Plan
CAS	Country Assistance Strategy
CCA	Common Country Assessment
CFA	Core Function Analysis
CISANET	Civil Society Agriculture Network
CNFA	Citizens Network of Foreign Affairs
COSOP	Country Strategic Opportunities Paper
CSP	Country Strategy Paper
DFID	Department for International Development
EDF	European Development Fund
EPA	Extension Planning Areas
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GNP	Gross National Product
GoM	Government of Malawi
HIPC	Highly Indebted Poor Country
HIV	Human Immunodeficiency Virus
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFDC	International Fertilizer Development Centre
IMF	International Monetary Fund
IRLADP	Irrigation, Rural Livelihoods and Agricultural Development Project
JICA	Japan International Cooperation Agency
JOCV	Japanese Overseas Co-operation Volunteers
JSA	Joint Staff Assessment (IMF/IDA)
LRDC	Land Resources Development Centre
MASIP	Malawi Agricultural Sector Investment Programme
MDG	Millennium Development Goals
MEPD	Ministry of Economic Planning and Development
MIM	Malawi Institute of Management
MIPA	Malawi Investment Promotion Agency
MoAIFS	Ministry of Agriculture Irrigation and Food Security
MPRS[P]	Malawi Poverty Reduction Strategy [Paper]
MTEF	Medium-Term Expenditure Framework
NAG	National Action Group
NASFAM	National Smallholder Farmers' Association of Malawi
NEPAD	New Partnership for African Development
NGO	Non Governmental Organization

NIP	National Indicative Programme (EU)
NPAN	National Plan of Action for Nutrition
PAMA	Paprika Manufacturers Association
PER	Public Expenditure Review
PIAM	Poultry Industry Association of Malawi
PRGF	Poverty Reduction Growth Facility
PROSCARP	Promotion of Soil Conservation and Rural Production Project
PRSP	Poverty Reduction Strategy Paper
RDP	Rural Development Project
Rumark	Malawi Rural Market Development Trust
SAP	Structural Adjustment Programme
SFFRFM	Smallholder Farmers Fertilizer Revolving Fund of Malawi
TAMA	Tobacco Association of Malawi
TCC	Tobacco Control Commission
UNDAF	United Nations Development Assistance Framework
USAID	United States Agency for International Development

Preface

*In an effort to halt and reverse the decline of the agricultural sector in the continent, the African ministers for agriculture unanimously adopted, at the 22nd FAO Regional Conference for Africa, held on 8 February 2002 in Cairo, a resolution laying down key steps to be taken in relation to agriculture in the framework of the **New Partnership for Africa's Development (NEPAD)**. As a follow-up to this resolution, they endorsed, on 9 June, 2002, the **NEPAD Comprehensive African Agriculture Development Programme (CAADP)**. The recent **Declaration on Agriculture and Food Security in Africa**, ratified by the African Union Assembly of Heads of State and Government during its Second Ordinary Session, held in Maputo between 10 and 11 July 2003, provided strong political support to the CAADP. During this session, the Heads of State and Government agreed to adopt sound policies for agricultural and rural development, and committed themselves to allocating at least 10 percent of national budgetary resources to the agri-rural sector within five years.*

*The CAADP provides an integrated framework of development priorities aimed at restoring agricultural growth, rural development and food security in the African region. In its very essence, it seeks to implement the key recommendations on food security, poverty reduction and sustainable use of natural resources, made at recent global conferences. The CAADP comprises **five pillars**:¹*

- 1. Expansion of the area under sustainable land management and reliable water control systems.*
- 2. Improvement of rural infrastructure and trade-related capacities for improved market access.*
- 3. Enhancement of food supply and reduction of hunger.*
- 4. Development of agricultural research, technological dissemination and adoption to sustain long-term productivity growth.*
- 5. Sustainable development of livestock, fisheries and forestry resources.*

As an immediate follow-up to the Maputo Declaration, representatives of 18 African ministries for agriculture from member countries of the NEPAD Implementation Committee, the NEPAD Steering Committee, the African Development Bank, the World Bank, the International Fund for Agricultural Development, the World Food Programme, FAO and civil society, participated in a meeting held in Rome on 17 September 2003, in order to discuss the implementation of the CAADP, and more specifically the:

- Methodology for the review/update of the **national long-term food security and agricultural development strategies**.*
- Preparation of **National Medium-Term Investment Programmes (NMTIPs)**.*
- Formulation of the related “**Bankable Investment Project Profiles**” (BIPPs).*

¹ Pillar 5 was initially not part of CAADP, but has been added in recognition of the importance of the sub-sectors.

It is within this context that the Government of Malawi, in an effort to reinforce its interventions aimed at fighting poverty and food insecurity, has requested FAO to assist in preparing a NMTIP and a portfolio of BIPPs, with the aim to:

- *create an environment favourable to improved competitiveness of the agricultural and rural sector;*
- *achieve quantitative objectives and mobilize resources to the extent needed for the associated investment in agriculture;*
- *achieve the targeted allocation of national budgetary resources to this area, reflecting the commitment made in the Maputo Declaration; and*
- *create a framework for coordinated bilateral and multilateral financing of the sector.*

The present NMTIP, which draws on work of the recent key strategy/policy documents including the Poverty Reduction Growth Facility (PRGF), the Food Security and National Agricultural Development – Horizon 2015, the Public Investment Plan 2003/4 – 2005/6, the Medium Term Competitiveness Strategy for the Private Sector and donor country support strategy papers is intended to contribute to the Poverty Reduction Strategy Paper (PRSP). It was prepared by a national team of consultants,² under the overall supervision of the National Project Coordinator in the Ministry of Agriculture, Irrigation and Food Security (MoAIFS).³ The team was assisted by an International Consultant⁴ and staff from the FAO Investment Centre Division⁵ while the Office of the FAO Representative provided crucial administrative support. In the process of preparing this document, participation was sought from major stakeholders from government, development partners, farmers' organizations, private sector and civil society. Key to the finalization of the NMTIP was the National Stakeholder Workshop held on 2 July 2004, during which a draft of this document was discussed and validated, and project ideas for the BIPPs prioritized, based on agreed-upon selection criteria. Four of these were further developed into BIPPs that are presented in a separate document.⁶ Lastly, the NMTIP and the BIPPs were reviewed by an FAO Virtual Task Force of technical experts.

This document starts with a brief description of Malawi's agricultural sector in the context of the country's economy and poverty and food security situation. This is followed by a review of national and development partner strategies and programmes, lessons learned, and an analysis of the principal constraints to, as well as opportunities for, the development of the sector. Based on this analysis and taking into account existing government strategies and the five pillars of CAADP, priority areas for investment have been identified. Finally, an attempt has been made to estimate the financing gap in terms of additional resources that would be required to meet the target of allocating 10 percent of national budget to the sector within five years, and a proposal put forward for monitoring and evaluation of the NMTIP implementation.

² Messrs Ian Kumwenda, Lead National Consultant, Benito Kumwenda and Joseph Dzanga.

³ Mr Danston Kabambe.

⁴ Mr John Woodend, Agricultural Economist, Consultant.

⁵ Mr George Mashinkila, Economist, TCIS.

⁶ For the purposes of the present exercise, "Bankable Investment Project Profiles" are defined as documents elaborated in a format and with the information that could make them favourably considered by the financial institutions, donors and private investors foreseen in the Maputo Declaration. These documents should enable cooperating partners to make preliminary indications of interest, and of approximate level of funding commitment. Further feasibility analysis and subsequent processing through the concerned partner (s) regular project formulation systems would follow to obtain a project/programmed proposal elaborated to the feasibility study level.

I. INTRODUCTION

A. The Economy

I.1. Malawi is one of the world's poorest countries with a per capita income of just US\$170 per year. Its economy is overwhelmingly agrarian with agriculture accounting for nearly 90% of foreign exchange earnings and 85% of employment, though only one-third of GDP. The country has a land area of 9.43m hectares of which only 32% is suitable for rainfed agriculture. Population is 10.8m and growing at about 2% per year.

I.2. Poverty in Malawi is both chronic and widespread, and afflicts about 65% of the population. Several indicators highlight poverty including acute and widespread household food insecurity (40–50%), low literacy rate (58%), low quality of education, low life expectancy (from 43 years in 1996 to 39 years in 2000), high infant and under-five mortality rates (104 and 189 deaths per 1,000 live births, respectively) and high maternal mortality (1,120 deaths per 100,000 live births). The key causes of poverty are limited access/tenure to land, low education, poor health status, limited off-farm employment, and lack of affordable and accessible credit or capital inputs.

I.3. The economy of Malawi is heavily aid dependent and has of recent been adversely affected by the strained donor relations over governance issues. Typically, aid flows to the country amount to almost 12% of GDP and finance about 40% of total government expenditures. In 2001/02, external aid was equivalent to 10% of GDP (net foreign borrowing was 3.2% and grants 6.8% of GDP) and financed about one-half of the overall budget. At end-2002, Malawi's external debt stock was US\$2.8bn or 145% of GDP. Nearly 93% of this debt is on concessional terms, with about 91% owed to multinationals (of which 63% is owed to IDA). Total scheduled debt service in 2002 amounted to 18% of goods and services, though with relief granted so far, the actual debt service was 8%. The resulting increase in domestic debt has required more resources for debt service and thereby reduced the resources available to finance pro-poor activities.

I.4. Malawi's real GDP growth has been highly variable mainly due to the economy's dependence on weather conditions which have an overriding effect on agricultural production. Despite many years of reform, Malawi's growth performance since the mid-1990s has been modest and volatile and has actually worsened in recent years. The country's economic growth has not reached the all time high of 6% registered soon after independence (1964–79). Since the *Structural Adjustment Programme* (SAP) was introduced in 1981, Malawi's real GDP registered the highest growth rate of 4.6% between 1993 and 1998. Between 1996 and 1999 GDP growth averaged 4.6%, but from 2000 to 2002 it was only 0.6%, reflecting macroeconomic instability and repeated years of drought.

I.5. Since December 2000, Malawi has been implementing an economic programme with support from the International Monetary Fund (IMF) under the *Poverty Reduction Growth Facility* (PRGF) aimed at restoring macroeconomic stability, which is a prerequisite for sustainable poverty reduction. However, the programme has been off track since the beginning of 2001, and this has led to suspension of external budgetary assistance and to increased recourse to domestic borrowing to finance large budget deficits. At the heart of Malawi's macroeconomic stabilization problems lay its past failures to limit the size of its fiscal deficits. Continued unrestrained expenditure pushed the fiscal deficit to 5.6% of GDP in 1999/2000 and 5.8% of GDP in 2000/01, and was the principal reason for the IMF's decision to withhold PRGF funds in early 2001. In the absence of IMF support (which caused other donors to withhold support), the fiscal deficit grew to 8.9% of GDP in 2001/02. Fiscal targets were again missed in 2002/03 and will most likely be missed in 2003/04 as well.

I.6. The country's economic performance in 2001 was weak. Real GDP growth contracted by 4.1% mainly due to the drop in maize production caused by the drought. Inflation and interest rates remained high at 27.2% and over 40%, respectively, and the fiscal deficit including grants widened to 7.7% of GDP in the 2001/02 fiscal year in contrast to 2.0% in 2000/01. During 2002, real GDP growth was adversely affected by drought and flood conditions, as well as by high real interest rates, and was significantly lower than targeted in the MPRSP. After contracting by 4% in 2001, the growth rate in 2002 was less than 2%, and this originated mainly in areas not directly beneficial to the poorer segments of the population. To reduce poverty against the backdrop of increasing AIDS-related deaths, growth rates need to approach 6% and be broad-based.

I.7. Against this background, government formulated the economic programme for the 2002/03 fiscal year focusing on the need to continue pursuing the country's medium-term development strategy which seeks to reduce poverty. Consistent with these objectives, the programme aimed at achieving real GDP growth of around 2.0% in 2002 and 4.5% in 2003; and an average inflation of 9.4% in 2002 and 5.0% in 2003.

I.8. Under the 2003/04 budget the GoM is relying on increased donor funding to reduce the fiscal deficit to about 3% of GDP, from 8.4% of GDP in 2002/03. The GoM's real GDP growth projections for 2003 and 2004 are 3.4% and 4.3%, respectively. Emphasis for 2003/04 was on re-establishing fiscal discipline so as to ensure that domestic expenditures are brought in line with domestic revenue. The GoM has also increased the allocation for pro-poor expenditure from 6.4% of GDP in 2002/03 to 7% of GDP in 2003/04.

B. The Agricultural and Rural Sector

I.9. **Contribution to the Economy and Performance.** The agricultural sector accounts for approximately 40% of national income and employs more than 80% of the total labour force. In 1997 the sector registered growth of less than 1%, largely due to drought conditions. In both 1998 and 1999 the sector registered growth of 10%, largely due to growth in the smallholder sub-sector of about 19% in 1998 and 13% in 1999. During the same period, there was a decline in production in the large-scale sub-sector, amounting to 12% in 1998 and 2% in 1999. Poor prices on the tobacco auction floors are one of the major factors that have contributed to the low production levels in this sub-sector. The substantial growth in the smallholder sub-sector can be attributed to the "starter-pack" initiative. Recent performance of the agricultural sector has been poor, largely due to unfavourable weather conditions and reduced use of productivity-enhancing inputs in the smallholder sub-sector.

I.10. **Structure of Sector.** The agricultural sector in Malawi has a distinct dualistic nature characterized by the estate or commercial sub-sector and the smallholder or subsistence sub-sector. The smallholder sub-sector comprises about 3 million farm households locked in subsistence-oriented agriculture on 1.8m hectares of land under a customary land tenure system. The sub-sector accounts for about 80% of the country's food production, 10% of export earnings and 80% of the workforce. The estate sub-sector occupies 13% of the total land area under a leasehold or freehold land tenure system, mainly growing cash crops. Tobacco accounts for about 60% of total estate land, tea 20%, sugar 18% and the balance (2%) is used for growing other cash and food crops. Estate agriculture accounts for more than 25% of agricultural GDP, 10% of agricultural employment, 9% of total GDP and 90% of export earnings (mainly through export of the major cash crops of tobacco, tea and sugar).

I.11. **Livestock.** The livestock sector has remained small and only contributes about 7% to total GDP and about 12% to the value of total agricultural production. More than half of the 2 million smallholder families are involved in livestock activities. Over the years, the livestock sector has

experienced a general decrease in production due to inadequate improved breeds, high prevalence of diseases and parasites, high costs of manufactured feeds and high incidence of theft.

I.12. **Fisheries.** Malawi has a long history of fishing dating back to the pre-independent period. A little more than half of fish production in Malawi comes from Lake Malawi. In recent years between 10% and 15% of the total catch has been produced by large-scale commercial fisheries that are located mostly within the southern region of the country. The remaining 85% to 90% is produced by diverse small-scale fisheries that are widely spread throughout the country's fishable waters.

I.13. **Forestry.** The forestry sector has been deteriorating for the past decades despite government's efforts to curb the decline of forest resources. The major contributing factors to the reduction of forest area are farming and over-dependence on fuel wood as energy for most Malawians. Fuel wood consumption has resulted in enormous encroachment on forests, contributing to a 2.8% annual loss of forest area. In 1994 the cost associated with soil erosion due to deforestation was estimated at about 8% of the country's GDP per year. A net clearing of some 48,000 ha of forest takes place every year. Furthermore, it is estimated that 45% of the total wood supply is from non-sustainable stock cutting.

I.14. **Institutions.** In an effort to address the weaknesses of previous institutional mechanisms, GoM initiated the *National Rural Development Programme* (NRDP) in 1978 which, unlike the previous Integrated Rural Development Programmes (IRDPs), focused on the needs of resource-poor farmers throughout the country. To implement this programme, the country was divided into eight *Agricultural Development Divisions* (ADDs), each of which was subdivided into *Rural Development Projects* (RDPs). In turn, each RDP was further subdivided into *Extension Planning Areas* (EPAs) which were further subdivided into sections.

I.15. The *Ministry of Agriculture, Irrigation and Food Security* (MoAIFS) comprises six departments which report directly to the Principal Secretary. These are: the Administrative and General Department, comprising the Administration, Human Resources Management and Development, Finance, Internal Audit, Procurement, Transport and Planning Division; Department of Agricultural Research and Technical Services; Department of Animal Health and Industry; Department of Crop Production; Department of Agricultural Extension Services; and Department of Land Resources Conservation. However, the key departments relevant to agricultural development (i.e. research and extension) have been severely constrained due to declining funding and lack of institutional capacity. Administration and staff salaries absorb most of agricultural budget, leaving little for operational activities.

I.16. The main Parastatals are the *Agricultural Development and Marketing Corporation* (ADMARC) which has recently been restructured, the *National Food Reserve Agency*, the *Smallholder Farmers Fertilizer Revolving Fund of Malawi* (SFFRFM) and the *Tobacco Control Commission* (TCC). The Smallholder Crop Authorities for tea, tobacco, sugar and coffee which previously assisted in input supply and marketing for smallholder farmers have now been privatized.

I.17. In response to widespread criticism of excessive centralization and decision-making, GoM has developed a decentralization policy that is currently being implemented. The objective of the policy is to transfer authority from the central government to the local people so that they can identify and prioritise their problems, and make decisions on how to use resources. However, although the concept is good, the process has been poorly coordinated because not many people know what is happening, how the decentralization affects them, and how to manage the consequences of the process. Some institutional structures are being broken down and programmes changed without considering the effects on agricultural productivity.

I.18. **Financing.** The MoAIFS's share of recurrent expenditure allocations between 1994 and 1999 ranged from 3% to 5%. This is a significant decrease when compared with the 6–7% share between 1990 and 1994 (Table 1). A similar downward trend in funding can be observed in the development budget for the Ministry, except during the periods when the *Agricultural Productivity Investment Programme* (APIP) and *Starter Pack Programme* have been in full operation. These downward trends have largely resulted from a shift in government policy in 1994 towards the social sectors and, within the agricultural sector, reduced direct intervention in production and marketing activities.

Table 1: Development Account Showing the Actual Expenditure Trends vs. Approved Budget from 1991/92–1998/99 Financial Years								
Financial Year	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Approved Budget	64.3	42.7	53.8	90.5	192.2	187.3	135.6	1,660.0
Actual Expenditure	59.7	220.3	239.3	157.4	357.0	404.4	133.8	320.0
Expenditure as % of Approved Budget	92.9	515.2	444.8	173.9	185.7	215.9	98.7	19.3

Amounts in millions of Malawi Kwacha.
Source: Computed from Appropriations Accounts Documents.

I.19. The funding gap according to the *Public Expenditure Review* (PER, August, 2001) is described as the shortfall between the planned budget and the approved budget. A funding gap has always existed (Table 2) and has consequently hampered the implementation of activities in the sector. Furthermore, as the 2000 PER clearly demonstrates, resources within the priority sectors of education, health and agriculture have not been used efficiently and effectively.

Budget	Funding gap (%)			
	1998/99	1999/2000	2000/01	Average
Recurrent Budget	0	70.7	38.4	36.4
Development Part I	0	0	71.7	23.9
Development Part II	83.8	0	63.0	48.9
Average	9.5	41.3	63.3	38.7

Source: Public Expenditure Review, 2001

C. Strategic Framework

(i) **Government Objectives and Strategy**

I.20. Government commitment to poverty reduction was first formulated in the *Poverty Alleviation Programme* in 1994 and culminated in the *Vision 2020* document of 1998. Building on the above-mentioned initiatives, GoM launched the *Malawi Poverty Reduction Strategy Paper* (MPRSP) in 2002. The overall goal of the PRSP is to achieve sustainable poverty reduction through empowerment of the poor. Although diversification of the economy is a key objective, the PRSP acknowledges that for its three-year duration, the agricultural sector will remain the principal determinant of growth and therefore needs to be the focus of pro-poor policies. The strategy focuses on four pillars and cross-cutting themes: (i) sustainable pro-poor economic growth; (ii) human capital development; (iii) improving the quality of life for the most vulnerable; and (iv) good governance. In addition, issues of HIV/AIDS, gender, environment, and science and technology are addressed. Pillar one seeks to economically empower the poor by ensuring macroeconomic stability; expanding and strengthening access to agricultural inputs; improving research and extension services; introducing

farmer-friendly technologies; improving access to local and international markets; reducing land shortage and degradation; increasing investment in irrigation; and developing farmer cooperatives and associations.

I.21. Although the PRSP is a well-presented and credible framework for reducing poverty, its achievements to date have been less than satisfactory mainly because the assumptions upon which it was based (i.e. growth rate of 3%, inflation rate of 11.5% and exchange rate of MK71 for US\$1) have not been achieved. Within six months of its launch, IMF balance of payment support was withdrawn, forcing the GoM to increase its domestic debt to unsustainable levels, in effect undermining implementation of the MPRS. More recent IMF/IDA progress reports indicate that implementation of the MPRSP has been unsatisfactory because actual funds allocated for pro-poor activities have been substantially lower than envisaged. Many stakeholders have observed that the policies to fulfil the strategic objective of poverty-reduction are insufficient to achieve a sustainable level of 6 percent annual economic growth rate that is required to reduce poverty by half by the year 2015 in accordance with the Millennium Development Goals. To meet this objective, the *Ministry of Economic Planning and Development (MEPD)*⁷ coordinated the development of the *Malawi Economic Growth Strategy* in 2003. This initiative was combined with a parallel private sector recovery initiative spearheaded by the *National Action Group (NAG)*.

I.22. Malawi's agricultural development strategy and objectives remain basically unchanged from those outlined in the 1995 *Agricultural and Livestock Development Strategy and Action Plan (ALDSAP)*. Its four major thrusts are to: (i) increase the productivity and diversity of food crops in the smallholder sub-sector to meet the continued food security and improved nutrition status at the individual household and national level; (ii) promote tobacco production in the smallholder sub-sector so as to boost incomes and contribute to poverty alleviation; (iii) promote crop diversification — away from tobacco — in the estate sub-sector so as to broaden the base and increase the output of high value-added crops for export and domestic markets; and (iv) promote the expansion of the livestock sector and its integration with mixed crop farming systems.

(ii) Major Donors' Strategies and Priorities

I.23. The GoM and its development partners that are active in the agricultural sector signed a partnership agreement in May, 2002. The agreement is neither a pledging document nor a promise of specific funding or budget commitment by individual signatories. Rather, it is a statement of a joint approach to the complex problem of low rates of growth in the agricultural sector.

I.24. **European Union (EU).** The EU *Country Strategy Paper (CSP)* for Malawi and *National Indicative Programme (NIP)* were agreed with the GoM in 2002 and are consistent with the MPRSP. EU cooperation with Malawi focuses on two sectors: Agriculture and Natural Resources, and Transport Infrastructure. Assistance for agriculture and natural resources is focused in four areas: the institutional environment; diversified rural production and income generation; sustainable management of natural resources; and food security. The last review envisaged a follow-up to the *Promotion of Soil Conservation and Rural Production Project (PROSCARP)* financed under the 7th EDF. The focal areas highlighted for future support are institutional development (specifically capability and capacity development in public and private sectors, including farmer organization development for horticulture and crop enterprises) to plan, implement and monitor programmes and projects under the emerging decentralized arrangements for district provision of agricultural services,

⁷ Successor to the *National Economic Council*, under which this initiative was begun.

as well as better impact assessment through improved monitoring and evaluation of results and outcomes. An amount of €35 million was budgeted under envelope A for this purpose.

I.25. **United States Agency for International Development (USAID).** USAID's goals and strategies for its development assistance activities are elucidated in its *Country Strategic Plans* that usually cover a period of five years. The agency's main goal in Malawi for the period 2001–2005 is to reduce poverty and increase food security through broad based, market-led economic growth. To achieve this goal, four *Strategic Objectives* (SOs) have been selected. These are: SO 1: Sustainable Increased Employment Opportunities and Rural Incomes; SO 2: Increased Civic Involvement in the Rule of Law; SO 3: Behaviours Adopted That Reduce Fertility and HIV/AIDS and Improve Child Health; and SO 4: Improved Quality and Efficiency of Education. Support to the agricultural sector is provided in two forms, namely *Non-project Assistance* and *Direct Project Assistance*. Under non-project assistance, USAID supports policy reform to enable the rural poor to participate in development. Under direct assistance USAID supports projects in crop diversification, food security and input market development.

I.26. **Department for International Development (DFID).** The central focus of the UK Government's policy based on the 1997 and 2000 *White Papers on International Development* is a commitment to the internationally agreed Millennium Development Goals to be achieved by 2015. Under its *Country Assistance Plan* (CAP): 2003/04–2005/06, DFID has pledged to support the GoM to achieve its PRSP goals, and to better equip it to deliver sustainable services to the poor and help mitigate risks that threaten to derail these processes. DFID will focus on three core areas over the CAP period 2003–2006. These are: measures to enable sustainable growth and improve livelihoods; better service delivery to the poor; and pro-poor governance.

I.27. **United Nations (UN).** The 1997–2000 UNDAF focused on poverty eradication while the 2002–2006 also focuses on poverty reduction, democratic governance and prevention and mitigation of the impact of HIV/AIDS as the major development challenges included.

I.28. **FAO/SPFS.** The *Special Programme for Food Security* (SPFS) became operational in Malawi in November 1997, with initial funding provided by FAO under two TCP projects. Its overall objective is to contribute to the improvement of household and national food security through the identification, demonstration and replication of tested appropriate agricultural production technologies. Following the successful initiation of the SPFS in the country, Malawi was one of the eight countries selected to receive grant funding from AfDB for the implementing of the SPFS. The AfDB approved in June 2000 a grant of US\$1m to upscale SPFS activities in Malawi under a three-year project.

I.29. The SPFS focuses on water control and management for irrigation purposes, crop intensification and diversification, and storage and marketing. The programme is also supported by capacity building at the community level, using the *Farmer Field School* approach. Project sites were increased by 100% from the previous 8 under TCP projects to 16, with the new sites supported by the AfDB grant. The total number of direct beneficiaries has also increased to about 1,000 with a reasonable male: female proportion of 60:40. The project has successfully contributed to household food security through enhanced farm production and income from crop and livestock diversification activities. It has also test-applied appropriate crop and livestock technologies aimed at improving agricultural productivity and production in farmers' fields. These efforts are assisting food insecure households to access technologies. The major constraints faced were related to land ownership, irrigation water supply and poor accessibility to project sites.

I.30. The project will be completed in December 2004. GoM has, within the context of NEPAD–CAADP, prepared and submitted to AfDB for its consideration for funding, a draft concept note on

irrigation development and water management. The note is based on recommendations of the recently completed *Smallholder Irrigation Study for Malawi* undertaken by an independent consultancy firm. It is expected that the envisaged large scale project would incorporate the experiences and opportunities emanating from the SPFS and other programmes and projects in the country.

I.31. **The World Bank.** The Bank's new *Country Assistance Strategy* (CAS) presents a transitional programme that aims to help the government to address the urgent development issues that Malawi now confronts. The programme is organized under three pillars: (i) strengthening economic management; (ii) establishing a platform for growth; and (iii) improving service delivery and strengthening the safety net. During the CAS period (FY04–06), the Bank will provide financing, totalling up to US\$105m in the low case, for projects that could succeed even if the macroeconomic performance is weak, as well as analytical and advisory services to achieve a small number of critical outcomes needed to restore Malawi's development prospects. These outcomes include: reduced HIV incidence, macroeconomic stability, selected agricultural reforms, and improved delivery of basic health and education services. If Malawi attains the base case, lending could rise to as much as US\$215m and could include adjustment lending as well as the development of sector-wide approaches in the health and education sectors.

I.32. The most relevant pillar for the agricultural sector is the second pillar which involves establishing a platform for sustainable poverty-reducing growth. Three projects have been proposed for the base case: a *Community Land Reform* project (US\$25m) that will pilot reforms intended to redistribute under-utilised land to the poor, an *Infrastructure Services* project (US\$40m) aiming to expand rural services required for growth, and an *Agriculture* project (US\$30m) aiming to restructure the MoAIFS and improve competitiveness in the tobacco sector which is expected to remain the principal source of growth in the medium term. However, if Malawi remains in the low case, the latter two projects will be reduced in scope and combined into an *Integrated Rural Income Generation* project (US\$30m) instead.

I.33. **NORAD.** According to its strategy for development cooperation with Malawi (2001–2005), Norway will support development efforts focusing on good governance, HIV/AIDS prevention, macro-economic reform, and health sector development. As a general rule, support outside these main areas will be discontinued after termination of existing agreements. Exceptions may be considered in special cases. Although agriculture is not a priority in the Memorandum of Understanding between NORAD and the GoM, a few programmes in the sector are currently being funded (Annex 1). Malawi is also targeted in the just released *Norwegian Plan for Agriculture*, but details of the support that will be provided are still scanty.

I.34. **International Fund for Agricultural Development (IFAD).** IFAD's strategy for Eastern and Southern Africa complements its overall strategic framework for 2002–06. The framework emphasizes the necessity of significantly reducing poverty if the Millennium Development Goals (MDG) is to be achieved. It focuses the Fund's own future on enabling the poor to overcome poverty. IFAD will concentrate on critical areas in which its experience has given it particular strength. These include building the capacity of the rural poor and their organizations; improving equitable access to productive natural resources and technology; and increasing access to financial assets and markets. The development of IFAD's COSOP for Malawi has been delayed due to political uncertainties prior to the May 2004 elections.

I.35. **Japan International Co-operation Agency (JICA).** JICA provides technical cooperation and grant aid assistance to developing countries. The Grant Aid Programme is a form of extending financial assistance which does not require repayment. JICA's Malawi project rolling plan for the period 2002–2006 focuses on institutional capacity building in the MoAIFS, increasing food crop

production, increasing fish production, and improving animal husbandry. The plan also covers health, education, infrastructure development and other areas.

I.36. **African Development Bank (AfDB).** Lessons learnt in the Bank's Strategy for 1999–2001 include the need to: continue AfDB interventions within the vision of the country and its poverty reduction strategies; continue support to agriculture and rural development which will continue to be important sectors for poverty reduction in Malawi; put emphasis on strengthening implementation capacity, preferably at sectoral level; and focus on fewer areas of intervention and attract bigger loan sizes in order to improve development impact. The overall thrust of the Bank's *Country Strategy Paper* (CSP) for 2002–2004 is poverty reduction through pro-poor economic growth and capacity building. Sectoral orientation to support pro-poor growth will put emphasis on: strengthening capacity to design and implement pro-poor agricultural projects and programmes; improving accessibility and mobility in rural areas; and improving the policy environment for rural poverty reduction.

(iii) Other Development Initiatives

I.37. The Ministry of Agriculture, Irrigation and Food Security has recently embarked upon a Ministry-wide Core Function Analysis exercise whereby the core functions of the Ministry will be defined, as will the services to be provided by other players such as the private sector, NGOs and other stakeholders. The first phase entailed a client survey that was completed in May 2004 and was followed by a stakeholder workshop that was held in early July 2004. The workshop agreed on broad core activities to be undertaken by various players and what needs to be done to provide the required services. Details of how the various players will collaborate will be worked out in due course. The institutional development initiative across the agri-food sector under the EDF 9 will be closely linked to this process.

(iv) Project Pipeline

I.38. **European Union.** There are a number of pipeline projects under the 9th EDF of the Rural Development and Food Security Section of the EC Delegation in Malawi. The key projects are: the farm income diversification programme with an estimated budget of €36.5m; the income generation public works programme with a budget of €25m; the forest management for sustainable livelihoods project budgeted at €15m; the *Institutional Development Across Agri-food Sectors* initiative with a budget of €8m; support to the land reform process estimated at €1.9m; and the multi-annual food security programme budgeted at €45m. The two major pipeline projects are outlined below.

- **Farm Income Diversification Project.** The overall objective of this project is sustainable improvement of the livelihoods of rural communities by diversifying farmers' incomes. The purpose is to improve food security and the income levels of rural households while promoting the sustainable use of soil and water resources.
- **Sector Wide Approach to Institutional Development Programme: Agri-Food Sector.** This programme will be implemented within an integrated *Sector-Wide Framework for the Development of the Agri-Food Industry*. A major thrust of the programme will be the reorganization and renewal of existing institutions and relationships as crucial preparatory steps for improving institutional capacities in focal ministries, and partnerships for sector wide services provision. Broad agreement on this programme has been reached with stakeholders and other donors, including its major thrusts under production, processing and marketing hubs, as well as the strategic areas in which individual donors are interested in providing funding for their particular focal priorities.

I.39. World Bank: Irrigation, Rural Livelihoods and Agricultural Development Project.

Following discussions between the MoAIFS and the World Bank at the end of 2003, the following three broad areas for possible assistance were identified under the *Irrigation, Rural Livelihoods and Agricultural Development Project* (IRLADP): Irrigation; Marketing; and Technology Transfer and Extension. During IRLADP preparation work four issues have been identified that underlie the low productivity and profitability of Malawi's agriculture: (i) low irrigation development and poor water management; this issue is being addressed under pillar 1 of the CAADP; (ii) a weak extension system that has undermined the productivity of Malawi's agriculture; this issue is being addressed under pillar 4 of the CAADP; (iii) the HIV/AIDS epidemic that has an overwhelming adverse impact on agricultural labour and the delivery of agricultural services, and requires creative approaches of organizing labour and resources for production to reduce rural poverty; this is a cross-cutting issue that impinges upon all the CAADP pillars; and (iv) inadequate markets, with weak linkage of smallholders to input and output markets; this issue is being addressed under pillar 2 of the CAADP. The total estimated cost of the project in US\$30m.

I.40. Lessons Learnt. Malawi has implemented several government and donor-funded agricultural and rural development programmes and projects which, for various reasons, have produced mixed results. The NMTIP and resulting “bankable” projects will build upon this valuable experience so as to enhance the prospects for success and sustainability. The principal lessons learnt are:

- For successful implementation of a project, all stakeholders should be consulted so as to identify critical issues and build consensus as early as possible in project preparation. The issues of critical importance are ensuring the availability of the capacity to implement project activities, and ensuring that government agencies and partners involved in the sector are fully informed and supportive of the project idea;
- Design of a project, especially when it involves institutional reforms, must be based on a realistic assessment of management capacity and commitment to change;
- Effective and timely flow of resources to the field level is a pre-condition for successful project implementation. This can be achieved by simplifying procedures, strengthening financial management and designing projects in which responsibility is devolved to the lowest levels, as is the case in decentralization strategy;
- Investments aimed solely at agricultural productivity cannot reduce poverty, but should include aspects such as the development of markets, infrastructure and information systems;
- There is need to guarantee counterpart funding and encourage the formation of farmer clubs/associations so as to reduce dependency on donor and government funding. These initiatives will promote sustainability of investment interventions;
- The MoAIFS should have strong leadership and take charge of donor coordination for all agricultural development projects. This will prevent duplication of initiatives and ensure a unified approach that will be easier to implement;
- The effect of World Bank's interventions in the agricultural sector within Malawi, where the majority of households depend, in whole or in part, on agriculture for their livelihood is extremely mixed. Many objectives were not achieved, and outcomes can only be considered marginally satisfactory. The Bank's experience in the agriculture sector in Malawi has a number of lessons for the future: (i) priority should be given to understanding the changes currently occurring in the sector and in related sectors, in

particular, focusing on efforts to improve the database; (ii) the smallholder development approach should place primary emphasis on supporting diversification, and on economic rather than physical intensification integral to rural development: rural public works, especially labour-intensive ones, should be integral to the rural development strategy; (iii) extension support should be pluralistic and increase the focus on responsiveness to farmer (both male and female) priorities, possibly making greater use of private channels; (iv) agricultural input supply, and rural development policies should not deter the development of small-scale trade enterprises; (v) greater emphasis should be placed on the regional aspects of development and trade, including the private sector;

- The Malawi's land tenure, marketing and price policies as well as its general support to the estate sector have adversely affected smallholder crop production. There is need for a dynamic, competitive and promotion-oriented marketing system and farmer-centred approach to development;
- A sustainable rural financial system which starts with savings mobilization, is demand-led, and seeks to promote and develop a viable rural banking system. The recent *Credit Default Study* indicates that once credit became supply-led farmers clubs expanded too rapidly and lost their cohesion. The lesson learned is that group credit through clubs may have its limits and alternative avenues and institutions through which farmers with credit should be investigated in the future. Major credit components, such as credit, must not be implemented without a tracer study of those targeted; and
- The active participation of the beneficiaries in the design and implementation of projects is essential. There is much more scope for encouraging active participation of beneficiaries in all project activities.

(v) Conclusion

I.41. The projects in pipeline cover most of the pillars of the CAADP including issues of natural resources and infrastructure. However, there is need for more work to be done to get more information to get an appreciation of how they all link to each other and the depth in terms of activities and costs. Further work will be needed in these areas particularly during detailed project design of the bankable projects.

I.42. As per its ALDSAP and MPRSP, the main strategic thrusts of GoM are to: expand and strengthen access to inputs (including irrigation, land and labour productivity); improve market and information infrastructure (including roads, electricity and telecommunications); enhance agricultural financing and input credit facilities; improve research and extension services, and introduce and promote farmer-friendly technologies; and, enhance agro-processing so as to add value to primary products. The linkage between these priority intervention areas and strategies, and the CAADP pillars are illustrated in Annex 2.

II. CONSTRAINTS AND OPPORTUNITIES

II.1. ***Macroeconomic.*** One of the main macroeconomic issues is the excessive expenditure of the central government and the subsequent deficits that have led to high levels of inflation as well as high interest rates. These conditions are detrimental to the poor and to investment by the private sector. Pro-poor expenditure has also been considerably lower than anticipated in the MPRSP. In addition, the current budget allocation to the MoAIFS has declined as a result of the shift in government policy towards the social sectors in 1994.

II.2. Malawi has been unable to stabilize its currency which has continued to depreciate over the last five years. As a result, prices of essential imported inputs have increased substantially and discouraged smallholder farmers from using them. Although agriculture is a major source of foreign exchange, export agriculture is constrained by extractive taxes and rent-seeking. Both inputs and outputs are heavily taxed causing constriction on farm profits.

II.3. Perhaps the greatest and most necessary opportunity pertains to the stabilization of the country's macroeconomic situation which would not only lead to a resumption of support from the international financial institutions (IFIs) and donors, but also make more funds available for pro-poor activities. GoM commitment to poverty reduction and reversing the decline of the agricultural sector, and its proposed increased budgetary allocation to pro-poor activities presents a much-needed opportunity for more effective implementation of activities that can address the priority intervention areas for the agricultural sector.

II.4. ***Natural Resource/Environmental.*** The worsening poverty situation has resulted in a very negative impact on the environment and dependence on harvesting of natural resources for survival is on the increase. The poor exert a heavy toll on the environment because of excessive harvesting of fuel wood and food (particularly fish and wildlife). Furthermore, their agricultural practices have led to the mining of soil nutrients without much effort being made to replenish such nutrients due to the high cost of inorganic fertilizers.

II.5. The present situation is that: there is land shortage in the country due to population pressure; current land inheritance laws encourage fragmentation of land and discourage long-term investments in land improvement; the immediate demand for food production inhibits the use of crop rotation fallows and afforestation and this leads to deforestation and declining soil fertility and structure; about 95% of energy use in Malawi is wood-based, and this is leading to deforestation and soil erosion. The major issues to be addressed are land tenure, land management, soil erosion control, and protection of fragile catchment areas including hilltops, hill slopes and valleys.

II.6. Opportunities for reversing the decline in natural resources include: development and promotion of alternative energy sources (e.g. solar, biogas) for the rural poor; promotion of energy-conservation technologies; reforestation and afforestation; establishment of fast-growing woodlots; promotion of community-based conservation programmes; development and promotion of appropriate land husbandry techniques that can improve soil and water conservation and soil structure, and reduce surface erosion; and adoption of land tenure arrangements that can reduce land fragmentation and provide an incentive for natural resource conservation. Strong donor interest in community-based natural resource management is also an important opportunity.

II.7. ***Agricultural Production.*** The *Malawi Agricultural Sector Investment Process* (MASIP) was established in 1999 by the MoAIFS to coordinate investment in the agricultural sector through identifying priority areas for investment and directing donor funding to the priority areas. MoAIFS used a consultative and highly participatory process to identify and prioritize the main agricultural

production constraints. These are (in order of priority): poor access to inputs (including irrigation, land and labour); inefficient markets and marketing systems (including infrastructure); limited agricultural financing; low technology development and adoption; inadequate agro-processing for value adding; low livestock population and productivity; weak policy and institutional framework; over-dependency on rain-fed agriculture; crop and livestock theft; food insecurity and malnutrition; and land degradation. Important cross-cutting constraints include HIV/AIDS, gender imbalance, inadequate private sector development and security concerns. In addition, several studies were undertaken to identify a list of priority projects. MASIP is currently involved in a ministry-wide *Core Function Analysis* (CFA) exercise which is scheduled to be completed in May 2005. The analysis is expected to generate and outline linkages with donor partner programmes such as the WB's IRLADP (see I.39 above); and the EU's *Institutional Development Across Agri-food Sectors* initiative (see I.38). With subsequent preparation of the NMTIP/BIPPs, it is anticipated that the BIPPs will only be activated after completion of the CFA.

II.8. In accordance with the identified priority constraints, GoM has identified the following four areas as high priority intervention areas for development of the agricultural sector: access to inputs (including irrigation, land and labour productivity); market infrastructure and information (including roads, electricity and telecommunications); agricultural financing and input credit facilities; technology development and dissemination; and agro-processing for value adding. Strategies for addressing these priority areas have also been elaborated (Annex 2).

II.9. The investment opportunities for the above-mentioned priority intervention areas are manifold and could include the following: development and support of input distribution networks, including upgrading of rural infrastructure; promotion and support of private sector-led input distribution networks; promotion and support of irrigation schemes based on low-cost irrigation technology; upgrading of marketing infrastructure, including physical infrastructure and market information systems; promotion of rural-based microfinance institutions and saving clubs; generation and dissemination of appropriate technologies; and development and promotion of appropriate value-adding processing technologies. Development and support of strong organisations and associations constitutes an integral part of empowering smallholder farmers so that they themselves can address critical issues such as access to inputs, markets and finance, as well as agro-processing for value-addition.

II.10. **Livestock Production.** Livestock production is primarily constrained by the lack of improved breeds, poor access to low cost quality feed, lack of animal health services and facilities, and rampant cattle thefts. Cattle marketing services previously provided by government are still in great demand although unfair pricing mechanisms characteristic of a thin livestock market are still prevalent. The opportunities for enhancing livestock production include development of improved breeds, implementation of improved grazing systems including livestock fodder production systems and, perhaps most importantly, integration of livestock with mixed cropping systems.

II.11. **Fisheries.** The following are the main constraints to the fisheries industry: inadequate support services exacerbated by the privatisation process of essential support services such as the boatyards and ice plants; inability of the privatised support services to provide the right level of services; lack of training opportunities to provide necessary business management skills; policy loop holes allowing the holding on to commercial fishing licences even when the owners have not used the licence for several years; poor infrastructure; over-fishing in some areas of the country; and poorly established fish markets throughout the country. On the other hand, the following are the opportunities for the growth of fisheries: recognition by GoM of the potential of the fisheries industry to address food security issues; establishment of a fisheries research programme; and support of the industry by developing partners such as JICA.

II.12. **Forestry.** The major constraints to the forestry sector are: increased levels of encroachment, excisions and illegal tree cutting; limited resources for the enforcement of the forestry laws; under-pricing of forest produce; marginalization of non-wood forest products; poaching and bush fires; absence of management plans; poor forest reserve boundary maintenance; rising demand for agriculture land; uncontrolled and unsustainable exploitation of forest resources; and high population growth rates. The major opportunities for forestry development are: elaboration of a comprehensive forestry policy; donor interest especially the European Union support to the natural resources sector; introduction of other sources of fuel to replace the over-dependence on fuel wood; and the introduction of co-management aspects into the management of natural forests.

II.13. **Institutional.** One of the major reasons for the persistent poverty at household level has been lack of capacity to reach the poor due to over-centralised decision-making and implementation processes. In order to address these shortcomings, GoM has embarked on a comprehensive decentralization programme in order to facilitate broad participation in issues of governance, development and resource allocation. However, it is widely felt that although the concept is good, the process has been poorly coordinated because not many people know what is happening, how the decentralization affects them, and how to manage the consequences of the process. Some institutional structures are being broken down and programmes changed without considering the effects on agricultural productivity.

II.14. Lack of institutional capacity within the MoAIFS, particularly in the extension services, has severely hampered the provision of services to smallholder farmers. There are 1,500 Agricultural Extension Development Officers as opposed to 3,000 that are needed to operate effectively, a situation that has compelled the GoM to hire retired officers at a higher cost. Furthermore, the extension services lack staff that is adequately trained in appropriate smallholder irrigation technology. In future particular attention must focus on efforts on extension support should be pluralistic, possibly making greater use of private channels and emphasis on the regional aspects of development and trade, including the private sector.

II.15. The MPRSP defines M&E mechanisms for its implementation, including an annual PER review and a comprehensive review after three years. However, monitoring and evaluation of the country's programmes, in particular the MPRSP, continues to be undertaken in a fragmented manner and quantitative progress assessment by line ministries has been found to be inadequate. The extent of the problem is highlighted in the latest (October, 2003) IMF/IDA *Joint Staff Assessment* (JSA) of the MPRSP which failed to assess the progress on the MPRSP due to the absence of reliable data. A Task Force has since finalised an MPRSP M&E master plan which should have been adopted by end-2003. However, it is envisaged to be adopted during the second quarter of 2005 and will allow for a systematic analysis of the MPRSP implementation.

II.16. **Cross-cutting Constraints.** The most important include: gender imbalance; HIV/AIDS; inadequate private sector development and service provision; declining social and property security; and safety nets.

II.17. **Gender Imbalance.** Although women constitute 52% of the population and about 70% of them are farmers, they have less access (than men) to agricultural resources. Gender inequalities persist in participation in or access to benefits of development all over the world. In Malawi, women are disadvantaged in terms of access to health, education, and agriculture services. The debate on the importance of the gender variable in economic and social policy analysis revolves around two issues. The first one is whether women and girls or female-headed households should be special targets of programmes like credit, education etc, that do not provide biologically determined roles. The second one is whether gender inequalities impedes economic growth, which is considered a condition for

poverty reduction. The implementation of gender sensitive programmes usually require that there must be gender targeting in service delivery, and specifically that women should be given priority or quotas in access to the benefits or resources of development programmes. This is a contentious issue. In Malawi, the results of the *Integrated Household Survey* conducted by the *National Statistics Office* show that the sex of the head of household is a statistically significant explanatory variable for poverty, even when poverty is measured using consumption expenditure. Studies done in Malawi show that efficiency is lost when women have less access to productive resources. In particular, women's labour tends to be under-utilized in formal production processes, and over-utilized in informal activities.

II.18. In order to fulfil development objectives it is necessary to find means of ensuring that a fair proportion of benefits are received by women. This is because women are often *de facto* heads of households in their own right, are frequently the poorest members of society, and can be discriminated against unless specifically targeted. In the context of Malawi most work on the small family run farms is done by women, and women are also the key players in situations of food insecurity, as well as the main guardians of the health of the family. However, there are a number of problems in ensuring interventions reach women which need to be specifically addressed.

II.19. ***Economic Impact of AIDS on Agriculture and Fisheries.*** The HIV/AIDS pandemic is adversely affecting agricultural productivity because most of the affected people are in the productive group and has also taken its toll on professional services. The performance of the private sector is still poor and it has failed to live up to expectations to provide economic services to the agricultural sector. Social and property security, characterized mainly by organized crop and livestock theft, has assumed increasing importance and impacted negatively on the agricultural sector and the provision of financial services to smallholder farmers. Regrettably, poverty is widespread in the country and has been exacerbated by frequent droughts and occasional floods, making the provision of safety nets for the most vulnerable households a necessary component of the MPRSP.

II.20. Agriculture is the largest sector in Malawi's economy accounting for a large proportion of production and a majority of employment. Studies done in some other countries have shown that HIV/AIDS will have adverse effects on agriculture, including loss of labour supply and remittance income. The loss of a few workers at crucial periods of planting and harvesting can significantly reduce the size of the harvest. In Malawi, where food security has been continuous issue because of drought, any declines in household production can have serious consequences. Additionally, a loss of agricultural labour is likely to cause farmers to switch to less-labour-intensive crops. In many cases this may mean switching from export crops to food crops. Thus, HIV/AIDS could affect the production of cash crops as well as food crops.

II.21. Fisheries play a significant role in food provision in Malawi. Capture fisheries alone supplies 40% of total supply of protein in the country. A case study of the fisheries industry found that government officials in the fisheries programme are becoming more and more concerned about increasing mortality in the staff of the fishing crews. The mortality leads to increased turnover rates and the need to train new staff to replace those who have died. Absenteeism has also become a problem, because of both AIDS-related morbidity and funeral attendance.

II.22. ***Conclusion.*** GoM has already prioritized the constraints to the agricultural sector and identified the four priority areas for intervention and investment (see I.42 above). Most of these constraints are being addressed by the pipeline projects and through the envisaged NMTIP-related "bankable" projects. The investments also address the CAADP pillars. The drive and direction of the GoM suggests that it is an opportune time to pursue activities in the agricultural sector. Although growth has been low in recent years, certain foundations have been laid in the form of partial market liberalization and encouragement of community development, which suggest that the next steps of

providing the sector with a market orientation towards economic recovery and poverty alleviation can be taken. A major challenge will be the coordination of community development initiatives in the interests of an orderly and effective agricultural development. Whilst much remains to be done at the level of institutional reform and legislative framework, there also appears to be some consensus on the direction of potential investment in the sector. ***Natural resource conservation and management***, particularly of water, is a clear priority. Another is ***provision of services in the interests of raising agricultural productivity***. Specific activities have also been identified in the livestock and fishery sub-sectors.

III. INVESTMENT PROGRAMME OUTLINE

A. Priority Areas for Investment

III.1. Priority setting and project selection for the investment programme outline under the NEPAD-CAADP initiative is based on the priorities of the GoM as well as those of NEPAD-CAADP. The GoM has already identified the following five areas as high ***priority intervention areas*** for development of the agricultural sector: ***access to inputs*** (including irrigation, land and labour productivity); ***market infrastructure and information*** (including roads, electricity and telecommunications); ***agricultural financing and input credit facilities***; ***technology development and dissemination***; and ***agro-processing for value adding***.

III.2. MASIP has already identified priority areas for agricultural and related rural investments and the MoAIFS has also identified investment areas/projects for high priority interventions. The CAADP investment programme will therefore need to be within the priorities set out by MASIP and MoAIFS if the former is to contribute purposefully and meaningfully towards the country's overriding goal of poverty eradication, help resolve some of the critical constraints identified above and take advantage of the available opportunities.

III.3. The priority areas highlighted in the following paragraphs therefore derive from those set out in the MASIP documents and fit into at least one of the pillars of the CAADP. These areas were agreed on at the *National Stakeholders Validation Workshop* which took place in Lilongwe on 2 July 2004.

III.4. Priority #1: Access to Inputs (CAADP Pillars 1, 2 and 3).

- ***Promote farmer groups/associations and empower them to gain access to capital to purchase inputs and irrigation equipment (CAADP Pillar 3).*** Strong farmer groups/associations offer better opportunities for small-scale farmers to pool their resources and improve their access to markets, input supplies and credit, as well as to promote and support the needs of rural communities (advocacy). Farmer associations can serve as a foundation for the formation of savings clubs that can further mobilize financial resources for the procurement of much-needed inputs. Furthermore, such groups could make bulk purchases and would be better positioned to negotiate with suppliers for discounts and bulk deliveries to locations that are more accessible to their members.
- ***Contract farming and outgrower schemes (CAADP Pillar 3).*** Outgrower schemes whereby inputs and technical advice are provided to affiliated/contracted farmers by an agribusiness concern or parastatals can make inputs more readily available to smallholder

farmers and enable them to participate in the production of commodities that they would otherwise not produce, thereby achieving the much sought after diversification of production. Linking small-scale farmers to commercial producers under a contractual or outgrower arrangement could provide them with an opportunity to not only access much-needed inputs, but also participate in more lucrative commodity markets. Such schemes are particularly suitable for high-value commodities that have a high labour input, but are usually beset with high start up and transaction costs. Assisting companies and other entities to start up and expand outgrower schemes may be necessary. Malawi already has experience in tobacco and paprika contract farming which could be useful for establishing outgrower schemes for horticultural and other crops such as cotton.

- ***Development and promotion of commercial input distribution systems (CAADP Pillar 2).*** Effective and sustainable supply of inputs to smallholder farmers ultimately depends on the operation of rural-based small or micro-enterprises that are commercially linked to input suppliers. Initiatives to develop and support rural agro-dealer networks are already being supported by the USAID-funded IFDC's AIMs project and the CNFA/Rumark project but need to be expanded and strengthened to cover the entire country. Agro-dealer networks can also be used to provide other services such as mechanization and marketing services.
- ***Promotion of informal seed production systems (CAADP Pillar 3).*** Ready availability of good quality seed of adapted varieties is essential for improved crop production and increased productivity. Although some farmers are able to purchase seed, mainly in the form of hybrids, informal and community-based seed production systems generally provide most of the seed used by smallholder farmers. With adequate training and supervision, selected smallholder farmers could produce seed of a variety of crops, including open-pollinated maize, and thereby make the required seed more readily available to their communities.
- ***Rural financial services and credit provision (CAADP Pillar 3).*** Credit is critical to agricultural production yet most smallholder farmers have little or no access to financial resources due to the lack of concessionary financing and the requirement for collateral. The establishment of rural financial services, including microfinance institutions that can provide credit at concessionary interest rates could have far-reaching implications for smallholder agricultural production.
- ***Irrigation (CAADP Pillar 1).*** Malawi is over-dependent on rain-fed agriculture which not only limits productivity but also leaves it highly vulnerable to the frequent droughts that can have devastating effects on agricultural production. The development of irrigation offers real prospects for increasing productivity, diversifying production, and mitigating against the effects of drought. Malawi has considerable irrigation potential that remains largely untapped. Although about 200,000 ha are irrigable, only 26,000 ha are being utilized for irrigated production. Currently, irrigation resources are grossly underutilized or unutilized; participation of the private sector in irrigated agriculture is low; and there is a lack of personnel trained in appropriate smallholder irrigation technologies. There has also been no recent detailed study to identify and evaluate the potential to utilize the groundwater resource for small-scale wet season supplementary irrigation and dry season irrigation of high value crops. Investments in irrigation could include: (i) rehabilitation of small schemes and dams; (ii) up-scaling and improvement of treadle pump technology; (iii) development and promotion of improved water harvesting technologies; (iv) improvement of traditional “dambo” cultivation; and (v) capacity

building of farmer groups/associations to enable them to manage irrigation schemes in a sustainable manner.

III.5. **Priority #2: Market Infrastructure and Information, and Trade (CAADP Pillar 2).**

- ***Market infrastructure.*** Marketing of agricultural commodities is severely constrained by poor market infrastructure, inefficient marketing systems, lack of market information, and low prices in relation to escalating input costs, limited competition and control of most markets by a limited number of players. Markets and market infrastructure are not only inadequate, but are also underdeveloped relative to the large number of smallholder farmers and the variety of commodities in the country. Lack of aggressive marketing strategies and limited market information reduces farmers' competitiveness and ability to negotiate for better prices. Isolation from profitable markets also locks them into cropping patterns of non-diversified production. Investment projects to improve market infrastructure could entail one or more of the following: (i) provide basic market infrastructure such as rural collection centres for pooling of produce followed by bulk transport to urban centres or selling points; (ii) provide low-cost and low-maintenance cold storage facilities (e.g. charcoal coolers) for horticultural produce; and (iii) provide adequate and improved market facilities in urban centres, including low-cost facilities for storage of perishable produce.
- ***Market information.*** Up-to-date market information is essential for both producers and exporters. A sound market information system would enable smallholder farmers to keep abreast of the latest developments and trends, and enable them to make better informed production decisions and negotiate for better prices. Investment in a market information system should take into consideration the need for the information to be made easily available to smallholder farmers.
- ***Promotion of farmer associations/groups.*** Constraints related to scale of operation is one of the factors that hamper the poor from easily accessing markets. Compared to large-scale producers, small-scale producers face relatively higher market transaction costs which limit opportunities for direct contractual linkages with buyers. These constraints call for greater cooperation among small-scale farmers in devising organizational forms with the ability to spread fixed transaction costs over large numbers of operators. Empowerment of farmers is a significant part of ensuring sustainable development in Malawi. Functioning farmers' organizations can be a catalyst for enhancing private sector participation in agricultural production. However the numerous farmer organizations are still weak and uncoordinated. Investment in farmer groups/associations could provide for the following: training and capacity building, including aspects relating to sustainable financing; farming as business awareness and training; development of commercial linkages with input suppliers and commodity buyers; and awareness creation for agro-processing and value adding opportunities as well as training in appropriate technologies.

III.6. **Priority #3: Agricultural Financing, Credit and Capital (CAADP Pillar 3).** Credit provision is one of the major determinants of the ability of farmers to increase crop and livestock productivity and diversify their production. Yet, seasonal financing of smallholder farmers that lack title or collateral continues to be a vexing problem. The main problems are collateral requirement, poor access to short term credit, low profitability of agricultural enterprises and the unfavourable macro-economic environment. The rural poor are caught in a poverty trap whereby the majority cannot acquire the inputs and services required to take advantage of market opportunities. Currently there are few credit institutions operating in the District and ADD centres; hence less than 20% of

smallholder farmers use credit. The micro-finance programmes predominantly run by NGOs do not have the geographical coverage or capacity to meet the latent demand for credit. With the present interest rates on loans (45% to 50%), no businesses can afford to borrow.

III.7. Possible investment options for improving smallholder farmers' access to capital include: (i) establishment of special revolving funds that can provide funding at concessionary interest rates; (ii) establishment and financing of a rural agricultural bank and credit institutions; (iii) promotion and support of microfinance institutions; and (iv) support of farmer groups/savings clubs. Contract farming and outgrower schemes could also provide an opportunity for smallholder farmers to secure credit-in-kind.

III.8. **Priority #4: Technology Development and Dissemination (CAADP Pillar 4).** Science and technology are essential for the improvement of agricultural productivity and diversification of the agricultural base. In addition, an effective and efficient extension system is required to not only disseminate appropriate and improved technologies to farmers, but also to promote the adoption and diffusion of such technologies. Over the years, government expenditure on agricultural research and extension has progressively decreased, seriously undermining the ability of the research and extension services to meet the needs of smallholder farmers. Critical research programmes in irrigation, horticulture and cotton have been downscaled while others (e.g. farming systems) have been discontinued. The capacity of the extension services has been severely affected by staff attrition and also lacks experienced personnel that are conversant with appropriate low-cost irrigation technology, and dam and irrigation system design. Potential areas for investment in agricultural research include the following:

- development of high-value crops that are suitable for the export market;
- irrigation, particularly development or improvement of low-cost irrigation technologies;
- cotton improvement, production and protection;
- improved land husbandry including soil and water conservation; and
- development or adaptation of appropriate and low-cost agro-processing technologies for crops such as cassava, rice, macadamia nuts, as well as fruits and vegetables.

III.9. Potential areas for investment in technology dissemination are:

- capacity building and upgrading of the agricultural extension services including training, particularly in low-cost irrigation technology, irrigation and dam design, and production of high-value crops, and pluralistic extension delivery; and
- promotion of improved land husbandry techniques for soil and water conservation.

III.10. **Priority #5: Agro-Processing for Value Adding (CAADP Pillar 3).** Very little agro-processing is undertaken in the country, a significant proportion of which relates to the production of beverages (tea and coffee), tobacco and sugar. The main strategies and actions for the agro and food-processing sub-sector include: ensuring the availability of affordable capital for investment; provision of investment incentives for agro-processing; improving marketing and distribution by providing information and better accessibility; improving productivity in the smallholder sub-sector; organising farmers into co-operatives; and developing technologies that can be made available at low cost. Efforts are already being made to promote agro-processing technologies and a *National Plan of Action for Nutrition* (NPAN) in which promotion of food processing and utilization, including the use of solar dryers for the processing of foodstuffs, is being promoted. The best prospects for

investment in value-added agro-processing are in the processing of cassava, fruits and vegetables, rice and macadamia nuts. GoM has already elaborated a strategy for a full-scale cassava development and agro-processing programme which will focus on developing and disseminating appropriate technologies and attracting private investment, particularly in the production of industrial starch.

B. Project Selection Criteria

III.11. One major project selection criterion, used in the identification of the above investment programme priorities, is government priority. Together with donor interest, this has been used in selecting the proposed investment areas. In particular, the following elements were taken into account:

- current projects funded by the various donors in Malawi (Annex 1);
- donor country strategy papers which outline current and future donor interests (Annex 3); in addition, representatives of the main donors were also consulted during the preparation of the NMTIP;
- agriculture sector priorities as outlined in the MPRSP and MASIP documents (Annex 2);

III.12. In the context of identified priorities, project ideas were selected for development into *Bankable Investment Project Profiles* (BIPPs),⁸ in accordance with the best practice criteria of technical feasibility and sustainability; financial and economic feasibility; absorptive capacity and ease of implementation (specifically including ability to implement the project in the context of ongoing programmes).

C. Identification of Projects for Development with FAO Assistance

III.13. Based on the investment programme outline described earlier and on the outcome of the NMTIP's *Validation Workshop*, and subsequent consultations with GoM, the following four BIPPs have been identified and prepared (they are presented in separate documents):

- *Commercialization of High-Value Crops;*
- *Integrated Water Management and Rural Agricultural Credit;*
- *Livestock and Fishery Development;*
- *Agricultural Technology Development and Dissemination.*

D. Preliminary Assessment of IFI/Donor Interest in Financing Bankable Projects

III.14. On the basis of the analysis of key donor documents and consultations with their local representatives, it would appear that there is some interest in financing the selected bankable projects or sub-components thereof. Possible donor interest is summarised in Table 3. However, the findings cannot as yet be conclusive and exhaustive because some key initiatives (e.g. the World Bank's IRLADP) are still in process while details of others (e.g. NORAD's *Agriculture Plan*; EU *Sustainable Livelihoods Programme* and *Agri-Food* initiative) are still scanty.

⁸ See *Preface*.

Table 3: Possible Areas for Project Profiling and the Expected Donors

Project Area	CAADP Pillar	Donor
1. Up-scaling and/or improvement of treadle pump technology	1	World Bank
2. Rehabilitation of small scale irrigation schemes	1	World Bank
3. Rainwater harvesting technology	1	World Bank
4. Establishment of rural cotton ginneries	2	World Bank, EU and AfDB
5. Establishment of rural cold rooms for horticultural products	2	World Bank, EU and AfDB
6. Promotion of commercial seed multiplication by local farmers	3	EU
7. Rehabilitation and construction of fish ponds	2	World Bank, EU and AFDB
8. Promotion of farm mechanization (use of oxen) and farm implements	3	EU
9. Establishment of a comprehensive <i>Agricultural Market Information System</i>	2	World Bank, EU and AfDB
10. Capacity building for Malawi's farmer organizations		EU
11. Rural income improvement through small scale agri-business promotion	3	EU
12. Commercialization of drought resistant crops	3	EU
13. Small-scale poultry production and marketing project	3	EU
14. Agricultural technology dissemination project	4	NORAD, World Bank

IV. FINANCING GAP

IV.1. At the Maputo Summit, Heads of State and Government pledged themselves to commit “... allocating at least 10% of national budgetary resources for [the] implementation of [CAADP] ... and sound policies for agricultural and rural development within five years”, i.e. by July 2008. However, because it is difficult to differentiate between domestic and external funding, the 10% is defined as the “amount of the national budget, including domestically-funded (‘revenue account’), hard and soft loan-funded, and grant-funded resources (‘development account’), allocated to agriculture and rural development”. In essence, the ‘financing gap’ herein reflects the shortfalls in projected budgetary allocation to the sector vis-à-vis the 10% target.

IV.2. The financial allocation to the agricultural sector in the national budget has been declining from the late nineties (Table 4). Table 5 outlines the resource allocations in the various priority areas in the agricultural sector from 2002/03 to 2005/06, and forecasts for the period 2005–2008. According to MPRSP figures, allocation to agriculture grew by 1.23% from 2002/03 to 2003/04. However, the allocation declines by 0.95% from 2003/04 to 2004/05. If we assume an increase of 1.23% achieved in the first year of MPRSP to be the annual increase, then the allocation in 2005/06 will be 7.99%, in 2006/07 it will be 9.22% and 10% in 2007/08.

IV.3. In 2003/04 the total MPRSP budget grew at 12.8% and in 2004/04 it was expected to increase by 8.7%. If we assume an 8% increase in the MPRSP budget over the next three years, the budget for 2007/08 should be MK45, 030bn. In order to achieve a 10% target by 2008, the allocation to agriculture would have to increase by 1.23% in the next three years. The financing gap computation, as shown in Table 5, also uses MPRSP figures by taking the difference between what was allocated and what would have been the allocation if the 10% target were met.

Table 4: Total Estimated Cost for the Agricultural Sector from Government Funding

Area of support	Estimated Cost (million Kwacha)		
	2002/03	2003/04	2004/05
Expand and strengthen access to agriculture inputs	43.75	87.50	131.25
Improve agricultural productivity through improved research and extension services	664.22	745.99	813.45
Improved access to domestic and international markets	119.26	106.76	107.56
Promote small-scale irrigation schemes and drainage	174.04	214.04	194.04
Encourage production of specific crops	76.98	64.98	56.10
Encourage production of livestock	56.15	51.35	47.57
Reduce land shortage and degradation	464.94	466.94	467.24
Promote and expand farm mechanization	48.35	530.42	320.07
Reduce weaknesses in the institutional and policy framework	105.51	105.51	105.51
Increase gender balance, prevent and mitigate HIV/AIDS in the agriculture sector	18.23	20.05	22.06
Diversification and modification of diets	21.00	25.00	33.00
Strengthening institutional capacity	87.36	99.56	102.50
Total Estimated Cost (Agriculture)	1,879.79	2,518.10	2,400.35
Total Government Estimated Cost	41,332.18	43,975.68	46,269.62
Total MPRSP Budget	28,988.65	32,675.32	35,516.90
<i>Share of Agriculture of Total Government Cost (%)</i>	<i>4.55</i>	<i>5.73</i>	<i>5.19</i>
<i>Share of Agriculture of MPRSP Budget (%)</i>	<i>6.48</i>	<i>7.71</i>	<i>6.76</i>

Source: *Malawi Poverty Reduction Paper*, April 2002.

Table 5: Agriculture Sector and National Budget Allocations and Projections, and Calculation of the Financing Gap

Item (amounts in million Kwacha)	MPRSP			Projected		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Total National Budget	28,958.65	32,675.32	35,516.90	38,606.80	41,695.00	45,030.00
Expenditure on Agriculture Sector	859.39	1929.84	1249.63	2308.68	3519.16	0
<i>Agriculture as % of National Budget</i>	<i>3</i>	<i>6</i>	<i>4</i>	<i>6</i>	<i>8</i>	<i>10</i>
Agriculture Sector Requirement	1,879.79	2,578.10	2,400.35	3,084.68	3,844.28	4,503
Financing Gap	1,020.40	748.26	1,150.72	776.00	325.22	–

Source: MPRSP and own calculations.

V. MONITORING AND EVALUATION

V.1. The Monitoring and Evaluation of the investment programme will fall within the framework of the monitoring and evaluation of MPRSP. The implementation of programme will be monitored using various indicators which are detailed in the MPRSP Action Plan. Additional indicators will be developed in order to complement those that already exist. The Action Plan has outlined a variety of monitoring indicators ranging from input and output, to outcome and impact indicators as described below.

- **Inputs.** The resources provided by government, NGOs and the private sector will be quantified these will include financial expenditure, labour, and capital. The focus will be financial but also physical where appropriate;
- **Outputs.** The quantity and quality of service and transfers provided by government and other service providers. These are directly linked to the efficient and effective use of inputs. An example could be the extension: farmer ratio;

- **Outcomes.** The quantity and quality of effect of the service provided to the recipients of the services. These are related to input and output performance but may be affected by other factors, for example crop yields; and
- **Impact.** The effect on the welfare indicators such as income, consumption, poverty headcounts, etc. These may be affected by inputs, outputs and outcomes, but with significant time lag, and can also be affected by many external factors such as literacy rates and poverty headcount.

V.2. Monitoring and evaluation will take place at national, district and local level. District monitoring and evaluation systems are being designed and will be reviewed and fully integrated into the national M&E system during the reviews.

ANNEXES

- Annex 1:** **Linkage Between Current Operational Projects and the CAADP Pillars**
- Annex 2:** **Linkage Between Government Priorities and Strategies
(in Selected High Priority Areas), and CAADP Pillars**
- Annex 3:** **Summary of Pipeline Projects**
- Annex 4:** **National Workshop Report**
- Annex 5:** **List of References**

Annex 1: Linkage Between Current Operational Projects and the CAADP Pillars

CAADP Pillar Programme/Project/Initiative	Development Partner							
	IFAD	AfDB	WB	EU	JICA	NORAD	DFID	USAID
1. Expansion of areas under sustainable land management and reliable water control system								
Rural Income Enhancement Project		X						
Smallholder Flood Plains Development Programme								
Smallholder Irrigation Project		X						
Study of capacity building and development for smallholder irrigation					X			
Rehabilitation, Upgrading, Crop Diversification and Marketing of Ngolowindo Self-Help Irrigation Scheme				X	X			
Community Partnership for Sustainable Resource Management in Malawi								X
Improvement of Farming Systems through the Promotion of Smallholders						X		
Bwanje Valley Irrigation Scheme						X		
Improved targeting and need coverage through the establishment of an <i>Agricultural Coordination Unit (Ireland)</i>								
Comprehensive Response to Drought Emergencies (<i>Melissa & Bill Gates Foundation</i>)								
Improving livelihoods through public works programme			X					
Central Region Livelihood Programme								X
Smallholder Out grower Sugarcane Production Project		X						
2. Improvement of rural infrastructure and trade related capacities for improved market access								
AFDC (Promotion of Soil Fertility Technologies through Private Sector Participation)								X
Malawi Dairy Business Development Programme								X
Participatory Agricultural Livelihoods Project (MAPS)								
IFDC's Agricultural Input Markets project (AIMs)								X
4th Micro Projects Programme				X				
3rd Micro Projects Programme				X				
Cassava Industry Promotion Project								X
NASFAM/NACOMEX								X
Rural Livelihoods Support Programme	X							
Inputs for Assets Programme							X	
3. Enhancement of food supply and reduction of hunger								
Macadamia Smallholder Development Project		X						
Emergency Drought Recovery Project			X					
Smallholder Dairy Development Project			X					
Njala Yatha Food Security Project			X					
Agricultural Recovery through Seed Distribution and Production								X
Horticulture and Food Crops Development Project	X							
Simlemba Rural Livelihood Project (<i>funded by Harvest Help – Find Your Feet</i>)								
Mangochi Food Security and Land Care Project				X				
Dedza Food Security Improvement Project				X				

NEPAD – Comprehensive Africa Agriculture Development Programme
Malawi: National Medium-Term Investment Programme (NMTIP)

CAADP Pillar Programme/Project/Initiative	Development Partner							
	IFAD	AfDB	WB	EU	JICA	NORAD	DFID	USAID
A programme to improve the detection, the treatment and the prevention of Malnutrition				X				
Capacity Building of District Authorities to Monitor the output of food (<i>WFP</i>)								
Chimanga Project – €1.5m (<i>Italian Ministry of Foreign Affairs</i>)								
Support to Agricultural Relief Operations and Provision of Essential Inputs (<i>Swedish Aid Agency</i>)								
Support to Relief Operations and Agricultural Interventions with Affected (<i>The Netherlands Aid Agency</i>)								
Consortium of Southern Africa Food Security and Emergency (C-SAFE)								X
Famine Mitigation through Integrated Aquaculture and Agriculture in Southern Malawi								X
Preparatory Support to Agricultural Statistics and Food Security Information							X	
Nutritional Emergency Support				X				
Kajikhomere Kulima Concept Project				X				
Integrated Food Security Project Mulanje				X				
Livestock Promotion and Training Activities Pilot Project				X				
Malawi Food Security Project				X				
Smallholder Flood Plains Development Programme	X							
Rural Development Communication Campaign				X				
Food Security in Lilongwe East and Zomba South				X				
Mwanza Rural Development Project		X						
Dedza Food Security Improvement Project								
Food Security Improvement through Economic Diversify in Malawi				X				
Grain and Legumes Development Project								
Special Programme for Food Security		X						
4. Development of agricultural research, technological dissemination and adoption to sustain long-term productivity growth								
Support to Bunda College of Agriculture							X	
Lobi Horticultural Appropriate Technology Extension Project					X			

**Annex 2: Linkage Between Government Priorities and Strategies
(in Selected High Priority Areas), and CAADP Pillars**

SECTOR PRIORITY AREAS AND STRATEGIES	CAADP PILLAR				
	1	2	3	4	5
Strategies to address poor access to inputs in order of their priority	X				
• Facilitate provision of credit through a special fund or agro-input scheme to productive farmers to purchase inputs.					
• Encourage input suppliers to package factor inputs into small amounts for affordability and stock adequate inputs on time in appropriate locations.					
• Promote affordable low cost technologies such as soil fertility enhancing technologies using both inorganic fertilizers and organic manures like compost, livestock feed formulations, etc.					
• Generate input market information and dissemination to the stakeholders including international quality standards and regulations.					
• Promote establishment of national inputs trade associations and networks for public and/or private enterprises.					
• Facilitate access to inputs to the most vulnerable farming families through the safety nets such as TIP and public works programs.					
Strategies to address agricultural marketing and balance of trade	X				
• Encourage rural farmers and traders to form associations and cooperatives and foster group marketing activities, e.g. transportation, development of markets and purchase of inputs in bulk and selling produce.					
• Provide basic market infrastructure and initiate market development programmes to facilitate both domestic and export marketing of agricultural inputs and products.					
• Encourage private sector marketing and trade associations to monitor and regulate standards and market requirements in terms of quality, varieties, quantity and timing of supplies.					
• Develop an efficient market information system to generate and disseminate information and create marketing networks to link farmers to markets for both inputs and outputs and specialized market opportunities.					
• Strengthen regional and international linkages through trade fairs, print and electronic media.					
Strategies to improve physical infrastructure	X				
• Re-introduce and support the district road improvement programme (DRIMP) and re-orient it to include village access roads and bridges.					
• Improve and expand bicycle-operated and ox-drawn wagons and technologies.					
• Mobilize self-help work, and where appropriate, food for work schemes, for reconstructing and maintaining village access roads and bridges and the road network in general.					
• Encourage establishment of telecommunication business centres in the rural areas.					
• Development and implementation of rural electrification programmes and safe piped water systems be accelerated.					
Strategies to promote irrigated agriculture	X				
• Rehabilitate existing irrigation schemes and communal earth dams, and construct new small scale irrigation schemes.					
• Development of infrastructure for small and large scale irrigated agriculture based on low cost water lifting devices, motorized pumps, sprinkler system and flood irrigation.					
• Development of capacity for irrigated agriculture through in-country training for staff and farmers, and associations and cooperatives.					
• Form farmer groups and empower farmer associations to have access to capital to purchase and repair irrigation equipment and maintain irrigation schemes.					
• Promote development of irrigation advisory services for all irrigation systems.					
Strategies to address land issues	X				
• Increase land productivity based on better land husbandry concept including use of low cost soil and water conservation technologies.					
• Promote sustainable environmental and natural resource management and utilization such as afforestation, and protection and rehabilitation of fragile land and catchment areas in order to reduce land degradation including community based conservation activities.					
• Control communal grazing of livestock to reduce overgrazing and land degradation.					

NEPAD – Comprehensive Africa Agriculture Development Programme
Malawi: National Medium-Term Investment Programme (NMTIP)

SECTOR PRIORITY AREAS AND STRATEGIES	CAADP PILLAR				
	1	2	3	4	5
• Induce inefficient leaseholders to give up land for redistribution to smallholders and the landless and guarantee security of customary land tenure.					
• Expedite implementation of the land policy.					
• Promote training on family planning to reduce population pressure on land.					
Strategies to address limited agricultural financing					X
• Promote establishment of rural agricultural bank and credit institutions to develop credit schemes which will provide diversified medium to long-term credit facilities to commercial and smallholder farmers including female-headed households as a source of low cost capital investment.					
• Promote civic education and disseminate widely information about lending policies and borrower's obligations and change of attitude towards credit.					
• Provide management, entrepreneurial and technical skills training to people accessing credit.					
• Government should pursue sound macro-economic policies to bring down inflation and interest rates and sustain them.					
• Facilitate formation of farmer groups, associations and cooperatives that will be organized into savings and credit cooperative organizations for mobilization of savings and providing credit to members.					
Strategies to strengthen the extension system					X
• Promote intensive training of both extension staff and farmers to understand various agricultural production technologies, government policy, market forces, and macro-economic policies and appreciate farming as a business.					
• Undertake close supervision, monitoring and evaluation and reward good performance for both farmers and extension agents. This will include undertaking on-farm impact assessment surveys to study the usefulness of technologies and adoption rates.					
• Intensify technology promotion campaigns with emphasis on affordable and practical technologies in order to enhance acceptance and adoption of the technologies.					
• Establish information systems and facilitate production and dissemination of agricultural statistics for planning purposes in production and marketing (weather, crop production estimates, produce prices, market information, demand and supply).					
• Initiate a multi-media communication approach and participatory extension methods to impart production and marketing information and expand coverage of farmers.					
• Develop and facilitate strong linkages between researchers, extension staff, farmers and service providers and create synergies.					
• Encourage formation of product specific farmer groups, associations and cooperatives for easy access to extension messages on production and marketing including establishment of viable production units of selected agricultural enterprises.					
Strategies to address agricultural diversification					X
• Collect and disseminate relevant market information on high value alternative food and cash crops and livestock including potential domestic and export market opportunities.					
• Intensify maize production in order to reduce the hectareage for maize and use the released areas to grow other high value cash and food crops					
• Make farming an income generating activity.					
• Foster change from maize-based food habits to alternative food habits based on cassava, sorghum, millet, potatoes, rice, wheat and sweet potato.					
• Encourage fortification of commonly consumed processed foods with minerals and vitamins to enrich them to address malnutrition problems.					
Strategies to improve the agricultural research system					X
• Develop affordable, appropriate and cost effective technologies in response to farmers' needs through on-farm research, adaptive research and farming systems research approach while promoting participatory research approaches to increase chances of farmers adopting the technologies.					
• Encourage importation and adaptation of technologies which take a long time to be developed and/or are costly from collaborating research institutions outside the country.					
• Strengthen capacity building through training at post graduate level particularly at MSc and PhD degree levels in addition to the minimum qualification of Bachelor of Science (BSc) degree for researchers.					

SECTOR PRIORITY AREAS AND STRATEGIES	CAADP PILLAR				
	1	2	3	4	5
<ul style="list-style-type: none"> • Institute a strong monitoring and evaluation programme for research projects being implemented by researchers. • Strengthen researcher-extensionist-farmer linkages and networking and joint research extension strategic planning meetings to identify problems and farmers technology needs and their capacities to adopt the technologies. 					
Strategies to enhance agro-processing	X				
<ul style="list-style-type: none"> • Facilitate potential investors to have access to credit for purchase of processing equipment. • Promote increased production of good quality agricultural produce as raw materials for processing to ensure sustainable continuous processing. • Promote development of information system for agro-processing and undertake training programmes to impart knowledge on processing skills, technologies and equipment. • Document and disseminate processing technologies to potential investors including existing market opportunities on processed products. • Remove some of the restrictive policies to make the environment friendly to investors, i.e. high taxes on capital goods and raw materials, high interest rates and restrictive collateral requirements. 					

Annex 3: Summary of Pipeline Projects

CAADP Pillar	Future areas of intervention	Donor
1. Expansion of areas under sustainable land management and reliable water control Systems	• Irrigation	AfDB, World Bank and IFAD
	• Community land reform	World Bank and DFID
	• Community forestry management	EU and DFID
2. Improvement of rural infrastructure and trade-related capacities for improved market access.	• Rural roads infrastructure	World Bank, EU and AfDB
3. Enhancement of food supply and reduction of hunger	• Food security programmes	EU, World Bank
4. Development of agricultural research, technology dissemination and adoption to sustain long-term productivity growth	• Technology dissemination	DFID, World Bank
	• Agricultural research support to institutions	NORAD
5. Livestock, fisheries and forestry		EU

Note: Based on analysis of key strategy documents and consultation with donor representatives.

Annex 4: National Workshop Report

Introduction

1. The Ministry of Agriculture, Irrigation and Food Security organized a one-day workshop to discuss the *National Medium-Term Investment Plan* (NMTIP) at Malawi Institute of Management (MIM) on 2 July, 2004. Participants included government ministries and departments, cooperating partners, public sector institutions, Non Governmental Organizations, private sector, financial institutions and farmer organizations (see Appendices for details).

2. The objective of the exercise is to develop viable agricultural investment projects and programme that can be submitted to various financial institutions for funding. As part of the process, the MoAIFS organized this workshop to discuss the NMTIP framework for supporting the NEPAD-CAADP implementation in Malawi, in order to identify specific areas of investment for development of these “bankable” projects and programmes. This report provides a record of what was discussed at the workshop and the recommendations for taking the process forward.

Opening Session, Presentation of Papers and Discussion

3. The workshop was officially opened by the Deputy Minister of Agriculture, Honourable S. Mia and was facilitated by Dr. Charles Mataya. An overview of NEPAD and CAADP was presented by Mr. Dalisto Kabambe (see Appendix 2). A number of issues were raised based on the presentation. This was followed by a presentation on the NMTIP by Mr. Ian Kumwenda (see Appendix 3). A number of issues were raised too.

4. Generally, the participants said that the issues that were presented were not new they have been raised in the MASIP documents but what is needed is implementation. The need for political will was emphasized and strategies to address the issues are needed. They underlined that irrigation should be treated as an input and should not stand alone. There was concern that there are too many institutions or structures. Although some clarification was made that NEPAD is not creating new institutions, it was felt that the *Core Function Analysis* which is being undertaken by the ministry should address the concern.

5. The statistics which were presented for Africa and Malawi were not encouraging. There is need for concerted effort to reverse some of the trends. The need to implement the NMTIP becomes very important in this case.

6. The workshop agreed to use the five key constraints identified in the NMTIP draft to be the broad areas in which bankable projects should be developed.

Formation of Groups and Group Reports

7. Five working groups were formulated to discuss the key areas in which bankable projects should be developed as follows:

- Access to inputs (irrigation, land, seed, fertilizers, chemicals, capital);
- Marketing (information/ intelligence, infrastructure, standardization and trade);
- Commercialization of agricultural products (crops, livestock and fisheries);

- Agricultural technology development and dissemination;
- Value adding.

8. The following criteria were proposed in order to come up with bankable projects:

- There should be a clear distinction between social and commercial bankable projects;
- Where necessary indicate areas and type of projects;
- Identify inter-sectoral and regional linkages;
- Suggest how to deal with political will.

9. The groups tried to come up with bankable projects based on the criteria that were agreed in the plenary session. The following are the proposed bankable projects in the five core areas that were identified.

- ***Access to inputs (irrigation, land, seed, fertilizers, chemicals, capital).*** Under this broad area the projects are:
 - Targeted Agro Input Subsidy Project. This is supposed to be social bankable project which should aim at providing free inputs for the poor, vulnerable households. The source of funding is to be the CAADP recommended 10% of the National Budget;
 - Consolidated Agro Inputs Procurement Project. The rationale is to shorten market channel. Targeting both the large farmers and smallholder farmers to make sure that inputs are readily available for agricultural production;
 - Seed Multiplication Enhancement Project. This is meant to make sure that high quality seed for crops are readily available;
 - Regional Fertilizer Manufacturing Project. Experts from the region could be involved to think out how such a project can be established; and
 - Compost Manure Project. This project is to develop or identify technologies that will turn garbage into compost manure.
- ***Marketing (information/intelligence, infrastructure, standardization and trade).*** Under this broad area the projects are:
 - Market Infrastructure Development Project. The project should involve the establishment of such facilities as Cold rooms and warehouses for horticultural products. It should also involve the construction of road networks to make production areas and the markets easily accessible.
 - Market Information System Project. This project is meant to establish a database for market information for all agricultural products. The activities to be included are regular collection and updating of market information from both domestic and international sources; standardization and quality assurance and establishment of phyto-sanitary facilities and training of producers and traders on international requirements for all agricultural products.

- ***Commercialization of agricultural products (crops, livestock and fisheries).*** Under this broad area the following bankable projects were proposed:
 - *Agricultural Products Commercialization Project.* The project should be aimed at encouraging commercial farming in Malawi in crops, livestock and fisheries. The crops to be commercialized should include, Citrus Fruits, Soya, Cotton, Cassava, Mushroom, Green Beans, Irish, Paprika, and Sunflower (to be prioritized).
 - For livestock, piggery, dairy, poultry, crocodile farming are recommended. Commercial aquaculture and deep sea fishing are also recommended. The fish species that is recommended for in land fish farming is tilapia (*Oreochromis niloticus*).
- ***Agricultural Technology Development and Dissemination.*** Under this broad area the following bankable projects were proposed:
 - *Post Harvest Management Research Project.* The purpose of the project is to develop technologies that can add value to the products through processing and storage facilities that can minimize post harvest losses;
 - *Irrigation Technologies Development Project.* Project is meant to develop technologies which can harness use of water resources;
 - *Crops and Livestock Genetic Improvement Research Project.* This meant to develop crops and animals which are genetically viable in terms of yield, pests and disease resistance and drought resistance. (linked to Commercialization of agricultural products); and
 - *Agricultural Research and Extension Linkage Project.* The project is to involve revitalizing technology developing institutions e.g. research institutions and strengthening of agricultural extension services.

10. The last recommended broad area was on ‘*Value Adding*’. This area has been covered in the commercialization of agricultural products.

Conclusion and Way Forward

11. The workshop was officially closed by the Director of Agricultural Planning Services, Mr Patrick Kabambe. But prior to that, remarks were made by Mr Patrick Khembo, who represented the private sector, and Mr Ian Kumwenda, the MASIP Coordinator.

12. Mr Khembo emphasized the need to have a stable macro-environment in order for the private sector to play its role. A number of companies have closed because of the poor macro-economic environment. Another critical issue is the political commitment. The workshop expressed the need for political commitment which has been lacking in the past. It is hoped that new government will take the issue seriously. The need for peer review for Malawi under NEPAD was expressed. The private sector also raised the issue of export guarantee scheme which has to be looked into in terms of pre- and post- financing to cover risks. Financial institutions should take action: generally, conditions of borrowing should be relaxed. Finally the Cotton Bill should be passed; it has taken over 18 months now.

13. Mr Kabambe thanked everybody for the valuable comments that were made by the participants they will assist in the finalisation of document. The participants were very active and they raised a

number of pertinent issues. He thanked FAO for providing financial support in preparation of the NMTIP document and the workshop. He also thanked the organizers of the workshop and the team that prepared the document. for the job well done. He emphasized that there will be need to put into action what was agreed during the workshop.

14. Based on the NMTIP and the workshop recommendations, the following project ideas will be further developed into *Bankable Investment Project Profiles (BIPPs*⁹):

- ***Market Development Project;***
- ***Commercialization of Agricultural Products;***
- ***Livestock Development Project*** (including fish farming);
- ***Inputs Development Project*** (irrigation, compost manure, targeted input subsidy, inorganic fertilizers, feeds); and
- ***Agricultural Technology Development and Dissemination Project***

15. Consultations will be made with various stakeholders when developing these project profiles. When the profiles are completed a symposium will be organized at which the bankable projects will be presented and confirmed. Thereafter the consultants will be engaged to undertake fully-fledged feasibility studies in the agreed areas of bankable projects.

⁹ Following further consultations with various stakeholders after the workshop, GoM subsequently reduced the number of BIPPs to four instead of the five previously recommended at the Workshop. As indicated in III.13, these four BIPPs are:

- ***Commercialization of High-Value Crops;***
- ***Integrated Water Management and Rural Agricultural Credit;***
- ***Livestock and Fishery Development;***
- ***Agricultural Technology Development and Dissemination.***

Appendix 1:

Speech by the Deputy Minister of Agriculture, Irrigation and Food Security, Honourable S. Mia

- The Director of Ceremonies, Dr. Charles Mataya;
- The Secretary for Agriculture, Irrigation and Food Security;
- The FAO Country Representative to Malawi;
- Representatives from the Donor Community;
- Representatives of the NGO and private sector;
- Government Officials;
- Representatives of Farmer Associations;
- Distinguished guests; and
- Ladies and Gentlemen.

1. I feel greatly honoured this morning to preside over the official opening ceremony of this one day seminar on the Agriculture Component of the *New Economic Partnership for Africa's Development* (NEPAD) here at the Malawi Institute of Management (MIM).

2. First and foremost, I wish to express my profound gratitude to the Food and Agriculture Organization of the United Nations (FAO) through the office of the FAO Representative in Malawi for organizing this seminar and more so for its overall involvement and logistical support that it provides to the Malawi Government in the agricultural sector. In this regard, may I, on behalf of the Ministry of Agriculture, Irrigation and Food Security also take this opportunity to extend our gratitude and appreciation to the entire United Nations (UN) family, and other development partners, inclusive of all the NGOs operating in the agricultural sector for the support rendered to the Government of Malawi in its efforts to develop and improve agricultural productivity and in its major thrust to reduce poverty and subsequently achieve sustainable and equitable growth in this country.

3. Ladies and Gentlemen, as you are already aware, the Assembly of Heads of State and Government of the African Union, at its 37th Ordinary Session in Lusaka in July 2001, adopted the NEPAD framework. The combination of the establishment of the AU and the adoption of NEPAD provides an unprecedented unifying vision and framework for Africa's development in all aspects over the coming decades. The special features of this partnership include its African ownership, its focus on measurable outcomes accepted by all and its move from an exclusively country by country level action towards a development strategy that deals with Africa as an integral unit. It is in light of the foregoing that the NEPAD Secretariat in consultation with all the Member States of the African Union prepared the *Comprehensive Africa Agriculture Development Programme* (CAADP), to promote interventions that best responds to the widely recognized crisis situation of African agriculture.

4. Ladies and Gentlemen, for over a decade now, there has been a marked and steady decline in agricultural productivity in most parts of the economies of the sub-Saharan African countries. Average yields of cereals are about 1 ton/hectare in Africa while those of Asia and Latin America, which are also developing regions of the world, are 3.2 and 2.9 tons/hectare respectively. Among others, the decline has been due to the following factors:

- Natural disasters i.e. droughts, floods and cyclones;
- Low input use;

- Poor off-take rates of livestock sub sectors;
- Over dependence on rainfed agriculture;
- Inappropriate agricultural technologies;
- Environmental degradation;
- Low investment in agriculture;
- Unfavourable land use patterns and tenure policies;
- Dependency on food aid and imports, and
- Unfavourable external economic environment.

5. In addition, recent social and economic indicators show that Africa continues to lag behind the rest of the world in development. For instance, Africa is estimated to have about 200 million chronically undernourished people out of which 30 million require emergency food aid and assistance every year. FAO projects that the number of the undernourished people will rise to 205 million by 2015. This is in sharp contrast with the rest of the world where numbers of undernourished people within the same period is projected to decline significantly. In Asia and Latin America, which are equally hot spots for food insecurity problems, estimates for malnourished people are expected to drop by 16% and 10% respectively.

6. A similar trend, Ladies and Gentlemen, is also observed in poverty indicators. Currently, Africa has over 300 million people living on less than US\$1 a day compared to US\$300 a day for people in developed countries. By 2015, the predictions are that the number of Africans living on less than \$1 a day will rise by 45 million to 345 million people while that of other developing regions of the world will drop by 330 million by the same year.

7. In view of these startling estimates and the need to reverse the current state of affairs in Africa, the African Ministers of Agriculture, at the 22nd FAO Regional Conference for Africa in Cairo in February 2002, at the World Food Summit: *five years later* in Rome in June 2002, and through direct consultations at national level, played a central role in the preparation of the CAADP. Subsequently, the Assembly of State of Heads and Governments of the AU adopted the CAADP and its Action Plan in June 2003 at its Maputo Summit. The CAADP programme outlines the key agriculture development strategies for the continent and has five major pillars which include the following:

- Extending the area under sustainable agricultural production;
- Improving infrastructure for efficient agricultural production, processing and marketing;
- Ensuring food security; and
- Increasing science and technological use in African agriculture.

8. The vision of the CAADP programme is to transform Africa from being a chronically food insecure continent to being a dominant production, processing and exportation centre. This is logical considering the overwhelming food import bill for the continent which is estimated to be US\$20 billion annually. The spirit in the CAADP programme therefore is to speed up agricultural development in the continent fast enough in order to significantly reduce the poverty and hunger levels in the continent in line with the Millennium Development Goals.

9. This workshop therefore is organized as one of the national initiatives aimed taking further steps in implementing the CAADP national programme. It is expected that by the end of the day, the

workshop should come up with investment areas along which projects will be prepared for seeking financial assistance for implementing the various initiatives. I have no doubt that with the level of expertise in this room, we will come up with tangible results. May I therefore appeal to you to engage in exhaustive discussions in these issues drawing from your vast experiences in order to come up with appropriate and practical areas that can turn round the Malawi economy consequently eradicating poverty and hunger in this country.

10. Lastly, but by no means least, let me one again express my profound gratitude to the FAO for providing the logistical and financial support for conducting this workshop. I have no doubt that the output of this workshop will go a long way towards shaping the future of our agriculture sector and economy in this country.

11. With these remarks, Mr. Chairman, Distinguished Guests, Ladies and Gentlemen, it is now my singular honour and privilege to declare the workshop officially open.

I THANK YOU VERY MUCH FOR YOUR ATTENTION.

Appendix 2: NEPAD Agriculture Programme

(*Paper prepared for presentation by Ministry of Agriculture, Irrigation and Food Security.
Presented by Mr D. Kabambe*)

Background

Agriculture accounts for about 60% of labour force, 20% of exports and 17% of GDP in Africa. Africa imports over US\$20 billion worth of foodstuffs outside the region annually. 200 million people are undernourished and the figure is expected to rise to 205 by 2015. 30 million people require food assistance every year. FAO estimates that Africa risks taking 50 years before attaining the MDG of halving the continent's hungry people by 2015. Average yields for cereals in Africa are only at 1 tonne/ha compared to others at 5–10 t/ha. Agricultural exports have declined from 50% in 1960 to 20% in 2001. USA and EU account for over 81% and 87% of world's cereals and livestock productions respectively.

NEPAD Agriculture Programme

In light of the foregoing, between 2002 and 2003, NEPAD Secretariat initiated several consultations at National, Regional and Continental level to develop the *Comprehensive Africa Agriculture Development Programme* (CAADP).

NEPAD Vision for Agriculture

- By 2015 Africa should be food secure.
- Achieve agricultural productivity growth rates of over 6% annually.
- Develop dynamic markets for agricultural products throughout the continent.
- Integrate small-scale farmers into the wider market economy.
- Transform Africa into a Net Food Exporter.
- Achieve equitable distribution of wealth.
- Play strategic role in agricultural science and technology.
- Manage natural resources sustainably.

Pillars of CAADP

- Extending the area under sustainable land management and reliable water control systems.
- Improving infrastructure and trade related capacities for market access.
- Increasing food supply and reducing hunger.
- Agricultural research, technology dissemination and adoption.

Pillar One: Background

- Africa has an excellent water drainage system (Nile, Congo, Niger, Zambezi, Orange, Shire, L. Malawi, L. Turkana, L. Tanganyika, L. Albert).

- About 874 million ha is potential land for irrigation of which 12.6 million ha is in use.
- Over 70% Africans live in rural areas depending directly on agriculture and its related activities.
- This Pillar seeks to intensify use of land, labour and water resources in Africa to increase area under irrigation from the current 12.6 million ha to 20 million ha by 2015.
- About US\$31 billion is estimated for this purpose.

Specific Activities

- Rehabilitation and construction of large-scale irrigation schemes.
- Intensification of small-scale irrigation technologies.
- Provision of inputs necessary for increased agricultural production under irrigation.
- Practising proper soil and water conservation measures.
- Land conservation and management.
- Capacity building in irrigation agriculture.

Pillar Two – Background

- Africa faces high transaction costs due to rural underdevelopment and landlockedness.
- Infrastructure of rural markets, roads, energy, water and telecommunication is poor. making costs of inputs and outputs high hence our production is uncompetitive.
- This pillar seeks to address this and make African products more competitive.
- US\$92 billion is earmarked for this.

Major Activities

- Investment into existing and new infrastructures of roads, rail, water, markets and energy.
- Construction of processing plants along the Africa's major transport corridors.
- Building capacity for compliance of international food standards, SPS, WTO.
- Upgrading laboratories of product testing, inspection and quality assurance.
- Development of corridors and networks.

Pillar Three: Background

- Availability of food in Africa is largely at the mercy of weather situations.
- Every year, for the past decade, there has been occurrences of drought, dry spells and floods that have left millions hungry.
- In 2001 alone, about 28 million required humanitarian food assistance.
- Over US\$42 billion is set to check this trend.

Measures

- Open regional and sub regional buffer stocks.
- Build capacity for forecasting, preventing and mitigating adverse effects of weather.
- Intensify water management and harvesting techniques.
- Ensure quick post-emergency relief and rehabilitation.
- Direct assistance to vulnerable groups.

Pillar Four: Background

- African agriculture is characteristic of low technology uptake.
- Old practices of using hoe and low yielding varieties are high.
- African agriculture dominated by illiterate farmers.
- This pillar seeks to upgrade the technology of African agriculture to that of the Developed world so that it is competitive.

Measures

- Build capacity for agricultural research and learning institutions.
- Investment in technology transfer and support to adoption.
- Build Centres of Excellency which should support farmers and researchers alike.
- US\$4.6 billion is estimated for this.
- Improve our extension service delivery systems.

Sources of Funds

- National Budgets: AU Summit in Maputo agreed to allocate a minimum of 10% of national budgets to agriculture by 2010.
- Regional Economic Communities & Banks.
- Co-operating Partners.
- Private Sector.
- NEPAD Secretariat.

Actions

- Setting up of a NEPAD agriculture co-ordination unit. Done.
- Alignment of CAADP pillars to the sectors' strategy and Action plan. In progress.
- Preparation of Flagship and Bankable Projects. In Progress.

Appendix 3:
National Medium-Term Investment Plan for the Agricultural Sector
(Presented by Mr. Ian Kumwenda)

Outline of Presentation

- Introduction.
- Constraints and opportunities.
- Investment Programme Outline.
- Financing Gap.
- Monitoring and Evaluation.
- Way Forward.

Introduction

- The Economy.
- The Agricultural Sector.
- The Strategic Framework.
- Government Objectives and Strategy.
- Strategies of Development Partners.
- Projects in pipeline.

Lessons Learnt

- All stakeholders should be consulted to identify critical issues build consensus.
- Design of projects must be based on realistic assessment capacity and commitment to change.
- Effective flow of resources to the field is a pre-condition for successful project implementation.
- Investment aimed at solely agricultural productivity cannot reduce poverty.
- There is need for strong leadership from MoAIFS.
- There is need to guarantee counterpart funding.

Constraints and Opportunities

- Macro-economic.
- Agriculture.
- Livestock.
- Fisheries.
- Forestry.
- Institutional.
- Cross cutting.

GoM Priority Areas of Intervention

- Poor access to inputs.
- Inefficient markets and marketing systems.
- Agricultural financing and input credit.
- Technology development and dissemination.
- Agro-processing.

Investment Programme Outline

The CAADP offers the following priorities:

- Expansion of area under land management and water.
- Improvement of rural infrastructure and trade related capacities for improved market access.
- Enhancement of food supply and reduction of hunger.
- Development of agric. research, tech dissemination and adoption.
- Livestock, fisheries and forestry.

Priority Area of Investment

- *Priority 1 Access to Inputs* which includes: Promotion of farmer organizations, contract farming and out grower schemes, development and promotion of input distribution systems, promotion of seed production, rural financial services and credit provision, and irrigation.
- *Priority 2: Market Infrastructure, Information and Trade:* Market infrastructure, market information, promotion of farmer association/groups.
- *Priority 3: Agricultural Financing Credit and Capital.*
- *Priority 4: Technology Development and Dissemination.*
- *Priority 5: Agro-processing for Adding Value.*

Project Selection Criteria

- Government priorities.
- Conformity to CAADP pillars.
- Donor interest.
- Additional criteria (likelihood of increasing income of the poor, within capacity of MoAIFS and likelihood of success, contribute to value addition, environmentally sound, contribute to food security, complementary to ongoing programmes and projects).

Preliminary Identification of Bankable Projects

Bankable projects have been identified by taking into account:

- Current projects funded by donors;
- Donor country strategy papers and consultation with them;

- Agriculture sector priorities in MASIP and MPRSP;
- CAADP pillars.

Preliminary area for formation of bankable projects:

- Irrigation development and soil, water and land management;
- Commercialization of horticultural products;
- Development of high value crops and livestock for enhancing food security and HH incomes;
- Promotion of research and dissemination;
- Financing;
- Maputo declaration of July, 2003, Heads of State and government of African Union (AU) committed themselves (share of budget at least 10% in 5 years);
- However, allocation to the agricultural sector has been declining from late nineties;
- There is need to increase share of agriculture in future as outlined in the document;
- Monitoring and Evaluation;
- Monitoring and evaluation of the investment programme will fall within the framework of MPRSP;
- Implementation will be monitored using various indicators outlined in MPRSP action plan; and
- Additional indicators will be developed in order to complement those that already exist.

Way Forward

- The workshop should review the possible investment areas identified and recommend areas for development of bankable projects;
- Specific comments on the NMTIP are welcome in order to improve the document;
- A number of countries in Africa are undertaking similar work we should not be left behind; and
- There will be need for commitment from GoM, development partners and all stakeholders for the plan to work.

Appendix 4:
List of Participants

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