I. Project Context

Country Context

Malawi, a landlocked country with a population of about 13 million, remains one of the poorest in the world. Average per capita income is only US$170. According to the 2004/2005 Integrated Household Survey, 52% of the population lives below the poverty line. Poverty rates have changed only marginally since the 1997/98 household survey. One reason is the slow growth in GDP - between 1996 and 2005, per capita incomes increased at a rate of only one percent per year. One consequence is the persistence of high rates of malnutrition. Approximately 43% of children are stunted, and 22% are underweight. Sustained improvements in agricultural productivity and more stable food supplies are needed to reduce high rates of malnutrition and poverty.

Agriculture remains the main source of growth and exports in Malawi. With 85 percent of the population residing in the rural areas, the sector accounts for over 80 percent of the country’s employment, over one-third of GDP, and about 80 percent of merchandise exports. The primary staple for most of these households is maize. Over 70 percent of all farmers in the country cultivate less than one ha and a significant number of these farmers still struggle to produce enough food to meet their annual consumption requirements. The country continues to experience dry spells, especially in the southern region, rendering a significant number of households in these regions perpetually food insecure. In areas where production has been good, poor roads have often prevented the marketing of surpluses.

With the current low prices in the tobacco market, Malawi is facing a dramatic decrease in export revenues leading to severe foreign exchange constraints, while leaving many tobacco farmers in need of alternative sources of cash income. There is thus an urgent need to help the country to diversify the maize and tobacco-based production systems, and to encourage traditional (often subsistence) smallholder farmers to engage in more market oriented agriculture through better market access and integration into agricultural value chains.

II. Sectoral and Institutional Context

Agriculture’s role as the main driver of poverty-reducing growth is widely recognized by the Government and donors. Agriculture is the single most important sector of the Malawi economy, contributing about 38% of value-added to GDP, employing 85% of the work force, and contributing 80% of foreign exchange earnings in 2006. Maize, the dominant staple, accounts for 92% of total cereal grains area and approximately 85% of the total smallholder area planted to crops. Significant proportions of calories are also derived from cassava, sweet potato, rice, sorghum, pearl millet and finger millet. While small-scale irrigation schemes support the production of green maize, rice and horticultural crops (especially tomato and onion), over 95% of smallholder production is rain fed.

Malawi’s agricultural development strategy is laid out in detail in the ASWAp investment plan drafted by the GoM together with its Development Partners. The largest and most costly investment program in the sector is the Farm Input Subsidy Programme (FISP) to attain food security and targeted towards the poorer households. Notwithstanding the success of FISP, rates of malnutrition and especially stunting levels among children, remain high

III. Project Development Objectives

There Project Development Objective is to improve the effectiveness of investments aimed at food security and sustainable agricultural growth.
IV. Project Description

Component Name
1- Institutional development and capacity building
2- Sustainable food security, agricultural growth and diversification
3- Project coordination
4- Improvement and maintenance of unpaved rural roads

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>4.90</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>30.00</td>
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<tr>
<td>Free-standing Cofinancing Trust Fund</td>
<td>47.80</td>
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<tr>
<td>Total</td>
<td>82.70</td>
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</table>

VI. Implementation

Consistent with the original project design and approach, the ASWAp-SP will remain fully executed through the existing organizational structures of the responsible government institutions in Malawi. The Ministry of Agriculture, Irrigation and Water Development (MAIWD) will be responsible for overall coordination of the project. It will be integrated into the now approved official ASWAp management structure. The executive management committee (EMC) will act as the steering committee for the ASWAp-SP. While the Ministry of Industry and Trade is already part of the committee, the Ministry of Transport and Public Investments (MTPI) and Ministry of Lands, Housing and Urban Development are incorporated as new members. The EMC will have overall managerial decision making responsibility for the ASWAp-SP, including approval of work plans and budget and review of quarterly and annual reports. The Project implementation manual will be revised prior to effectiveness to explicitly include: (i) the executive management committee as acting as the overall project steering committee; (ii) the sector working group as the forum for dialogue and consultation with private sector, farmers’ associations and civil society organizations; and, (iii) the technical working groups as the instances to address specific technical and implementation issues. Implementation responsibility will lie with the line Ministries in charge of their respective sectors. However, it was agreed with the MoLHUD and the MoIT that procurement related to their component will be done by the existing and already experienced unit of the MoAIWD.

The implementation of the roads component will be the responsibility of MTPI. The MTPI will be responsible for the provision of policy direction, overall project coordination and liaison with the MAIWD related to the road component and oversight of the executing agencies. In accordance with the institutional framework for the sector, the MTPI delegates its powers for the management of the road network to the Roads Authority (RA) and the Ministry of Local Government and Rural Development through the Local Assemblies. The Procurement Section of the RA will be responsible for co-ordinating the procurement activities for the project that will be carried out by the Maintenance Department and local authorities. The Roads Fund Administration (RFA) Finance Department, through the Senior Accountant, will be responsible for the financial management and reporting for the road component of the project, in line with the new Public Finance Management Act (PFMA). The road works will be carried out by local contractors or wherever practicable by labour-based methods to provide employment opportunities to communities. Contracts for maintenance works to be carried out by maintenance clubs will be signed between the Local Assemblies and the clubs. The districts in which the roads improvements will be carried out have been defined as Chikhwawa, Chitipa, Salima, Mwanza and Ntcheu by the MAIWD. Production areas within the districts will be identified by the MAIWD, and the selection of individual roads will then take place. Secondary, tertiary and district roads will be prioritised by the Roads Authority and their Regional Engineers using an existing methodology based on a multi-criteria process. Interventions on Community Roads will be identified using the current district planning process. The Roads Authority will work with the local assemblies to ensure that the results of these two processes are compatible and together contribute to improving access to areas of agricultural production.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<th>No</th>
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</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>Pest Management OP 4.09</td>
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<td>Indigenous Peoples OP/BP 4.10</td>
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<td>Projects on International Waterways OP/BP 7.50</td>
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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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<td></td>
</tr>
</tbody>
</table>

VIII. Contact point

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Name: Ministry of Agriculture, Irrigation and Water Development  
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