I. Project Context

Country Context

Persistent external imbalances compounded by reduced donor inflows, low tobacco proceeds and other supply-side bottlenecks have contributed to the weakening of macroeconomic performance over the past year. This has, in turn, contributed to a widening of balance of payment and budget gaps and the slowdown in real economic activities resulting in persistent fuel supply and foreign exchange availability constraints. However, Malawi has recently opened a new window of opportunity to implement reforms to address serious and long-standing economic and governance challenges.

On the economic side, the GoM supports urgent steps to restore macro stability, and would support flexible exchange rates, with full attention to its impact on the poor. This proposed second additional financing of the Irrigation, Rural Livelihood and Agricultural Development Project (IRLADP AF II) is part of the World Bank’s support to the rapid response economic package and primarily intended to support the rural poor, cushioning them from the current economic hardships, as well as consolidate and prepare irrigation investments for longer term sustainability of the sector.

II. Sectoral and Institutional Context

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 the Gross Domestic Product (GDP), and about 80 percent of merchandise exports. Over 70 percent of all farmers in the country cultivate less than one hectare (ha) and a significant number of these farmers still struggle to produce enough food to meet their annual consumption requirements. Agriculture remains dominantly rainfed and dependent on
one short and variable annual rainy season. The country continues to experience severe dry spells, especially in the southern region, rendering a significant number of households perpetually food insecure.

The GoM gives high priority to sustainable agricultural land and water managements, including irrigation development, which reduces dependence on favorable weather conditions, while boosting productivity. The Agricultural Sector Wide Approach (ASWA) aims to increase the area under sustainable irrigation from 72,000 ha to 280,000 ha, through the Green Belt Initiative. Support to a thriving irrigated agriculture sector is predicated on a demand-driven, service oriented approach with the full participation of farmers and commercial interests, as spelled out in the National Irrigation Policy and Development Strategy (NIPDS).

III. Project Development Objectives
The revised PDO is (i) to increase agricultural productivity of poor rural households in all districts of Malawi; (ii) to strengthen institutional capacity for long-term irrigation development; and (iii) to facilitate early emergency response.

IV. Project Description
Component Name
Farmer Services and Livelihood Fund
Irrigation Rehabilitation and Development and Catchment Conservation
Institutional Development and Capacity Enhancement
Project Coordination, Monitoring and Evaluation
Contingency for Disaster Risk Response

V. Financing (in USD Million)

<table>
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<th>For Loans/Credits/Others</th>
<th>Amount</th>
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<tr>
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<tr>
<td>International Development Association (IDA)</td>
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<tr>
<td>Total</td>
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VI. Implementation
The implementation arrangements of the original project will remain largely unchanged for AF II. The Project Coordination Unit (PCU) will continue to be responsible for day-to-day project implementation. To further strengthen the linkage with the ASWA investment framework, the PCU will work in close coordination with the ASWA Secretariat under the policy guidance of the ASWA Executive Management Committee (EMC), chaired by the Principal Secretary, MOAFS. The project will also contribute and receive advice from the Technical Working Groups established under ASWA to provide guidance on technical issues and methodologies for implementation of activities and investments. The Project Executive Committee (PEC) provides technical oversight and has the responsibility for approving sub-projects following recommendations from the district authorities. The Procurement and Consultant Guidelines published in May 2004 and revised in October 2006 and May 2010 will apply to AF II, including the same range of procurement and consultant employment methods utilized under original grant and first additional financing credit.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<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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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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</tr>
</tbody>
</table>

VIII. Contact point

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