1. **Country and Sector Background**

1. **Agricultural context:** Agriculture remains the main source of livelihoods, 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 and a significant number of these farmers still struggle to produce enough food to meet their annual consumption requirements. The country experiences severe 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. There is an urgent need to help the country to diversify the maize and tobacco-based production systems, and to encourage smallholder farmers to engage in more market oriented agriculture through better market access and integration into agricultural value chains.

2. **Sector strategy:** Under the Comprehensive Africa Agriculture Development Programme (CAADP) process, the Ministry of Agriculture and Food Security (MoAFS) has developed and adopted the Agricultural Sector Wide Approach (ASWAp), which provides a framework for further investments across the agriculture sector. The ASWAp-SP, initially co-financed by the Bank and Norway, has played a crucial role in supporting the preparation of the ASWAp and its effective implementation. The decision to use a MDTF to scale up ASWAp-SP project activities was considered to be the most appropriate method for additional donors to contribute to the GoM’s ASWAp. By co-financing one single project implemented by the Ministry of Agriculture, the proposed second additional financing (AF2) under the MDTF will confirm donors’ efforts to increase harmonization and alignment in the agricultural sector.

3. **This AF2 is consistent with the Country Assistance Strategy (CAS FY13-16) approved in January 2013. The creation of this MDTF and the subsequent AF to ASWAp-SP are an integral part of the Bank’s strategy to achieve the outcome on “increased productivity and
commercialization of agriculture and sustainable management of water resources for multiple uses” under the thematic area of “Promoting sustainable, diversified and inclusive growth”. The AF2 will also foster a better integration of sector interventions, for example with a stronger focus on the improvement of rural roads serving agricultural areas.

2. Objectives

4. Under the proposed AF2, the Project Development Objective remains unchanged as initially defined to improve the effectiveness of investments aimed at food security and sustainable agricultural growth, and to strengthen the natural resource base in agricultural lands, through a doubling of the area under sustainable land management as a basis for securing ecosystem services and sustainable agricultural productivity.

5. The objective of AF2 is to scale up on-going activities with particular attention to: (a) Strengthening MoAFS administrative systems, particularly at the district level with a stronger focus on monitoring and evaluation systems; and strengthening MoAFS's capacity to implement the ASWAp; (b) Enhancing FISP organization and implementation, monitoring and evaluation, with a stronger focus on maize and legumes seeds availability; (c) Increasing the nationwide coverage of research and extension activities to reach out to more farmers and to increase FISP payoffs and sustainable impact on smallholders; and (d) Improving the efficiency of agricultural research and extension services while promoting a more pluralistic approach to delivering these services.

6. In addition, the AF2 will help develop the following additional activities: (a) Diversification of the maize-based production systems by: (i) extending the current research and extension approach to increase the adoption rate of selected technologies, diversified crops (cereals, roots and tubers, pulses and leguminous, agro-forestry products, etc.) and livestock production by farmers; and (ii) improving crop production and marketing, and ensuring availability of sufficient certified seeds to meet increasing demand both within and outside of FISP; (b) Improve the agricultural business environment and promote agribusiness partnerships in support of agricultural diversification with a more market oriented agriculture and integration into agricultural value chains and regional markets; and (c) Improve market access to the most productive agricultural areas through the improvement and sustainable maintenance of feeder roads.

3. Rationale for Bank Involvement

7. AF2 will be financed by a Multi-Donor Trust Fund (MDTF) established to pool contributions from various donors as a joint effort to improve harmonization, alignment and donor coordination in the agricultural sector in Malawi. The Bank is the administrator of the MDTF. The core objective is to reduce the number of agricultural projects with similar objectives by jointly support the existing ASWAp-SP which is implemented using country systems by the Ministry of Agriculture and Food Security (MoAFS). The breakdown of contributions from the donors to the MDTF is as follows: European Union (28,890,000 Euros); Royal Norwegian Ministry of Foreign Affairs (220,000,000 Norwegian Kroners); United Kingdom’s Department for International Development (14,175,000 British Pounds); Department of Foreign Affairs and Trade of the Republic of Ireland (14,000,000 Euros); Flanders International Cooperation Agency (5,300,000 Euros); and United States Agency for International Development (US$2.5 million).
4. **Description**

8. The Agricultural Sector Wide Approach – Support Project (ASWAp-SP) project has the following four components:

   (1) Institutional development and capacity building in support of the ASWAp;
   (2) Sustainable food security, agricultural growth and diversification;
   (3) Project coordination; and
   (4) Improvement and maintenance of unpaved rural roads.

9. Additional activities: The proposed changes consist of scaling up existing activities and adding new ones to increase the impact of the Project as described thereafter:

10. **Component 1: Institutional development and capacity building in support of the ASWAp:**
    AF2 will continue improving the capacity of MoAFS’s staff in planning and budgeting, in internal communication and coordination, in policy making, in sector coordination, and in monitoring and evaluation of public investments in the agricultural sector. The leadership of the Ministry on the overall sector investment coordination will be further strengthened to improve the efficiency of public investments in agriculture. New studies will be carried out to strengthen the knowledge base and monitoring of the agricultural sector and to ensure the timely production and publication of reliable agricultural statistics (using a range of methodologies based on a combination of satellite imagery and field surveys to improve the existing Ministry’s APES\(^1\)). Under the land administration subcomponent, the Project will further support the policy decision making process by providing up-to-date information and analyses on land management and land use planning. This will include the development of a land information system to help the Ministry of Lands and Housing ensure and secure a proper recording of deeds, with a specific objective of monitoring the evolution of land use under Estates management.

11. **Component 2: Sustainable Food Security, Agricultural Growth and Diversification:**
    the objective will be to look beyond food security by not only supporting the existing and generalized maize-based farming system, but also encouraging diversification and marketing. This will translate into developing expanded and new research and extension activities to increase the adoption rate of selected technologies, diversified crops and livestock production by farmers. The component will expand the coverage and improve the quality of extension activities to reach out to more farmers by promoting innovative and more pluralistic extension methodologies. As a result of the scaled-up agricultural extension program, it is expected that smallholder farmers will increase their agricultural productivity and outputs, while diversifying from their maize-based subsistence farming practices.

12. Further support will be provided to the design, programming and implementation of the Farm Input Subsidy Program (FISP), including support to improve the efficiency of the FISP in terms of procurement, tracking of fertilizer and seeds distribution and implementation time line. The Project will support the MoAFS in revisiting the overall design, objectives and implementation modalities of the FISP, to strengthen its impact on the ground. The approach will be based on analyzing various options for modernizing the FISP and to better articulate its content and targeting with complementary social protection programs.

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\(^1\) Agricultural Production Estimates Survey
Component 3: Project Coordination: AF2 will provide further support to the ASWAp secretariat within the Ministry of Agriculture which has a critical role in coordinating the different Departments in charge of the execution of ASWAp-SP activities. Additional support will consist of technical studies, consultancies and technical assistance, the details of which will be determined in the course of project implementation. As per the recommendations of the last implementation support mission, the additional support will also be provided through technical assistance to speed up implementation of activities, financial management and procurement processes, as well reporting of activities.

Component 4: Improvement and maintenance of unpaved rural roads: the scope of the road improvement and maintenance will be expanded from five to ten Districts, and 780 kilometers of roads will be improved. In addition, the Project will strengthen the capacity of the implementing bodies including Local Authorities and local contractors in the target districts. Rural roads maintenance systems will be established by rolling out the existing “maintenance clubs” methodology which employs groups from the community to carry out the work (a 40% participation of women will be encouraged). Resettlement costs will arise when the need for compensation for any land, crops or buildings that are identified for appropriation through the social and environmental screening process. Compensation will be defined in the Resettlement Action Plans (RAPs) that will be prepared for roads where the need for resettlement is triggered. GoM will finance the maintenance of the rehabilitated rural roads and compensation payments under RAPs.

5. Financing

<table>
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<th>Source</th>
<th>($m.)</th>
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</thead>
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<tr>
<td>Borrower/Recipient</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>0</td>
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<td>Multi-Donor Trust Fund (EU, Norway, DFID, Irish Aid, FICA and USAID)</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
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</table>

6. Implementation

The existing Project institutional arrangements and implementation modalities will remain the same. The overall coordination responsibility will remain with the Ministry of Agriculture and Food Security. Implementation responsibility lies with the line ministries in charge of their respective sectors. The implementation of agriculture-related is the responsibility of MoAFS, the Ministry of Lands and Housing will be responsible for activities related to land administration and the Ministry of Industry and Trade for studies and consultation related to the agribusiness environment. The rural road Component is implemented by the Ministry of Transport and Public Works (MTPW), Ministry of Local Government and Rural Development (MLGRD), Roads Authority (RA) and Roads Fund Administration (RFA) the institutions that share responsibilities for the sector. The existing arrangements for FM, disbursement and procurement of the agriculture and roads components of the project will remain unchanged, and will be adopted for the management and execution of the recipient executed activities of the MTDF under the proposed AF2.
7. Sustainability

16. To ensure sustainability through stronger ownership, the Project is fully implemented by national institutions without any project implementation unit and the AF2 proposed activities are mainstreamed in the annual programs of the different Departments at the central and Districts levels. AF2 implementation will further promote the full alignment of the Ministry's organization, planning and budgeting to the ASWAp investment framework to sustain the expected improvement in terms of sector coordination and monitoring, as well as in terms of harmonization and alignment of investments.

17. Activities on the ground have been implemented by extension services at the District and Extension Planning Area levels. The approach has re-motivated extension officers and improved their relationship with farmers so that confidence has been restored in many places so that one can expect a more sustainable collaboration for the future. The promotion of lead farmers as interfaces between farmers and extension services is also a promising way to develop a more sustainable provision of technical advice to farmers. The Project will explore other means to deliver agricultural extension to farmers on a sustainable way.

8. Lessons Learned

18. It is recognized that the ASWAp-SP has been and remains instrumental in establishing a firm institutional framework for the implementation of a more harmonized national investment program. It is however also acknowledged that the overall leadership and overseeing role of the Ministry on the agricultural sector need to be further strengthened to ensure more coordination and alignment of investments. The agricultural sector coordination and policy dialogue have significantly improved but all stakeholders agree that the ASWAp process should be accelerated to deliver more results and policy recommendations. The lack of reliable and timely deliver statistics is also a sensitive issue that prevents well informed policy decisions. The AF2 will aim at improving this situation.

19. On the ground, District Agricultural Development Offices (DADOs) are implementing extension activities with dynamism and energy, contributing to strengthening confidence and collaboration between farmers and extension officers. Efforts are being made to improve collaboration among institutions delivering technical advice to farmers and to build synergies between respective programs. On-farm trials, demonstrations and farmers try-outs cover many different areas such as maize varieties, crop nutrient management, sustainable land and water management techniques, as well as post-harvest technologies.

20. The key challenge for the Project is now to undertake a sound assessment of technology adoption by farmers, to draw lessons on why farmers are adopting some technologies or not, and to include new extension activities with a much stronger focus on diversification. To reach out more farmers and compensate the limited number of extension officers on the ground, the Ministry has developed a promising program of using lead farmers and has recruited NGOs to replicate MoAFS extension activities in EPAs that present large gaps in extension officers. This pilot experience is successful and appreciated by both farmers and DADOs on the ground. The challenge is therefore to continue expanding the extension coverage by using a wider range of agricultural extension providers to reach out to more farmers.
9. Safeguard Policies (including public consultation)

Safeguard policies triggered by the AF are the following:

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>(OP/BP 4.01) Natural Habitats (OP/BP 4.04)</td>
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<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)</td>
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<td>[ X ]</td>
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<tr>
<td>Projects on International Waterways (OP/BP 7.50)</td>
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<td>[ X ]</td>
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</tbody>
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21. Safeguards compliance is fully satisfactory as extension programs delivered to farmers include key messages on proper use and application of fertilizer or proper handling of pesticides for maize storage treatment, while promoting innovative sustainable land and water management. On the social dimension, participation of female farmers in extension activities has been sound, especially in demonstrations on maize varieties and on-farm trials or during farmer field days, while the proportion of female lead farmers is approaching fifty percent.

22. For the roads component, the Roads Authority has recently completed an environmental and social screening of the rural roads selected for rehabilitation in three of the five Districts targeted under the first AF. This screening meets the Bank’s required standards of quality and confirms that most of the improvement works will not have any negative impact on the environment and will not require the resettlement of households.

10. Contact point

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