PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE

Report No.: AB5619

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Irrigation, Rural Livelihoods and Agricultural Development Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>AFRICA</td>
</tr>
<tr>
<td>Sector</td>
<td>General agriculture, fishing and forestry sector (35%); Irrigation and drainage (30%); Agricultural extension and research (20%); Sub-national government administration (10%); Central government administration (5%)</td>
</tr>
<tr>
<td>Project ID</td>
<td>P121120</td>
</tr>
<tr>
<td>Borrower(s)</td>
<td>MALAWI GOVERNMENT</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>Ministry of Agriculture and Food Security; and Ministry of Irrigation and Water Development</td>
</tr>
<tr>
<td>Environment Category</td>
<td>[ ] A [X] B [ ] C [ ] FI</td>
</tr>
<tr>
<td>Date PID Prepared</td>
<td>March 30, 2010</td>
</tr>
<tr>
<td>Date of Appraisal Authorization</td>
<td>June 22, 2010</td>
</tr>
<tr>
<td>Date of Board Approval</td>
<td>August 31, 2010</td>
</tr>
</tbody>
</table>

1. Country and Sector Background

Malawi, with an estimated population of 13.1 million in 2008, is among the poorest in the World with per capita GDP (in constant 2000 US$ terms) hovering at less than US$200 for nearly three decades. According to recent estimates from the Welfare Monitoring Survey, about 40% of the population lives below the poverty line of US$2 per day. Over 80% of Malawi’s population comprise the rural farmers and depend on agriculture as their key source of livelihood. Malawi faces considerable challenges in achieving the Millennium Development Goals (MDGs) of eradicating extreme poverty and hunger by the year 2015. This would require among other priorities, sustained investments to increase agricultural productivity and to improve the effectiveness of agricultural investments. Raising agricultural productivity and diversifying the agricultural base is key to improving agricultural growth as a basis for the country’s long-term economic growth, as indicated in the Malawi Growth and Development Strategy (MGDS).

Agriculture is the single most important sector of the Malawi economy, contributing over 35% of the GDP, employing over 85% of the workforce, and contributing 90% of foreign exchange earnings. Total cultivated area is about 3.6 million hectares of which about 1.1 million hectares is held under the estate sector with about 30,000 estates, with land holding ranging from 10 – 500 hectares. Malawi’s agricultural sector is therefore dominated by the smallholder sector, estimated at about 3 million farmers, cultivating about 1.8 million hectares. The main staple crop is maize cultivated on over 70% of the arable land. The main cash crop is tobacco. There is limited diversification to other crops such as pulses, roots and tubers.

The overarching development issues facing Malawi’s agriculture include: (i) low productivity and profitability of smallholder agriculture, with stagnant yields particularly under the maize-based systems. Average maize yields have only started improving from low levels below 1
metric ton per ha to an average of about 1.5 metric tones per ha\textsuperscript{1}. Crop production continues to be influenced by dependence on rain-fed farming, given the low levels of irrigation development; (ii) low irrigation and poor water management – the country has a unimodal rainfall pattern and in some cases faces extended period of dry spells which significantly affect crop production. Major droughts have occurred in 1991/92, 1993/94, floods in 1997/98 and 2000/01, and drought again in 2004/05 and intermittent prolonged dry spells in 2009/10. To avoid major food shortfalls that result from these periods of drought and floods, there is need for the country to invest in irrigation development as well as better water management. Agricultural intensification through irrigation has the potential to improve yields and provide at least two harvests per ha to the small farmers in a given year. At present, total formal or semi-formal irrigated area in Malawi is 39,000 ha against a potential area of up to 700,000 ha. The Government of Malawi has adopted a National Irrigation Policy and Development Strategy (NIPDS) in 2000 and an Irrigation Act in 2001 which support sustainable irrigation development\textsuperscript{2}.

The other issues affecting Malawi’s agricultural growth relate to the weak extension system in the face of the HIV/AIDS pandemic. Malawi Government adopted a demand-driven pluralistic extension service policy in 2001, however, the institutional framework for the implementation of the new policy is still being developed. Malawi’s smallholder agriculture also faces the challenges related to the weak and thin markets for both agricultural output and inputs. This is exacerbated by the discretionary government interventions in markets which has oftentimes eroded the private sector confidence in the markets, thereby affecting the development of both output and input markets in the sector.

2. Objectives

The development objective of the Irrigation, Rural Livelihoods and Agricultural Development Project is to increase agricultural productivity and incomes of approximately 196,550 poor rural households in the participating districts and strengthen the Recipient’s institutional capacity for long-term irrigation development. The main project activities include rehabilitation of irrigation infrastructure and provision of a package of technical and advisory services for sustainable small-scale irrigation.

The specific objectives are to increase agricultural productivity by 50% and smallholder net incomes by 30% through: (i) developing and rehabilitating irrigation infrastructure to raise cropping intensity by 30% by especially involving the private sector and beneficiaries in scheme development and maintenance; (ii) providing demand-driven technical packages to raise smallholder productivity and diversify crop mix; (iii) improving rural infrastructure and marketing assets and services; and (iv) helping to mobilize farmers and build capacity of farmer organizations and of implementing institutions.

\textsuperscript{1} Mainly attributed to favourable rainfall and the input subsidy program.

\textsuperscript{2} The 2010 version of the NIPDS is being drafted.
Key performance indicators showing the achievement of the project objectives include: (i) % increase (or ton/ha) of crop yield i.e. maize and rice; (ii) % increase in agricultural sales (for major crops: horticultural crops, maize and rice) in Local Currency Unit (LCU); and (iii) number of operational Water User Associations (WUAs) – with members disaggregated by gender.

3. Rationale for Bank Involvement

World Bank support is significantly helping to address some of the sector issues and constraints. The proposed project will help consolidate the gains achieved in the implementation of the original project with the goal of promoting rapid sustainable pro-poor growth and improving the quality of life of the most vulnerable through the provision of sustainable small-scale irrigation capacity. The Bank’s involvement in the sector adds credibility to the sector’s investment program and acts as a catalyst for the mobilization of donor support towards the implementation of the Agricultural Development Program, to be implemented through a Sector-Wide Approach. The Bank’s involvement with the original project built on lessons learned in the IFAD’s Smallholder Flood Plains Development Project (SFPDP) which has also helped mobilize IFAD’s involvement as a co-financier of the original project. Furthermore, the Bank’s continued involvement brings with it accumulated global experience including several years of working in Malawi’s agricultural sector.

The project contributes towards the Malawi’s Growth and Development Strategy (MGDS) through its supports towards two key priority areas. These include (i) agriculture and food security including measures to improve smallholder productivity through increased smallholder commercialization, access to markets and necessary technical and advisory services; and (ii) promoting irrigation and water development through small-scale irrigation to reduce dependence on rain-fed agriculture. The implementation of the project is consistent with the principles of the newly formulated Agricultural Development Program (ADP) which will be implemented through a Sector Wide Approach (ASWAp) and contributes directly to its main pillars: food security and reduction of post-harvest losses, commercialization, agro-processing and market development and sustainable land and water management. The project is also in line with the Bank’s Country Assistance Strategy (outcome 1 on improving agricultural productivity).

4. Description

The proposed instrument is a Sector Investment Credit. It is proposed to provide additional financing to the Ministry of Agriculture/Ministry of Irrigation and Water Development towards the agricultural investment program focusing on an integrated package of interlocking support covering irrigation, and demand-driven extension and marketing services. The overall project strategy is to support growth-oriented agricultural development by working with the capable poor. In line with the Malawi Growth and Development Strategy (MGDS), the principal target group for this project is the economically active rural poor (those of working age and in good health but lacking productive assets) and to a lesser extent, the transient poor (those at risk of becoming poor due to periodic or transitory shocks). While this project aims at promoting economic growth through the developing small-scale irrigation, and other complementary activities among the capable poor, the on-going MASAF 3 APL 2 focuses on providing social protection and livelihoods enhancement among those poor people that are not capable to
participate in labour-intensive community works. Hence, it is important that a district’s or community’s participation in this project does not exclude them from other sources of safety-net type assistance.

The project supports smallholder farmers in 11 (out of 28) districts in Malawi (namely Blantyre, Chikhwawa, Nsanje, Phalombe, Zomba in the south; Dedza, Lilongwe, Salima in the centre; Chitipa, Nkhatabay and Rumphi in the north). The project has 4 main components: (1) Irrigation Rehabilitation and Development; (2) Farmer Services and Livelihood Fund (FSLF); (3) Institutional Development and Community Mobilization; and (4) Project Coordination, Monitoring and Evaluation. The criteria for the selection of the districts were: (i) irrigation potential/water availability; (ii) the poverty of the area; (iii) the presence of another donor; and (v) technical readiness of the area (as determined by how advanced are the technical assessments, such as site investigations, designs etc.

**Project components: IRLADP** has four main components: Irrigation Rehabilitation and Development, Farmer Services and Rural Livelihood Fund; Institutional Development and Community Mobilization and Project Management, Monitoring and Evaluation. These components were designed to complement each other towards the provision of a package of technical and advisory services required to enhance sustainable small-scale irrigation development in Malawi. The project components are:

(i) **Irrigation Rehabilitation and Development** *(with total original allocation of US$13.23 million)* which involves support for rehabilitation and gradual management transfer of 4 Government owned schemes (1,797 hectares) to farmers, development of new small-scale gravity schemes (500 hectares) and mini-scale schemes (300 hectares), rehabilitation of small reservoirs (176 hectares) and construction of 400 group civil works for water harvesting and catchment conservation on a demand-driven basis.

(ii) **Farmer Services and Livelihood Fund** *(FSLF)*, with a total original allocation of US$ 25.07 million and involves provision of support to beneficiary communities, especially those around the irrigation schemes to obtain complementary services (extension/technology transfer, inputs and marketing including post-harvest assets needed to optimize returns to irrigation farming and access markets for their produce;

(iii) **Institutional Development and Community Mobilization**, with a total original allocation of US$ 11.09 million and involves restructuring, strengthening and/or formation of smallholder farmer organizations or water user associations for irrigation transfer, management and related activities aimed at ensuring the sustainable operation and maintenance of the rehabilitated schemes, including the rain water harvesting and soil conservation structures.
This component also supports limited policy and institutional capacity building measures in the Ministry of Agriculture, Ministry of Irrigation and Water Development aimed at strengthening irrigation planning, design and supervision capacity; including provision of staff capacity to agricultural training institutions, district assemblies and other implementing stakeholders;

(iv) **Project Coordination, Monitoring and Evaluation** with a total original allocation of US$ 2.48 million and involves coordination and monitoring of project implementation and accounting for the use of project funds.

The proposed Additional Financing will assist the Government to effectively address the challenges related to cost overruns to enable the Government to complete planned rehabilitation of the irrigation schemes while providing the technical and managerial capacity required for sustainable small-scale irrigation development in Malawi. The additional financing will also be used to strengthen support to farmers’ access to organized supply chains for marketing. The additional financing will be allocated as shown in Table 1:

Table 1: Proposed allocation of additional financing by component

<table>
<thead>
<tr>
<th>Component</th>
<th>Estimated Budget to the end of the 5 Year Project ($000)</th>
<th>Estimated Budget for Additional financing ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation Rehabilitation Development</td>
<td>18,560</td>
<td>4,700</td>
</tr>
<tr>
<td>Farmer Services and Livelihood Fund</td>
<td>27,870</td>
<td>2,800</td>
</tr>
<tr>
<td>Institutional Development Community Mobilization</td>
<td>15,390</td>
<td>4,300</td>
</tr>
<tr>
<td>Project Coordination, Monitoring and Evaluation</td>
<td>3,380</td>
<td>900</td>
</tr>
</tbody>
</table>
Specifically, the additional financing will be used to: (i) cover the cost overrun particularly for irrigation scheme rehabilitation component which will go towards completing all the rehabilitation works including assisting Water User Associations to undertake the rehabilitation of tertiary canals; (ii) expand the area under mini-scale irrigation during the next off-season\(^3\); (iii) provide tailor-made support towards promoting market access among farmers in all the schemes established with project funds so as to enable farmers operate and maintain the schemes on a sustainable basis; and (iv) support the provision of other technical advisory (operations and maintenance services) to ensure smooth management transfer of the rehabilitated schemes to Water User Associations, including the implementation of appropriate environmental management activities to ensure the sustainability of the irrigation schemes.

The proposed changes consist primarily of increasing the Bank’s financial contribution to the existing project activities. Some modifications will be done to the results framework to ensure realism in the targets, as well as refining the PDO outcomes and their indicators and include core indicators in line with current best practice. The PDO will remain unchanged.

5. Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>($m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>2.80</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>1.70</td>
</tr>
<tr>
<td>IFAD (Loan)</td>
<td>8.00</td>
</tr>
<tr>
<td>IDA Grant (original grant)</td>
<td>40.00</td>
</tr>
<tr>
<td>Proposed additional financing (IDA Credit)</td>
<td>12.70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65.20</strong></td>
</tr>
</tbody>
</table>

6. Implementation

The implementation arrangements of the original project are satisfactory and will remain unchanged. The Project Coordination Unit (PCU) will continue to work under the policy direction of the Project Steering Committee (PSC), chaired by the Ministry of Agriculture and Food Security. The PSC provides strategic oversight of the project. The Project Executive Committee (PEC) provides technical oversight and has the responsibility for approving sub-projects following recommendations from the district authorities. The financing arrangements for community sub-projects will continue to be undertaken by the Malawi Social Action Fund (now referred to as Technical Support Team for the Local Development Fund). The 2006 Procurement

\(^3\) This is expected to be within the framework of what is already being implemented, with minimal and localized environmental impacts. Additional activities will therefore not be expected to trigger any new safeguard policies and the project’s environmental category will not change. Perhaps, as a result of this scaling-up of mini-scale irrigation schemes, there will be need to strengthen the implementation of the already developed ESMF.
and Consultant Guidelines will apply to the Additional Financing, including the same range of procurement and consultant employment methods utilized under original project.

7. Sustainability

Key issues related to the institutional, technical, and financial sustainability of the proposed Additional Financing are summarized below.

(a) **Institutional sustainability**: The project is building the institutional capacity of the Ministry of Irrigation and Water Development at the national, district and local levels to be able to provide technical support required for sustainable small-scale irrigation development. The project has established the Irrigation, Water Management Unit (IWMU), the Water Users Association Services Unit (WUASU) and the District Irrigation Advisory Services Unit (DIASU) under the Department of Irrigation (DoI). At the local level, these technical units are facilitating the establishment and capacity building of the WUAs. Training is also being provided to other institutions that are involved in high level education (training of graduate and diplomate irrigation engineers) such as Bunda College and Natural Resources College. All this capacity building is likely to improve the institutional sustainability and support the country’s long-term irrigation development agenda.

(b) **Technical sustainability**: Technical sustainability is likely to be affected by the capacity challenges in the line and sector ministries. These challenges will remain for some time. The capacity building implemented under the original project will continue during the additional financing to ensure adequate capacity for eventual technical support, operations and maintenance after the project period by technical staff and communities.

(c) **Financial sustainability**: Financial sustainability of the activities supported under the pilot project is likely to be achieved because beneficiary groups will be expected to improve their productivity from the rehabilitated and newly developed small and mini-scale schemes. The project will also promote the integration of farmers into organized, high-value supply chains so as to improve their profitability as a basis for sustained operations and maintenance of the schemes.

8. Lessons Learned from Past Operations in the Country/Sector

The main lessons learnt and reflected in the design of the project, including those experienced during the implementation of the original project are:

(i) For successful implementation, stakeholders must be involved in the conceptualization and design of the project. The original project design involved extensive consultations
with the beneficiary communities, district assemblies, central Government and the non-
governmental organizations. Likewise, the scope of the additional financing has benefited
from the views of a cross-section of stakeholders that have been involved in some way
during the implementation of the original project.

(ii) There is need to strongly emphasize on building the capacity of community institutions
that will be able to take over the management of the irrigation schemes once they have
been rehabilitated/developed and handed over to the Water User Associations. The
additional financing will particularly focus on ensuring the completion of capacity
building activities.

(iii) There is need to build the capacity of technical support institutions such as the Irrigation
Water Management Unit (IWMU), the Water Users Association Services Unit (WUASU)
and the District Irrigation Advisory Services Unit (DIASU) to provide the technical back-
stopping to the communities as they operate the rehabilitated schemes. The additional
financing will be utilized to address any outstanding issues regarding capacity building of
the technical institutions to ensure continued farmers access to adequate and quality
technical support even after the project phases out.

(iv) There is also need to strengthen the implementation of the pluralistic demand driven
extension service to ensure that farmers have continued access to extension advisory
services. In line with the new policy, the additional financing will build upon the
achievement of the original project in facilitating the formation and functionality of the
district level agricultural extension system, including other providers such as farmer-based
organizations and non-government institutions that work with local communities.

For sustainable irrigation development, there is need to ensure that farmers are linked to high
value supply chains so that they can produce for the marketing through supply contracts that
guarantee them adequate profit to enable them operate and maintain the schemes. This will be
one of the areas of emphasis during the implementation of the additional financing, building
upon the agri-business strategy for individual schemes developed during the implementation of
the original project.

9. Safeguard Policies (including public consultation)

The original IRLAD project was classified as a Category B with respect to the environmental
and social considerations of the project investment and in line with World Bank policies. The
expected adverse environmental and social impacts to be generated by the original project and
the additional financing investments are expected to be minimal, site specific and manageable to
an acceptable level.

Principle environmental impacts that may be generated by the AF investments include:
(i) Soil degradation due to intensification within and around irrigation schemes;
(ii) Siltation of water courses due to potential increase in soil erosion which is more
likely to contribute towards flooding, if not well managed;
(iii) Drainage challenges resulting from poor water management leading to inundation; and,
(iv) Water contamination due to exposure to agro-chemicals;

Potential social impacts of the AF, include:

(i) Loss of grazing land for local people surrounding the irrigation schemes, leading to changes in grazing patterns for livestock;

(ii) Potential conflicts over land use and ownership; and,

(iii) Disruption of footpaths, roads and livelihood patterns of local people.

During the design of the original project, the Borrower prepared a set of project safeguard documents (ESMF and RPF) that were disclosed in-country and at Bank Info-shop prior to appraisal of the original project. The AF will adopt and apply the same safeguard tools. As the AF has the same project category B rating and triggers the same safeguard policies as the original IRLAD project, the ESMF and RPF will be re-disclosed in-country and in the InfoShop specifying that they will be used for all AF interventions.

10. List of Factual Technical Documents

1. Irrigation Rural Livelihoods and Agricultural Development Project: Technical Volume
2. Irrigation Rural Livelihoods and Agricultural Development Project Appraisal Document

11. Contact point

Contact: Hardwick Tchale
Title: Agric. Economist
Tel: 5394+3207
Fax: +265 1 771 158
Email: htchale@worldbank.org
Location: Lilongwe, Malawi (IBRD)

Contact in Washington: Karen Brooks
Title: Sector Manager
Tel: 473 - 0420
Fax: 614 - 1217
Email: kbrooks@worldbank.org
Location: Washington DC, USA (IBRD)

12. For more information contact:
   The InfoShop
   The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Email: pic@worldbank.org
Web: http://www.worldbank.org/infoshop