



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

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Concept Stage | Date Prepared/Updated: 02-Feb-2017 | Report No: PIDISDSC19859



**BASIC INFORMATION**

**A. Basic Project Data**

Country Malawi	Project ID P158434	Parent Project ID (if any)	Project Name Malawi Agricultural Commercialization Project (P158434)
Region AFRICA	Estimated Appraisal Date Mar 06, 2017	Estimated Board Date Apr 27, 2017	Practice Area (Lead) Agriculture
Lending Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Economic Planning and Development	Implementing Agency Ministry of Agriculture, Irrigation and Water Development, Ministry of Industry, Trade and Tourism	

**Financing (in USD Million)**

Financing Source	Amount
International Development Association (IDA)	95.00
<b>Total Project Cost</b>	<b>95.00</b>

Environmental Assessment Category

B-Partial Assessment

Concept Review Decision

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

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**B. Introduction and Context**

Country Context

**Malawi is a landlocked, low income, and agro-based economy.** With a land area of 118,484 square kilometers and a population of slightly more than 16.8 million, Malawi is one of Southern Africa’s most densely populated countries. With 200 people per square kilometer, Malawi’s land is under extreme pressure. The country’s population growth rate averages 2.8 percent per annum, and the country’s young and growing population is expected to reach 20 million by 2025. Approximately, 85 percent of Malawi’s population lives in rural areas with economic activity revolving around primary agriculture commodities. The majority engage in smallholder, rain-fed agriculture production. Malawi’s Gross National Income (GNI) per capita was estimated at US\$381 in 2015. The Human Development Index was estimated at 0.445 in 2014, positioning the country at 173 of the 188 countries. According to



the third Integrated Household Survey<sup>1</sup>, absolute poverty at national level declined marginally from 52.4 per cent to 50.7 between 2005 and 2011. Although poverty in urban areas reduced from 25.4 to 17.3 percent, this was counterbalanced by a worsening in rural poverty from 55.9 to 56.6 percent and an increase in the rural-urban divide<sup>2</sup>.

**Economic performance grew strongly but has slowed down in the recent past.** Malawi experienced uninterrupted solid economic growth, and a fairly stable fiscal environment from 2006-2010 with real GDP growth averaging about 7.0 percent. This robust growth was largely supported by sound economic policies. Persistent external imbalances compounded by the reduced donor inflows, low tobacco proceeds together with other supply-side bottlenecks contributed to the severe weakening of macroeconomic performance in 2011/2012 and the slowdown in real economic activities. Public finance management irregularities led to the suspension of Official Development Assistance (ODA) budget support to Malawi in October 2013.

**The Economy is continuing to record low GDP growth rate as a result of adverse weather and Macroeconomic instability.** In 2015, Malawi recorded GDP growth rate of only 2.8 per cent largely due to flooding in southern districts followed by a countrywide drought resulting in a contraction to agricultural production. An uncertain macroeconomic outlook and a strengthening US dollar resulted in the sharp depreciation of the Kwacha, by more than 30 percent during the second half of 2015. This placed pressure on inflation and by June, 2016, the average annual headline inflation rate stood at 22.6 percent. The country has experienced double digit inflation for four straight years from 2013.

## Sectoral and Institutional Context

**Agriculture remains the backbone of Malawi's economy.** Agriculture accounts for 30 percent of Gross Domestic Product (GDP) and generates over 80 percent of national export earnings. Between 2005 and 2011, over 80 percent of the country's total exports were agricultural commodities, primarily tobacco, sugar and tea<sup>3</sup>. Tobacco alone however, represents on average 60 percent of Malawi's total exports. Agriculture employs 64.1 percent of the country's workforce<sup>4</sup> comprising mostly the smallholder subsistence farmers. Agriculture also significantly contributes to the national and household food security and nutrition<sup>5</sup>.

**Malawi's agriculture sector is dualistic.** Agriculture in Malawi is comprised of the smallholder and the estate sub-sectors, with more than 70 percent of agricultural GDP coming from smallholders. These farmers mostly grow food

<sup>1</sup> GoM, 3<sup>rd</sup> Integrated Household Survey 2010-2011, household socio-economic characteristics report (Aug 2012)

<sup>2</sup> IFPRI recently recalculated poverty lines to better reflect changing consumption patterns and regional differences. The result is that overall poverty has been reduced by 8.5% in rural areas, and 2.8% in urban areas for an overall reduction of 8.4%.

<sup>3</sup> 2015 Annual Economic Report

<sup>4</sup> The 2013 Malawi Labour Force Survey

<sup>5</sup> Draft National Agriculture Policy (2016)



crops (including maize, rice, cassava, sweet potatoes, Irish potatoes, and legumes) and some cash crops such as tea, tobacco, sugarcane and coffee. The estate subsector focuses primarily on the commercial production of high-value cash crops such as tobacco, tea, sugarcane, and macadamia. Recently, there has also been a growing emergence of medium-scale farmers<sup>6</sup>.

**Agricultural production and productivity remains low.** Although Malawi has allocated considerable resources to agriculture over years, production and productivity of the sector has generally been below the country's potential and not sufficient to match growing domestic demand and export markets. This has been attributed to low adoption of agricultural technologies, low access to farm inputs, low mechanization, low technical labour skills, poor access to finance, weak linkages to markets, and limited irrigation among smallholder farmers. Furthermore, land for agriculture in Malawi is becoming limited. Smallholder farmers cultivate small and fragmented land holdings of less than one hectare (on average 0.61 ha) and produce lower crop yields than those in the estate subsector.

**Agricultural commercialization is further constrained by poor market systems and unorganized farmers.** Agricultural marketing systems in Malawi are still rudimentary, especially in rural areas. This is partly due to inadequate infrastructure for efficient agricultural marketing, limited access to and poor quality of marketing service provision, and policy incoherencies that negatively affect marketing. Additionally, farmers' organizations are still nascent. Only 18 percent of the 4.2 million smallholder farmers in Malawi belong to any form of functional farmer organizations<sup>7</sup>. These constraints limit the incentives and ability of farmers to increase their participation in agricultural value chains for both domestic and export markets.

**Malawi has made efforts to commercialise agriculture.** In recent years, the Malawi Government has formulated coherent strategies to support agriculture growth and commercialization through increased liberalisation, development of rural marketing infrastructure and agricultural market information systems, and the establishment of commodity exchanges. These strategies include the Malawi Growth and Development Strategy (MGDS) II, the draft National Agriculture Policy (NAP), the Contract Farming Strategy, ASWAp and the National Export Strategy (NES). Expanding and diversifying agricultural exports and expanding commercial agriculture are high priorities of MGDS II (2011-2016) while the NES (2013-2018) seeks to develop Malawi's productive base to allow for both export competitiveness and economic empowerment for oilseeds, sugarcane and manufactured products. ASWAp (2011-2016) advocates for strategic investment towards programmes and initiatives for promotion of commercial agriculture, agro-processing, and market development. The NAP (2016) has identified agricultural market development, agro-processing and value addition as one of the policy priority area. The Contract Farming Strategy also aims at creating an enabling environment for contract farming activities to take place in Malawi in an efficient, competitive and fair manner. In 2016, Government has further reviewed and adopted the new Land Act in an attempt to address current existing land issues of access and equity.

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<sup>6</sup> Defined as farmers cultivating at least five hectares but less than 25 hectares of land.

<sup>7</sup> Ministry of Agriculture, Irrigation & Water Development, Malawi



**There has been a steady but slow increase in private sector investments and opportunities for structured trade.**

Limited public and private investments in transport, storage, electricity, financial products, and quality standards have overtime, inhibited farmers' efficiency and completeness in both local and international markets. Trade platforms, such as Auction Holdings Commodity Exchange (AHCX) and the Agriculture Commodity Exchange (ACE) offer improved trade opportunities for farmers. Using these structures, farmers and traders sell their produce through a network of certified warehouses, and gain access to financing through a warehouse receipt system.

**Malawi trade is highly concentrated on agricultural commodities.** The top ten products account for 82 percent of total export and 42 percent of total imports, with tobacco, sugar and tea being the most dominant product. Malawi Trade is concentrated on few destinations/origins, channeled through few sea route ports of Dar-es-Salaam in Tanzania, Nacala and Beira in Mozambique and Durban in South Africa. Largest trading partner remains South Africa, with China and Dubai becoming the newer major partners. Trade is dominated by a very small number of large firms. Transportation of the traded commodities is mostly through the road network system.

**Agriculture value addition is hampered by a poor business and investment climate.** Malawi continues to perform poorly in areas critical for economic recovery and competitiveness such as trading across borders, access to electricity, starting a business, and others. Overall, Malawi Doing Business Ranking (DBR) has not improved substantially over time<sup>8</sup>. Malawi was ranked at 123 in the 2016 DBR on the ease of trading across borders indicator, same ranking from the 2015 DBR. The country also ranked poorly on the other indicators such as registering property (from 92 to 93), dealing with construction permits (from 64 to 65) and protecting minority investors..

**Access to Finance comes out as the top most business obstacle in Malawi.** Despite the reduction of inflation rate from 38 percent in 2013, to 22.6 percent in 2016, interest rates are still very high-around 40 percent per annum in the formal banking system and ranging between 50 and 80 percent per annum in the microfinance and informal banking systems. Furthermore, the financial sector in Malawi is small and focuses on a narrow range of products.

**Provision of utilities is still very low to support agricultural industries.** According to the 2014 Malawi Enterprise Survey, supply of utilities mainly electricity and water is another major challenge. For instance, in 2014 firms in the country reported experiencing 6.7 incidences of electricity outages in a typical month, each lasting 3.5 hours and 5.3 days of insufficient water in a month.

**Weak institutional and regulatory framework poses a challenge to agriculture enterprise development.** According to the 2014 Annual Economic Survey, over 35 percent of business enterprises experience losses in a year due to theft and vandalism. On the other hand, about 24.2 per cent of firms reported one bribe payment request in a year, and 16.6 per cent were expected to give gifts to public officials to get business support such as getting operating license,

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<sup>8</sup> Malawi ranked number 141 in the DB16 from 144 in DB15, but mostly due to methodology changes rather than meaningful reforms.



construction permit, or getting water or electricity connected. Regulatory barriers, high transaction costs and non-transparent procedures hamper new entrants. Malawi generally face high costs of trade, coming from high tariffs and non-tariff barriers, regulatory costs, border challenges as well as high transportation costs.

#### Relationship to CPF

##### **Links to Country Assistance Strategy.**

The proposed Project is consistent with the Malawi Country Assistance Strategy (2013-16) approved by the Board in January 2013. In particular, the project will be an integral part of the Bank's strategy to achieve the outcome 1.3 on "increased productivity and commercialization of agriculture and sustainable management of water resources for multiple uses" and outcome 1.2 on "promoting supportive environment that will enhance inclusive private sector growth and competitiveness", all falling under Thematic Area 1 of "Promoting sustainable, diversified and inclusive growth". In turn, the Project links with the country's development policies in particularly the MGDS II (2011-2016), under Sustainable Economic Growth (Theme 1), National Exports Strategy (2013-2018), draft National Agriculture Policy (2016-2020) and ASWAp (2010-2015) – particularly supporting the key result area 2 on commercial agriculture, value addition and processing. The proposed project also links with other policies/strategies to promote commercialization e.g. Industrialization Strategy, Best Buy Malawi Strategy, National G8 Alliance on Food and Nutrition Security, National Land Policy etc.

##### **Links and complementarity with other Bank projects:**

**The proposed project will be national in scope and will link with several Bank projects** particularly the following: (1) Shire Valley Transformation Project (SVTP), a big growth pole transformative project supporting large scale irrigated intensive and inclusive commercial agricultural development in the Shire Valley in Southern Malawi, while building lessons from past IRLADP and CBRLDP, (2) ASWAp Support Project (MDTF), a project which aims at improving the effectiveness of investments aimed at food security and sustainable agricultural growth (and has components on land governance and rural roads to improve market access of agricultural products); (3) Agricultural Productivity Programme for Southern Africa (APPSA), a regional programme aimed to improve agricultural productivity through research, technology development (including infrastructure support); (4) Malawi Floods Emergency Recovery Project ) and (5) Shire River Basin Management Programme, Investment Climate Project, Warehouse Receipt Programme, Southern Africa Transport Facilitation Project, Financial Sector Technical Assistance Project (FSTAP) and a past Business Environment Support Technical Assistance Project (BESTAP). In this respect, the proposed Project will build synergies with such Bank' projects and draw lessons in order to catalyze increased commercialization.

#### **C. Proposed Development Objective(s)**



The Project Development Objective is to increase commercialization of agriculture value chain products selected under the project.

#### Key Results (From PCN)

The key PDO indicators are: (i) Increase in yield of selected commodities; (ii) Volumes of commodities traded in domestic and international markets through structured trading mechanisms (indicator to be disaggregated by type of commodity and domestic/ international market) (MT); and (iii) number of beneficiaries, of which are female (percent)

#### D. Concept Description

**The proposed project will address the PDO through a private sector and market-led approach, rather than a Government-centric one.** The project will establish inclusive ventures between agribusinesses and emerging commercial smallholder farmers, and promote vertical integration through the support to business-oriented farmers' organizations, around targeted value chains. In line with the Shire Valley Transformational Project (SVTP) concept, project investments will be delivered holistically through a growth pole/ cluster approach<sup>9</sup>. The project will establish links with Grow Africa Initiative- and IFC-supported investments. The project will also invest towards making land more available to resource-constrained smallholders, via a "willing buyer – willing seller" approach, while engaging in policy and regulatory aspects of land, applying the recently approved Voluntary Guidelines for the Governance of Tenure (VGGT) of FAO to the Malawian context. The preliminary project structure would include the following four components

#### COMPONENT 1: SUPPORT FOR AGRICULTURAL PRODUCTIVITY AND COMPETITIVENESS (US\$40 MILLION)

The Component will address the underlying causes of low agricultural productivity in the targeted value chains. These include the following; (i) low adoption of technologies; (ii) low access to improved inputs (seeds and fertilizer) and low mechanization; (iii) low labour skills; (iv) weak linkages to markets; and (v) limited irrigation. This component aims to increase production and improve the competitiveness of selected value chains in the domestic and export markets. Broad activity areas under this component will include: (i) farmer organization and capacity building for commercially oriented production and linkages to input, output and service markets; (ii) investments in strengthening market-oriented development of inputs supply and extension systems for improved adoption of productivity enhancing technologies and practices; and (iii) irrigation development.

<sup>9</sup> For the purpose of the project, a growth pole/ cluster could be defined as a geographic space in which stakeholders will plan and implement coordinated investments to increase commercialization of diversified, high-value and processed commodities for domestic and export markets. Clusters will be characterized by a set of unifying factors (e.g. natural resource potential for production, linkage with private sector or anchor investor) but also common challenges (e.g. capacity of farmer-based organizations, insufficient access to storage, access to rural finance and insurance, rural roads). Selected target clusters will be further identified during project design, based on stakeholders' consultations, available statistics and available knowledge products (e.g. maps and irrigation Master Plan developed by IRLADP).



**Sub-component 1.1 Farmer Organization and Capacity Building:** This subcomponent will provide support for organizing smallholder producers into organizations to improve adoption of productivity-enhancing technologies and practices. Further assistance will be provided to smallholder producers to allow them engage Technical Assistants (TAs) to turn them into commercially oriented primary and secondary producers' organizations for better access to extension, inputs and output markets. Further support will be provided to strengthen their capacity in production, processing, standards, packaging and business management (including basics in cooperative/association management, accounting and record keeping) for sustainability of their enterprises. The project will also work with national research institutions and CGIAR centers to disseminate best bet technologies already released to selected smallholder producers. Support will also be provided to smallholder producers to establish and strengthen Apex bodies at national and district level on selected commodities for the purpose of training and aggregation.

**Subcomponent 1.2: Support for Market-oriented Input Supply and Extension Delivery Systems:** This Sub-component will contribute to promotion of productivity enhancing technologies to smallholder producers through capacity development of demand-driven extension services combining public, private and farmer-led delivery systems. Support will also be rendered to strengthen the agro-dealers in Project areas to be able to stock inputs demanded by the producers throughout the growing periods. A major issue faced by the extension system in Malawi is limited government funding. IFPRI<sup>10</sup> (2016) reported that the budget allocated to agricultural extension system is declining over the years. In 2012/13 only 1.6 percent of the overall budget for the public agricultural sector was allocated to agricultural extension while in 2013/14 the extension system was allocated 0.12 percent of the overall budget for agriculture. Further, As a result of the limited financial resources flowing to the extension system, the extension worker-to-farmer ratio in Malawi is estimated to be 1:1,800 (Kaunda 2011).

The sub-component will increase the coverage and improve the quality of extension services to reach out to more smallholder producers by engaging Apex bodies of farmer organizations such as FUM and NASFAM; and capable NGOs. These institutions will fill in the gaps left out by the current public extension system. With the increased coverage, it is expected that smallholder producers will be able to increase their agricultural productivity and outputs, while commercializing their production.

Additionally, studies in Malawi have revealed that although the agricultural input supply systems has made considerable progress towards deregulation and liberalization, markets are not operating efficiently and farmers do not have easy access to inputs and at affordable prices. This has discouraged use of improved inputs by producers and in return resulted in low productivity. The Project will support growth of a vibrant commercial inputs supply system to increase their capacities to stock inputs such as seeds, fertilizer, agro-chemicals, veterinary drugs and farm mechanization services.

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<sup>10</sup> Assessing and enhancing the capacity, performance, and impact of the pluralistic agricultural extension system in Malawi, March 2016.





**Sub-component 1.3 Irrigation Development and Rehabilitation:** This subcomponent aims to (i) support the development of new schemes and rehabilitation of existing schemes to address the existing gaps in irrigation infrastructure and overreliance on rain fed production, and (ii) strengthen the capacity of the smallholder producers or Water User Associations to operate and maintain the schemes without relying on external assistance. The sub-component will build on experiences drawn from previous World Bank projects such as IRLADP and other projects financed by the African Development Bank (AfDB), European Union (EU), Japanese International Cooperation Agency (JICA) etc. The investments under the project will increase land under irrigation within targeted geographical clusters for improved production of identified priority value chains. In addition, support will also be provided towards procurement of solar pumps to replace diesel and electrical pumps for water abstraction in smallholder irrigation schemes and specialized irrigation equipment for identified value chain actors. Support will also be provided towards building the capacity of the Water User Associations<sup>11</sup> to enable them operate and maintain the schemes efficiently.

## COMPONENT 2: SUPPORT FOR MARKET DEVELOPMENT AND VALUE ADDITION (US\$50 MILLION)

This component will address challenges associated with public infrastructure underinvestment and market failures affecting smallholder producers and other value chains especially those residing in rural areas. A focus will be placed on investments in post-harvest handling, value addition technologies and storage infrastructure, ideally owned and operated by the most successful members of formal groups (e.g. cooperatives, associations, farmer organizations) based on a careful stocktaking and mapping of existing storage capacity in Malawi.

**Sub-component 2.1 Support for Storage and Value Addition:** This sub-component will address marketing needs of producer organizations and other value chain actors especially warehousing and value addition equipment. The major constraint of infrastructure and value-addition equipment will be addressed on a demand-driven basis. The project will establish a special matching fund that producer organizations and other value chain actors will access. The producer organizations and other value chain actors will be identified through a competitive process based on a review of feasible business plans. Eligibility criteria for appraising the investments to be supported under the project will be prepared at pre-appraisal stage. In addition, the IFC's Scope Basic Tool will be used to assess the viability of value chain actors or producer organizations. Special consideration will be given to women and youth groups that are producing or processing high value commodities. Business plans by the targeted beneficiaries would require a matching grant ranging between 40 to 60% of the total investment. The eligible items to be considered will include warehouses, agro-processing equipment, farm mechanization equipment and irrigation equipment.

**Sub-component 2.2. Support for Market Access and Linkages:** This sub-component will facilitate smallholders' market access through the promotion of contract farming and out-grower schemes around anchor or nucleus farms and farmers' own processing or exporting companies, targeting various selected commodities that have a guaranteed market. Market linkages will also be enabled through the expansion of the warehouse receipt system being implemented by ACE and the AHCX.

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<sup>11</sup> The WUA will pay water rights fee to the Water Resources Board responsible for the control, management and conservation of all water resources in the country



With regard to access to market information, the project will strengthen the Ministries of Agriculture and Trade and MITC to improve the collection of market information for both domestic and international markets and dissemination. The Ministry of Trade and MITC will be supported to gather market intelligence, analyze it and share the information gathered with value chain actors for the purpose of helping them to make informed decisions in determining their strategy in areas that includes opportunities available, market penetration and development.

Other interventions will address smallholder professionalization, i.e. farmers' aggregation, organization and empowerment, through the support to farmers' organization and cooperatives, as well as through the support to supply chain coordination mechanisms, such as commodity platforms, bringing together producers, traders, processors, financing institutions and regulators. In addition, the Project will also assist producer association to participate in modern supply chains through productive alliances in order to overcome market barriers and gain stability through consistency and higher prices while the supermarkets (buyers) receive consistent, reliable supplies that meets their standards. Further, producer organizations will be supported to contract farming with other value chain actors such as agro-processors. Additionally, the Malawi Bureau of Standards and the Department of Research will be supported by the project to train smallholder producers and other value chain actors in standards, sanitary and phyto-sanitary requirements to enable them satisfy the domestic and international markets requirements. This will address constraints faced by farmers to meet the market requirements for quality, quantity and reliable volumes.

### **COMPONENT 3: ACCESS TO INVESTMENT ENABLING SERVICES: (US\$20 MILLION)**

The component will address key challenges of access to agriculture financing and key challenges to enterprises such as on land tenure security, land management and administration. It will support trade facilitation to identify and remove non-tariff barriers, and address regulatory and administration reforms in order to remove barriers to private sector activities in agribusiness. The project will also support Public Private Dialogue in order to improve dialogue on key challenges facing agriculture private sector, support the bridging of existing gap in Government strategy for commercial agriculture.

**Sub Component 3.1: Access to Agricultural Financing:** Under this sub-component, the Project will put in place different financing mechanisms to address the value-chain's financing needs and financial management capacities and required financial education support for producers and value chain actors. Access to inputs and improved technologies for producers will be facilitated by promoting savings, to be later topped-up with loans for the most capable value chain actors. Financial institutions (FIs) will require capital to be able to extend small short-term loans to value chain actors. Savings and credit cooperatives (SACCOs) will also require extra resources to expand their rural outreach. Such capital will be provided through medium-term credit lines (3-5 years) provided MFIs +demonstrate positive results in terms of inclusiveness and performance. The Project will support connection with the promotion of commodity exchange participation; the warehouse receipt system will also be used to facilitate access to inputs. Investments in agro-processing factories will be required for value-addition activities. Such investments will be business-oriented, both for FOs, individual small and medium-enterprises or anchor farms. The Project will use existing structures, such as the Malawi Innovation Challenge Fund (MICF), to facilitate access to the required funds.



Matching Grant facility will also be used to finance investments based on business plans directly linked to viable value chains. Forward contracts with farmer organizations will be encouraged for those processors in order to insure appropriate raw material supply and working capital along the year. For those activities to be sustainably implemented, an enabling environment must be promoted. The Project will also promote the warehouse receipt system and credit reference bureau.

***Sub Component 3.2: Access to Land for Commercial Agriculture:***

The Project will support the policy and regulatory environment aimed at increasing access to land for commercially oriented smallholder and commercial farmers, and other actors in the agriculture value chains. This Project will: (i) strengthen the capacity of various stakeholders in understanding and applying the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) and the Principles for Responsible Investment in Agriculture and Food Systems (RIA); (ii) support land consolidation and redistribution for commercial agriculture, based on the willing-buyer, willing-seller principle, and lessons from the Bank-funded Community-Based Rural Livelihoods Development Project's (CBRLDP) successes and implementation approach; and (iii) support to Malawi Investment and Trade Center (MITC) in its mandate to avail land for commercial investments in the agriculture sector. Land rights for women and youth headed households will be particularly protected.

***Sub Component 3.3: Access to other business enabling services:***

Under this Sub-component, the Project will facilitate: (i) the Public Private Dialogue (PPD) to promote conducive business environment, and binding constraints such as in utility provision (ii) development and dissemination of national standards and support for certification processes such as organic, fairtrade, rainforest alliance, halal and ISO, where required; (iii) review of policies and legal framework that enhance commercialization; and (iv) support the trade facilitation processes; and (v) export promotion and import substitution for products to which Malawi has added advantage.

**COMPONENT 4: PROJECT COORDINATION AND MANAGEMENT (US\$10 million)**

This component will finance activities related to the coordination and actual implementation of project's activities. This includes both costs for: (i) project management/coordination including procurement, financial management, monitoring and evaluation (M&E), mitigation of potential negative social and environmental impacts, and communication about project implementation and results; (ii) sector and cross-sector coordination with the agriculture, water, industry, trade, lands plans and frameworks; and (iii) facilitating inter-ministerial collaboration on tackling implementation challenges. Given the multi-sectoral nature of the Project, a Project Implementation Unit (PIU) will be established to handle day to day activities of the Project.



A Project Steering Committee (PSC) will be established to provide overall guidance and will include the Ministries of Agriculture, Irrigation and Water Development (MoAIWD), Industry, Trade and Tourism (MoITT), and Lands, Housing and Urban Development (MoLHUD). Private sector representatives (producer organizations and investors) will also be part of the PSC.

## **SAFEGUARDS**

### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The proposed project will be nationwide and will focus on establishing inclusive ventures between agribusinesses and emerging commercial smallholder farmers, and promote vertical integration through the support to business-oriented farmers' organizations, around targeted value chains. In line with the Shire Valley Transformational Project (SVTP) concept, project investments will be delivered holistically through a growth pole/ cluster approach. The details and scope of environmental and social impacts resulting from project activities are not known prior to appraisal and hence the framework approach will be applied. The social and environmental safeguards issues will be managed through preparation and implementation of the following instruments: an Environmental and Social Management Framework, an Integrated Pest Management Plan, and a Resettlement Policy Framework (RPF).

### **B. Borrower's Institutional Capacity for Safeguard Policies**

As noted by other the recent projects (e.g. Malawi Flood Emergency Recovery - P154803, Skills Development Project - P131660, etc.), the Government of Malawi has established an effective safeguard implementation unit which spearheads the implementation of environmental and social safeguards measures. Furthermore, as of 2015, it has been noted that the Environmental Affairs Department (District Environmental officers) has the technical expertise to prepare detailed environmental and social management plans for site specific sub-projects.

The Country has good safeguards management capacity and the Project will also strengthen specific institutions that will be involved in the monitoring of safeguards compliance including the Department of Environmental Affairs, the Malawi Bureau of Standards (MBS) and the Department of Agricultural Research Services (DARS).

Likewise, safeguards capacity at the district level has improved as key technical staff includes Environmental District Officer, District Environmental Inspectors and District Lands Officers who have been trained in environmental and social management issues. Also, at district level, there is a District Environmental Sub Committee (DESCO) which coordinates natural resources management including environmental and social safeguards at the local level. Recently, government has recruited Environmental Inspectors to strengthen the environmental inspectorate and advisory management services in all parts of the country.

Additional technical capacity will be provided by the project to further strengthen the management of environmental and social risk capacity of all key stakeholders.



**C. Environmental and Social Safeguards Specialists on the Team**

Mary C.K. Bitekerezo, Jane A. N. Kibbassa, Boyenge Isasi Dieng

**D. Policies that might apply**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Sub-component 1.3 aims to support the development of new schemes and rehabilitation of existing schemes to address the existing gaps in irrigation infrastructure and overreliance on rain fed production. Further, the project will finance storage construction.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	Yes	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	The rehabilitation and new construction of irrigation schemes, storage facilities and agro processing units may have implications on land taking.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

**E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 10, 2016

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Before appraisal

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**APPROVAL**

Task Team Leader(s):	Valens Mwumvaneza, Asa Margareta G. Hoglund Giertz, Efrem Zephnath Chilima
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