Reference no: P-MW-AA0-042

Language: English
Original: English

AFRICAN DEVELOPMENT FUND

PROJECT APPRAISAL REPORT:

ENHANCING CLIMATE-ADAPTED AGRICULTURAL PRODUCTIVITY THROUGH IMPROVED WATER MANAGEMENT (CAWMA)

MALAWI

June 2026

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A F R I C A N D E V E L O P M E N T F U N D

PROJECT APPRAISAL REPORT

ENHANCING CLIMATE-ADAPTED AGRICULTURAL PRODUCTIVITY THROUGH IMPROVED WATER MANAGEMENT (CAWMA)

REPUBLIC OF MALAWI

AHVP/RDGS/AHAI/COMW/PGCL

June 2026

CURRENCY EQUIVALENTS

Exchange rate effective: December 2025

Currency Unit	Equivalent
1 Unit of Account (UA)	USD 1.3586
1 USD	MWK1,734.01

FISCAL YEAR

April 1 - March 31

WEIGHTS AND MEASURES

1 Metric ton	2,204.62 Pounds (lbs)
1 Kilogramme (kg)	2.20462 lbs
1 Meter (m)	3.28 Feet (ft)
1 Millimetre (mm)	0.03937 Inch (“)
1 Kilometre (km)	0.62 Mile
1 Hectare (ha)	2.471 Acres

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
ADRiFi	Africa Disaster Risk Financing Program
AfDB	African Development Bank
AISP	Agricultural Infrastructure Support Project
AIYAP	Agricultural Infrastructure and Youth in Agribusiness
CAP	Corrective Action Plan
CARLA	Climate Adaptation for Rural Livelihoods and Agriculture
CAW	Climate Action Window
CFRA	Country Fiduciary Risk Assessment
CGIARs	Consultative Group on International Agriculture Research
CKM	Communication and Knowledge Management
COMW	Malawi Country Office
CPI	Consumer Price Index
CSA	Climate Smart Agriculture
CS-EPWP	Climate Smart Enhanced Public Works Programme
CSP	Country Strategy Paper
DAESS	District Agricultural Extension Services
DCAFS	Donor Committee on Agriculture and Food Security
DoI	Department of Irrigation
DP	Development Partner
DPC	District Project Coordinator
EbAM	Adaptation for Resilience and Communities in Malawi
EIRR	Economic Internal Rate of Return
EOHS	Environmental Occupational Health and Safety
EPRP	Emergency Preparedness and Response Plan
ESCON	Environmental and Social Compliance Note
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESWs	Economic Sector Work
FIRR	Financial Internal Rate of Return
FA-ESMP	Financing Agreement Environmental and Social Safeguards Plan
FAO	Food and Agriculture Organization
FAW	Fall Armyworm
FC	Foreign Currency
FFS	Farmer Field School
GBV	Gender Based Violence
GALS	Gender Action Learning System
GDP	Gross Domestic Product
GHG	Green House Gases
GoM	Government of Malawi
GRM	Grievance Redress Mechanisms
IFAD	International Fund for Agricultural Development
ISD	Irrigation Services Division
ISTS	Integrated Safeguards Tracking System
IYCF	Infant and Young Child Feeding
LC	Local Currency
MoA	Ministry of Agriculture

MAD	Minimum Acceptable Diets
MDAs	Ministries and Departments
MEL	Monitoring, Evaluation and Learning
MEPA	Malawi Environmental Protection Authority
MGDS	Malawi Growth and Development Strategy
MIP 1	Malawi Implementation Plan 1
MW2063	Malawi Vision 2063
MWASIP	Malawi Watershed Services Improvement Project
NAP	National Agriculture Policy
NAPA	National Adaptation Programme of Action
NDC	Nationally Determined Contribution
NFP	National Flagship Program
NPV	Net Present Value
NRS	National Resilience Strategy
O&M	Operation and Maintenance
OCB	Open Competitive Bidding
PAR	Project Appraisal Report
PCIREP	Post Cyclone Idai and Kenneth Emergency Recovery and Resilience Project
PCN	Project Concept Note
PCR	Project Completion Report
PDNA	Post Disaster Needs Assessment
PDO	Project Development Objective
PIU	Project Implementation Unit
PM&E	Planning, Monitoring and Evaluation
PMP	Pest Management Plan
PRIDE	Programme for Rural Irrigation Development
PSC	Project Steering Committee
PTC	Project Technical Committee
PWP	People With Disabilities
RAP	Resettlement Action Plan
RCA	Root Cause Analysis
RPS	Recipient Procurement System
SBCC	Social and Behaviour Change Campaign
SCPMP	Smallholder Crop Production and Marketing Project
SDG	Sustainable Development Goals
SEAH	Sexual Exploitation and Harassment
SEP	Stakeholder Engagement Plan
SRWSIHL	Sustainable Rural Water Sanitation Infrastructure for Improved Health and Livelihoods
SVAP	Smallholder Value Addition Project
TAAT	Technologies for African Agricultural Transformation
ToC	Theory of Change
TSF	Transition State Facility
UA	Unit of Account (AfDB's accounting currency)
UNOPS	United Nations Office for Project Services
VAPs	Village Action Plans
VDC	Village Development Committee
VNRMCs	Village Natural Resources Management Committees
VSLAs	Village Savings and Loans Associations

WASH	Water, Sanitation and Hygiene
WEFE	Water-Energy-Food-Ecosystem
WUA	Water User Association

PROJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	**Enhancing Climate-Adapted Agricultural Productivity Through Improved Water Management (CAWMA)**
Sector	Agriculture
Recipient	Republic of Malawi
Project Instrument	ADF 16 grant through the Climate Action Window (CAW)
Executing Agency	FAO

COUNTRY AND STRATEGIC CONTEXT

Country Strategy Paper Period:	Malawi Country Strategy Paper, 2023 – 2028
Country Strategy Paper Priorities supported by Project:	Priority 1: Improving economic infrastructure for agro-industrialization by investing in energy, transport, and WASH. Priority 2: Supporting economic diversification through investment in agriculture value chains
Government Program (PRSP, NDP, or equivalent):	Malawi Vision 2063, pillar 1 on Agricultural Productivity and Commercialisation.
Project classification:	Relevant High-5 Priority Areas and Sub-themes: • **#1 Feed Africa.** Sub-themes: 1.1 Agricultural Productivity; 1.3 Investment in Infrastructure (*hard and soft*); and 1.6 Inclusivity and Sustainable Development (gender/ job/ climate). • #**5 Improve the quality of life for the people of Africa**. Sub-themes: 5.1 Access to clean water; *Others* – 5.14 Natural Disaster Management; 5.15 Environment and natural resources management; and 5.16 Climate Change and Green Growth.
	United Nations Sustainable Development Goals (SDGs) Names: **SDG 1:** End poverty; **SDG 2:** Zero Hunger; **SDG 5**: Gender equality; **SDG 6:** Clean Water and Sanitation; **SDG 13:** Climate action; and **SDG 15**: Sustainable use of territorial ecosystems, manage forests, combat desertification and halt land degradation and biodiversity loss.
	Cardinal Point 3: Harnessing Demographic Transformation for Economic Development Cardinal Point 4: Build Resilient Infrastructure, Add Real Value
Selectivity Priorities:	1. Ten-Year Strategy (2024-2033). 2. Malawi CSP (2023-28). 3. Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026). 4. Climate Change and Green Growth Policy and Strategy (2021-2030). 5. Feed Africa Strategy for Agriculture Transformation in Africa (2016-2025). 6. Gender Strategy (2021-2025). 7. Jobs for Youth in Africa Strategy (2016-2025). 8. Multi-Sectoral Nutrition Action Plan (2018-2025). 9. Malawi's overarching development challenges. 10. Bank comparative advantage. 11. Resource constraints.
Country Performance and Institutional Assessment[1]:	see CPIA 2023 table below

CPIA 2023	
Category	**Score/Rating**
Cluster A - Economic Management	3.333
Cluster B - Structural Policies	3.299
Cluster C - Policies for Social Inclusion / Equity	3.720
Average (A-C)	3.451
Cluster D – Governance	3.725
Cluster E – Infrastructure and Regional Integration	3.267
Overall CPIA	3.469

[1] Obtain CPIA rating here - Country Policy and Institutional Assessment (afdb.org) (VPN required)

Projects at Risk in the country portfolio:	As of 31st January 2026, the country portfolio had 50% of red-flagged operations.
Eligible allocation balance at time of PCN[2]	UA 6.25 million (Climate Action Window)

PROJECT CATEGORISATION

Environmental and Social Risk Categorization	Category 1 (Validated on 23rd June 2025)
Does the project involve involuntary resettlement?	No
Climate Safeguards Categorization:	Category 2, moderate vulnerability to physical climate risks. The project aims to build agriculture and food system resilience to climate variability and change and enhance Malawi greenhouse gas emission mitigation potential.
Fragility Lens Assessment:	Yes
Gender Marker System Categorization:	Category 2

ADF/ADB KEY FINANCING INFORMATION

Interest Rate:	*Not Applicable*
Service Charge:	*Not Applicable*
Commitment Fee:	*Not Applicable*
Tenor:	*Not Applicable*
Grace Period:	*Not Applicable*

Source	**Amount (million)**		**Financing Instrument**
	UA	**USD**	
African Development Fund – Climate Action Window Grant	6.25	8.49	ADF Grant (CAW)
FAO	1.10	1.5	Cash
	2.51	3.4	In-kind
IFAD	0.13	0.18	Cash
	0.09	0.13	In-kind
UNOPS	0.15	0.21	Cash
Government Counterpart Contribution	0.37	0.5	In-kind
Total Project Cost:	**10.6**	**14.41**	

PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

Project Development Objective:	To strengthen the climate-resilience of agricultural productivity and livelihoods in Cyclone Freddy–affected districts of Thyolo and Phalombe.
Project Components:	**Component 1: Climate-Adapted Agricultural and WASH Infrastructure Restoration (UA3.67 million, 34.6%).** The component objective is to rehabilitate and climate-proof critical agricultural and WASH infrastructure in targeted irrigation schemes in Phalombe and Thyolo districts, incorporating gender-responsive design principles, and building long-term resilience to future climate shocks.
	Component 2: Climate-Adapted, Gender and Nutrition-Sensitive Agricultural Productivity and Commercialization (UA1.89 million, 17.8%). The component objective is to transform smallholder agriculture in the targeted irrigation schemes in Phalombe and Thyolo districts into a climate-resilient, market-oriented, and nutrition-sensitive sector that drives sustainable rural livelihoods.
	Component 3: Catchment Management and Institutional Strengthening (UA2.01 million, 19%). The component objective is to restore 650 hectares of degraded catchment

[2] Taking into consideration all other projects in the lending program

	areas through nature-based solutions while simultaneously building inclusive community capacity for sustainable resource governance.
	Component 4: Project Management (UA1.96 million, 18.5%). The component aims to ensure effective, transparent, and timely implementation of the project through strong operational management, sound M&E, multi-level stakeholder coordination, and strategic communication, thereby maximizing impact, learning, and long-term sustainability.

PROJECT PROCESSING SCHEDULE TO BOARD APPROVAL

PCN Approval:	April 2025
Appraisal Mission:	December 2025
Planned Board Presentation:	22 May 2026
Effectiveness:	June 2026
Project Implementation Period:	June 2026 to May 2031
Planned Mid-term Review:	November 2028
Project Closing Date:	30th September 2031

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1. STRATEGIC CONTEXT

A. Country Context, Strategy and Objectives

1. Country Context: Since 1990, Malawi's economy has mainly relied on two sectors: services and agriculture, which contribute 55% and 34.4% of the Gross Domestic Product (GDP), respectively (NSO, 2025). As Malawi depends heavily on rainfed agriculture, it is highly susceptible to climate shocks and agricultural yields are relatively lower in the region, thereby affecting the population's income levels and ability to escape poverty, while rendering the country food insecure. In 2023, around 72% of the population lived below the $2.15 international poverty line—a rise from 70.1% in 2019—and nearly 20% experience chronic food shortages annually. Malnutrition remains a significant public health and development issue - an estimated 573,000 under-five children are currently at risk of acute or chronic malnutrition. The Malawi Demographic Health Survey (2024) reports that 37% of under-five children are stunted, 3% are wasted, and 12% are underweight. Additionally, only 17% of children aged 6–23 months consume a minimally diverse diet, while just 9% receive the minimum acceptable diet.

2. The country's economy has experienced slow growth, averaging 1.8% since 2022, and macro-fiscal instability including high inflation at 29.4% and fiscal deficit at 9.9% in 2025. At the national level, food contributes 53% to the expenditure shares used to measure the consumer price index (CPI) and the rate of inflation, relatively higher than countries in the Southern Region, i.e., 16% in South Africa; 12.20% in Botswana, and 32.6% in Lesotho. In urban areas, the share is estimated at 45.3%, and relatively large in rural areas at 58.1%. The high food share in the CPI implies that when food prices rise due to various shocks such as poor harvests, global supply disruptions, etc., the impact on inflation is huge, diminishing consumer purchasing power rapidly. With 82% of the Malawian population living in rural areas, the high CPI share for rural areas implies that most of the population become severely impacted by high inflation. In addition, unsustainable debt, forex shortages, and infrastructure gaps have made the business environment unattractive and highly vulnerable to global and other external shocks. Limited fiscal space provides no room to finance development projects, while foreign exchange shortages result in inadequate supplies of fuel, medicines, fertilizers, and seeds.

3. Malawi's development strategy is firmly guided by its long-term vision, the Malawi 2063 (MW2063), whose goal is to achieve inclusive wealth creation and self-sufficiency. This vision is implemented through 10-year implementation plans (MIPs), with the current phase covering 2021 to 2030. MW2063 is centred around three main pillars: (i) Agricultural Productivity and Commercialization; (ii) Industrialization; and (iii) Urbanization. These pillars are supported by seven strategic enablers, including environmental sustainability. This project is closely aligned with the first pillar, specifically addressing three priority areas of agricultural diversification, irrigation development, and better access to agricultural inputs. By focusing on these essential components, the project seeks to strengthen Malawi's agricultural sector, transforming it into a resilient, productive, and market-oriented driver of economic growth, while ensuring environmental sustainability.

4. The project demonstrates strong alignment with several key national strategies and policy frameworks guiding Malawi's development. These include: the Disaster Preparedness and Relief Act; National Agriculture Policy (2024); National Irrigation Policy (2024); Irrigation Act (2024); National Agriculture Extension and Advisory Services Policy (2025); Agriculture Land Resources Management Policy (2024); Malawi National Social Protection Policy (2024); and the National Climate Change Management Policy (2016).

5. Bank's Country Strategy: The Bank's Country Strategy Paper (CSP) for Malawi (2023-28) is built around two strategic areas on improving economic infrastructure to drive

industrialization and supporting economic diversification by supporting agricultural value chains. This project is aligned with both CSP's strategic areas. The project is further aligned with the Bank's Ten-Year Strategy (2024–2033) as it seeks to advance inclusive growth through gender and youth-focused capacity building and sustainable job creation. It contributes to green growth via economic diversification and climate-smart agriculture, while strengthening community-level institutional capacity and sustainability of rural economic activities in Malawi. The project aligns with several other Bank strategies including Jobs for Youth Strategy (2016-2025); Gender Strategy (2021–2025); Strategy for Addressing Fragility and Building Resilience (2022-2026); climate change and green growth strategy (2021-2030); and the Water Strategy (2021-2025) and with Cardinal Points 3 and 4 on harnessing demographic transformation for economic development and building resilient infrastructure, adding real value, respectively. In addition, the project supports several United Nations Sustainable Development Goals, including poverty eradication (SDG 1), zero hunger (SDG 2), gender equality (SDG 5), clean water (SDG 6), and climate action (SDG 13). It also aligns with the African Union Agenda 2063 goals for inclusive growth, sustainability, gender equality, and youth empowerment.

6. The Bank's Selectivity Framework and Strategic Priorities: The proposed operation aligns fully with the Bank's Selectivity Framework outlined in the Bank Group Ten-Year Strategy for 2024-2033. This framework steers the Bank's focus toward areas where it can generate the greatest development impact by leveraging its comparative advantages and concentrating on strategic priorities. In alignment with the stated Bank's Strategies, the project demonstrates strong alignment across multiple dimensions, i.e., Strategic and Operational Priorities; Crosscutting areas of special emphasis; and Partnership and Resource Mobilization.

B. Sector and Institutional Context

7. As the economic backbone of the country, agriculture employs nearly 39.3% of the workforce with 41.2% female representation, generates over 60% of export earnings, with smallholder farmers producing roughly 80% of the output (NSO, 2024). Key exports include tobacco, tea, sugar, and groundnuts, while maize remains a vital source of food security. Despite their crucial role, smallholders continue to struggle with limited access to credit, inputs, and extension services. Furthermore, agricultural production (crops and livestock) in Malawi has had a slow increase in productivity over years because of its vulnerability to climate change. The sector's dependence on rain-fed agriculture makes it highly vulnerable to droughts, floods, and cyclones. It is estimated that only 36% of the potential irrigable land is developed which was however severely affected by Cyclone Freddy in 2023 (more than 60 irrigation schemes were damaged). The cyclone also damaged more than 50,000ha of arable land. Food insecurity therefore remains a major concern in many of the affected districts as most smallholder farmers are resource-poor with very limited capacity to contain shocks arising from the changing climate. Environmental degradation due to unsustainable land use patterns and poor catchment management further worsens the climate change effects.

8. The project recognises the nexus between the agriculture and water and sanitation sectors, which necessitates integrated water management solutions. With poor sanitation, waterborne diseases are prevalent, negatively affecting agricultural productivity. Persistent water scarcity also negatively affects socio-economic development. The project, therefore, adopts integrated water management solutions anchored in climate-proofed irrigation and WASH services (Component 1). The project creates a positive cycle where potable water and improved sanitary facilities in targeted irrigation schemes will promote better health outcomes, while reliable irrigation water will enable higher yields and necessitate the development of structured markets, facilitating predictable farm incomes. Through the integrated water management approach, the project also contributes towards operationalisation of the Bank's Water-Energy-Food-Ecosystems (WEFE) framework.

C. Rationale for Bank's Involvement

9. The African Development Bank's support is both timely and crucial as the country is on a recovery path from both adverse climatic shocks and macroeconomic instability. According to the Cyclone Freddy Post Disaster Needs Assessment (PDNA), the irrigation sector alone sustained losses and damages estimated at $45.46 million across the twelve affected districts. The immediate rehabilitation of irrigation infrastructure is essential to restore livelihoods, halt further degradation of productive assets, and prevent worsening food insecurity. Addressing these urgent recovery needs is critical to stabilizing affected communities and laying the groundwork for sustained agricultural productivity.

10. Consistent with the Bank's Climate Change and Green Growth Strategy (2021-2030) and Climate Change Action Plan, Pillar 1 aimed at fostering climate change adaptation, the project directly contributes towards the fulfilment of the Bank Group mandate in Africa. Crucially, the project promotes inclusive participation by prioritizing the empowerment of women and youth, ensuring that the benefits of resilience-building are shared across vulnerable groups by enhancing employment opportunities. The multiplication of legume and cereal seeds in the rehabilitated irrigation schemes will significantly enhance agricultural productivity beyond the targeted communities by reducing improved seed availability gaps, thereby creating opportunities for the commercialization of high-value crops. Currently, the adoption of improved seeds is estimated at 30%.

11. The African Development Bank (AfDB) brings decades of experience in financing and implementing large-scale agricultural and water management projects across Africa, including in fragile and climate-vulnerable settings. In the past decade, the Bank has financed the construction of the largest irrigation dam in Malawi under the Agricultural Infrastructure and Youth in Agribusiness Project (AIYAP) and various small-scale irrigation projects through the Smallholder Value Addition Project (SVAP) and Post Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (PCIREP). The Bank is also co-financing the National Flagship Program (NFP), the Shire Valley Transformation Program (SVTP), which will develop about 43,000 hectares of irrigable land. Additionally, the Bank has been instrumental in supporting the uptake of improved agricultural technologies through the TAAT program. This track record equips the Bank to design interventions that are tailored to local contexts, grounded in evidence, and aligned with proven best practices. The Bank's in-house technical expertise, supported by access to specialized knowledge networks, enables the integration of advanced climate-smart technologies and approaches that address the unique challenges faced by Malawi's agricultural sector.

D. Development Partners Coordination

12. Development Partners (DPs) play a critical role in advocating for the implementation of policies that are in line with the project. They also play a role in ensuring that there is transparency, accountability, and good governance, as well as efficiency in the use of project resources. It is, therefore, imperative to keep them engaged and informed where possible. The Bank coordinates its activities with other partners through the Donor Coordination Committee on Agriculture and Food Security (DCAFS), which regularly meets to discuss sector issues. The DPs, which include Bilateral and Multilateral Agencies, UN Agencies, International Organizations, and Consultative Group on International Agricultural Research (CGIAR), amongst others, are mainly engaged in policy dialogue, financing projects and programs, and Economic Sector Work (ESWs). Since its establishment in 2007, the Malawi Country Office (COMW) has continued to play a pivotal role in donor coordination activities, as well as overall agricultural portfolio management. In line with MIP 1 focus areas, DPs financing is concentrated on agriculture diversification and irrigation development, more details of DPs financing are presented in the PAR Vol II-Technical Annexes pages 30-31.

13. The project has been designed to ensure synergies with other DPs operations, including the Climate Smart Enhanced Public Works Programme (CS-EPWP); the FAO-led Improving Capacity for Irrigated Agriculture in Malawi project; IFAD's Program for Rural Irrigation Development (PRIDE); the World Bank's Malawi Watershed Services Improvement Project (MWASIP); and FAO's Ecosystems-based Adaptation for Resilient Watersheds and Communities in Malawi (EbAM). Significant areas of synergy with these interventions include an integrated approach to catchment management, which supports the restoration of degraded landscapes, better water resource management, and climate adaptation.

2. PROJECT DESCRIPTION

A. Project Development Objective

14. The project's development objective (PDO) is to strengthen the climate-resilience of agricultural production and livelihoods in Cyclone Freddy-affected districts of Phalombe and Thyolo. This will be achieved through the promotion of efficient land and water management practices, climate-smart agriculture, increased agricultural productivity for commercialisation and nutrition enhancement, support for sustainable and inclusive business models, and strengthening of social structures that foster equity and broad participation. The project is designed to establish a strong foundation for long-term sustainability, improving food security, and enabling equitable economic empowerment of disadvantaged groups amidst intensifying climate challenges.

15. Specifically, the project will deliver three interlinked objectives:

i) **To Rebuild and Climate-Proof Critical Infrastructure:** This will involve restoration and upgrading of damaged Agricultural, Water, Sanitation, and Hygiene (WASH) infrastructure in targeted irrigation schemes with a strong emphasis on climate resilience. This will ensure that communities are better equipped to withstand future climate shocks and disasters, reducing vulnerability and enhancing long-term stability.

ii) **To Enhance Agricultural Productivity and Commercialization:** The project will focus on boosting agricultural productivity and enhancing the market orientation of smallholder agriculture by promoting climate-smart technologies, improving access to quality inputs and irrigation services, as well as encouraging value addition along agricultural value chains. The project will place special emphasis on nutrition security and social inclusivity, empowering women, youth, and marginalized groups to actively participate in and benefit from the agricultural transformation.

iii) **To Restore Catchment Areas and Build Community Capacity:** This will involve the implementation of integrated catchment restoration and sustainable land management practices aimed at protecting water resources, curbing environmental degradation, and enhancing ecosystem services vital for agriculture. Additionally, the project will involve strengthening the capacity of local institutions, water user associations (WUAs), and community groups to support effective resource management, participatory planning, and adaptive governance for sustained climate resilience.

B. Theory of Change

16. The proposed project addresses the urgent need to build climate resilience, improve agricultural productivity, and enhance inclusive development in the cyclone-affected districts of Phalombe and Thyolo in Malawi. The project's Theory of Change (ToC) is anchored in a

coherent, multi-sectoral strategy that links climate-proofed infrastructure, ecosystem restoration, inclusive agricultural transformation, and institutional capacity building to establish a long-term pathway of climate adaptation and sustainable rural livelihoods.

17. **Problem Statement:** Rural livelihoods in Malawi remain highly vulnerable to intensifying climate shocks, which is exacerbated by degraded ecosystems, weak infrastructure, and limited access to markets and financial services. The impacts are most pronounced among smallholder farmers, especially women and youth, who face systemic exclusion from productive resources, land tenure security, and adaptive technologies. The recent devastation caused by Cyclone Freddy has further eroded water systems, catchment integrity, and food security across the targeted districts.

18. **Pathways of Change:** The project follows five connected pathways to drive change. First, it focuses on rehabilitating key infrastructure like irrigation systems, access roads, and water and sanitation facilities in targeted irrigation schemes. These repairs will help farmers grow crops all year round, improve public health, and shield communities from climate shocks. This foundation is essential for boosting both productivity, resilience and nutrition status of the targeted communities. Secondly, the project aims to transform agriculture by making it smarter and more inclusive. Farmers will get access to adaptive support, climate-resilient basic seeds for multiplication, and better market connections through contract farming arrangements and produce aggregation facilities. The project aims to enhance yields by 35-40% and help most farmers shift from subsistence to commercial operations. Additionally, the project will empower women and youth through savings groups, gender-focused programs, and nutrition initiatives that tackle malnutrition. The restoration of over 650 hectares of damaged catchment areas with nature-based methods will protect water sources and minimise soil erosion. Finally, the project invests in strengthening institutions and building local capacity to enhance ownership and sustainability of the interventions. More details are presented in PAR Vol II-Technical Annexes, pages 33-42.

19. **Outputs:** The project will rehabilitate and climate-proof three critical irrigation schemes (Austen, Mwaiwathu, and Dwale), ensuring sustainable water management in vulnerable areas. In the targeted cyclone-affected districts, essential WASH infrastructure such as boreholes and latrines equipped with menstrual hygiene management facilities will be constructed to improve health and sanitation within the irrigation scheme areas and contribute to agricultural productivity improvement through the availability of a healthy workforce. A total of 28,030 (M13,735, F14,295 and Youth 8,409 with 40% female youth representation) farmers and community members will receive training in climate-smart agriculture (CSA), empowering them with knowledge and skills to adapt to changing environmental conditions.

20. The project will also formalize 3 farmer cooperatives, linking them to agribusiness markets to strengthen economic opportunities. To address environmental degradation, 650 hectares of catchment areas will be restored with active community participation. Additionally, Care Groups and Village Savings and Loan Associations (VSLAs) will be established and fully operationalised across all project sites, fostering community cohesion and financial empowerment. Special attention will be given to training 30 community members in irrigation maintenance with 40% women representation and 20 % youth representation of which 40% will be female youth, leadership, and financial literacy, thereby promoting inclusive development. The health of vulnerable populations will be closely monitored, with about 4,204 children and pregnant or lactating women screened quarterly for malnutrition. Finally, community-based grievance redress mechanisms and gender-based violence prevention systems will be put in place and maintained, ensuring a safe and supportive environment throughout the project's duration and beyond.

21. **Outcomes:** In the short term, the project will achieve improved agricultural yields, food and nutrition security, inclusive economic opportunities, and restored water infrastructure. In

the medium to long term, it will lead to resilient agro-ecosystems, empowered local institutions, and diversified and inclusive rural economies. The health and well-being of communities will improve as WASH services and social cohesion increase. These outcomes collectively contribute to reduced climate vulnerability, enhanced household incomes, community-centric empowerment and a shift toward sustainable, climate-adapted development in Malawi.

22. **Critical Assumptions:** This ToC is built on the idea that the project will have enough financial and technical support to get things done. It also counts on continued policy backing for fair land and water management and assumes limited effects of extreme climatic events on infrastructure development and utilization. Equally important is the active involvement of local communities, with a special focus on women, youth, and marginalized groups. The project also depends on consistent commitment and cooperation from institutions at both local and national levels during every stage of implementation.

C. Project Components

23. The CAWMA project will be implemented over a period of five years, targeting the cyclone-affected districts of Phalombe and Thyolo. It is built around four key components that work together to tackle climate vulnerability, boost agricultural productivity, restore natural resources, and support inclusive livelihoods.

24. **Component 1: Climate-Adapted Agricultural and WASH Infrastructure Restoration (UA3.67 million, 34.6%).** Through the two subcomponents: (i) Resilient Agricultural Infrastructure and Governance; and (ii) Inclusive WASH Infrastructure, the project aims to rehabilitate and climate-proof critical agricultural and WASH infrastructure in the targeted irrigation schemes, incorporating gender-responsive design principles, and building long-term resilience to future climate shocks. Specific key activities to be implemented under this component include: Rehabilitation & climate-proofing of 3 irrigation schemes (Mwaiwathu 80 ha, Austen 50 ha and Dwale 50ha) which will involve the construction of intake structures, night storage reservoirs, lined canals and drainage systems; Rehabilitation of access roads (8 km) with resilient culverts and erosion control measures; upgrading of produce aggregation/storage facilities; Construction/rehabilitation of potable water supply points and gender-responsive sanitation facilities within the irrigation scheme area; establishment of inclusive WUA committees (≥40% women, youth, people with disabilities (PWDs)); and Environmental and Social Management Plans (ESMPs) implementation and monitoring.

25. **Component 2: Climate-Adapted, Gender and Nutrition-Sensitive Agricultural Productivity and Commercialization (UA1.89 million, 17.8%).** Through the three subcomponents namely: (i) Climate-Adapted Agricultural Productivity; (ii) Agricultural Commercialization; and (iii) Inclusive Empowerment & Nutrition Security, the project seeks to transform smallholder agriculture in Phalombe and Thyolo into a climate-resilient, market-oriented, and nutrition-sensitive enterprise that drives sustainable rural livelihoods. Specific key activities to be implemented under this component include: Climate resilient legume and cereal seed multiplication; Establish 142 Farmer Field Schools (FFS) and train 50 extension officers with 40% women representation and 20% youth representation to reach 28,030 (Males 13,735, Females 14,295 and Youth 8,409 with 40% representation of female youth); Disseminate CSA technologies (biofertilizers, drought-resistant seeds); Facilitate input fairs, e-voucher distribution; Implement Care Groups for 50 caregivers, Undertake Social and Behavioural Change Campaigns (SBCCs) (5,600 households), and adolescent girls' nutrition programs (6,000); Support 3,500 households with 40% representation of female headed households to establish irrigated homestead gardens; Form and train 40 Village Savings and Loan Associations (VSLAs) and 3 cooperatives; Link farmers to structured markets and integrated gender-transformative approaches.

26. **Component 3: Catchment Management and Institutional Strengthening (UA2.01 million, 19%)**. Under this component, the project seeks to restore degraded catchments using nature-based methods while promoting sustainable resource management through village committees and integrated governance. Specific activities to be implemented include: Participatory mapping and Village Action Plans (VAPs) development for 5 priority micro-catchments; Restoration of 650 ha through afforestation, assisted natural regeneration, terracing, vetiver strips and check dams; Establishment and training of 8 Village Natural Resources Management Committees (VNRMCs) and 30 artisans with 40% women representation and 20 % youth representation of which 40% will be female youth; Strengthen linkages between WUAs and catchment committees for upstream-downstream governance; Knowledge exchange and peer learning for scaling sustainable land management and ESMPs implementation and monitoring.

27. **Component 4: Project Management (UA1.96 million, 18.5%).** Under this component, the project ensures solid project management, coordination, and knowledge sharing, including monitoring, evaluation, and policy engagement. The component will support coordination of the day-to-day running of project activities; baseline, mid-term, and endline evaluations; Geographical Information System (GIS) and digital monitoring; Project Steering Committees (PSCs) and Project Technical Committee (PTC) meetings for adaptive governance; Communication and visibility campaigns; as well as audit exercises. Further, the project management costs encompass the Management Fee charged by FAO as the grant recipient, as well as co-financing arising from human resource expertise and quantification of in-kind contributions.

D. Project Cost and Financing Arrangements

28. The total cost of the project is estimated at UA 10.6 million (USD14.41 million, net of taxes and custom duties, to be implemented over five years in Phalombe and Thyolo districts. This cost estimate is based on the Cyclone Freddy Post-Disaster Needs Assessment (PDNA)[3], complemented by the National Disaster Recovery Framework[4] and validated through detailed technical assessments conducted jointly by FAO, UNOPS, IFAD and the Department of Irrigation (DoI). Engineering benchmarks from similar rehabilitation works in neighbouring districts were also applied. At the same time, provisions for physical and price contingencies were included using macroeconomic and inflation data from the National Statistics Office[5].

29. The Bank takes the lead role as the cornerstone financier, committing UA 6.25 million (USD 8.49 million), which accounts for 58.96% of the total project cost. This significant contribution underscores the Bank's confidence in the project's design and its alignment with regional development priorities. Complementing the Bank's support, the Food and Agriculture Organization (FAO) serves as the consortium lead and administrative partner, contributing UA3.61 million, representing 34% of the total budget. FAO's support comes in both cash and in-kind resources, highlighting its integral role in project implementation and coordination. Additional co-financing (parallel financing) is provided by IFAD and UNOPS, at 2.12% and 1.45% of the project total budget, respectively, while the Government of Malawi contributes 3.47% in-kind support, covering essential components such as staff secondment, office space, and logistical facilitation. This combined co-financing package totals UA4.35 million (USD5.91 million), representing 41.04% of the overall project cost. Importantly, this

[3] Government of Malawi. 2023. Malawi 2023 Tropical Cyclone Freddy Post-Disaster Needs Assessment (April 2023). https://reliefweb.int/report/malawi/malawi-2023-tropical-cyclone-freddy-post-disaster-needs-assessment-april-2023
[4] Government of Malawi. 2023. National Disaster Recovery Framework, Volume 3: FLOODS, September 2023.
[5] National Statistics Office, 2023. Malawi Consumer Price Indices (CPI) Dashboard December 2023. http://www.nsomalawi.mw/index.php?option=com_content&view=article&id=186&Itemid=37

framework has been formally confirmed by all consortium partners and the Government, ensuring a strong foundation of collaboration and shared commitment.

E. Project's Target Areas, Beneficiary Population and other Stakeholders

30. Project Area: The project will be implemented in two districts, namely Phalombe and Thyolo, which are in the Southern Region of Malawi and are repeatedly affected by cyclones. In Phalombe, interventions will centre on rehabilitating the Mwaiwathu and Dwale irrigation schemes, while in Thyolo, the focus will be on Austen irrigation scheme. These sites, crucial for sustaining community food systems, were selected not only due to the extensive damage caused by Cyclone Freddy but also their critical role in the local communities.

31. Project Beneficiaries**:** Approximately 5,600 households (with 40% female headed households' representation) covering 28,030 farmers (Males 13,735, Females 14,295 and Youth 8,409 with 40% female youth representation) will directly benefit through restored irrigation infrastructure and catchment management. Indirectly, over 10,000 households will gain from improved WASH services, climate-smart agriculture, and nutrition-sensitive interventions. The project will also train 50 government extension officers with 40% and 20% female and youth representation, respectively- equipping them with the relevant knowledge and expertise to deliver long-term technical support and climate guidance. The project also targets diverse community groups to boost climate resilience and sustainable agriculture. The youth will also be deliberately targeted for training in digital agriculture and nature-based solutions, fostering entrepreneurship and job creation. Nutrition-sensitive actions will support vulnerable groups – about 4,200 under-five children, 5,000 adolescent girls, and 50 caregivers – reducing malnutrition and promoting nutrient-rich diets in Phalombe and Thyolo districts.

F. Bank Group Experience and Lessons Reflected in Design

32. The Bank has built strong operational experience in Malawi through projects focused on climate resilience, irrigation, agriculture, and water. Key past interventions include the Climate Adaptation for Rural Livelihoods and Agriculture (CARLA), Smallholder Crop Production and Marketing Project (SCPMP), Agriculture Infrastructure Support Project (AISP), Sustainable Rural Water and Sanitation Infrastructure for Improved Health and Livelihoods (SRWSIHL), SVAP, and PCIREP. CARLA demonstrated that participatory vulnerability assessments and integrated approaches, combining CSA, catchment restoration, and gender inclusion, enhanced ownership and sustainability. SCPMP and AISP emphasized the importance of climate-resilient engineering and comprehensive technical designs before implementation, as inadequate preparation often resulted in delays and cost overruns. SRWSIHL demonstrated that integrating WASH, agriculture, and nutrition enhances health and productivity outcomes. AIYAP and SVAP demonstrated the importance of adequate budgeting, comprehensiveness of technical designs and E&S instruments, and implementation capacity by the PIU, as well as climate-resilient engineering. PCIREP confirmed that effective recovery and long-term resilience require proper sequencing, inclusive governance, and hazard-resilient infrastructure standards. To enhance sustainability and prevent future crises, the project is strategically linked to the Transition State Facility (TSF) Program, the "Mitigating Fragility through the African Disaster Risk Financing Program in Southern Africa" (ADRiFi), which, amongst others, is strengthening multi-hazard early warning systems and disaster risk information access.

33. These lessons directly inform the proposed project. All irrigation works will be supported by finalized designs and upstream catchment management to ensure readiness. Community governance is strengthened through FFSs, WUAs, and catchment management committees, with a focus on gender-responsive targets. Cross-sectoral integration is achieved

by embedding CSA, WASH, and nutrition messaging into extension services. Recovery inputs are sequenced alongside resilient infrastructure to address immediate needs while reinforcing sustainability. With these proven approaches, the project ensures technically sound and socially anchored interventions, aligned with the Bank's comparative advantage in building resilience across Malawi's cyclone-prone districts. The lessons are detailed in PAR Volume II Technical Annex 2-4 pages 59-60.

3. PROJECT FEASIBILITY

A. Financial and Economic Analysis

34. The project feasibility assessment considered the following key parameters: AfDB cofinancing of USD 8.49 million representing the primary funding source for capital expenditures related to irrigation system rehabilitation and associated implementation activities; 20 years' time horizon; 12% discount rate; 180ha of irrigation land developed; 3% of investment cost as operation and maintenance cost; two production cycles; beans and maize seed as priority value chains (on rotational basis), 5,600 benefiting households; and 3,500 homestead gardening establishment for nutritional benefits. The Financial Internal Rate of Return (FIRR), Economic Internal Rate of Return (EIRR), and Net Present Value (NPV) were computed on the assumption there will be minimal climate change effects on crop production, improved marketing for the targeted crops; improved extension services; and full operation of the rehabilitated irrigation schemes.

35. The project proves both viable and cost-effective, demonstrating a high level of resilience to potential risks. Base-case results indicate a financial internal rate of return (FIRR) of approximately 20.8% and an economic internal rate of return (EIRR) of nearly 23.3%, with positive net present values at a 12% discount rate. These strong returns stem from improved productivity of the legume and cereal seed multiplication regime, CSA practices, and complementary nutrition, WASH, and catchment restoration measures. The cost-effectiveness stands at roughly USD 303 per beneficiary (AfDB share), with irrigation rehabilitation costing approximately USD 14,000 per hectare and catchment restoration costing about USD 1,400 per hectare, figures that compare favourably with the Bank's benchmarks.

36. The EIRR and FIRR summary, over a 20-year period are presented below and details in PAR Volume II Technical Annex 3-1:

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37. The sensitivity analysis indicates that the project remains resilient to a 20% drop in yields and a 20% rise in costs, although success depends heavily on the adoption rates of improved farming technologies. This risk is addressed through robust extension services, inclusive Water User Associations (WUAs), and targeted social behaviour change communication.

38. Additional Positive Effects: Beyond these measurable returns, the project delivers substantial non-financial value. These include: (i) enhanced gender equity through the Gender Action Learning System, which fosters inclusive decision-making; (ii) improved household nutrition outcomes enabled by diversified and climate-resilient cropping systems; (iii) strengthened institutional for participatory water and land resource governance at the community level; (iv) improved WASH outcomes due to improved access to water supply for domestic use and sanitation facilities; and (v) Environmental benefits due to improved catchment manage.

B. Environmental and Social Safeguards

39. **E&S Risk Categorization**: The project has been classified as Category 1 (High Risk) in accordance with national requirements and the Bank's Integrated Safeguards System (ISS, 2023). The category was validated in the Integrated Safeguards Tracking System (ISTS) and confirmed on 23rd June 2025.

40. **Required E&S Safeguards Documents and Disclosure**: Based on the ISS requirements, the project prepared (3) Environmental and Social Impact Assessment (ESIA) reports; (1) Stakeholder Engagement Plan (SEP), (1) Emergency Preparedness and Response Plan (EPRP), and (1) Pest/Vector Management Plan (PMP). These documents were reviewed and cleared by the Bank and subsequently approved by the Malawi Environment Protection Authority (MEPA) on 13th August 2025 and disclosed by the grant recipient successively on 14th August 2025. The Bank disclosed the E&S documents on 2nd September 2025. The Financing Agreement ESMP (FA-ESMP) was disclosed by the client and the Bank on 30th October 2025 and 3rd November 2025, respectively. The assessment of access roads with a total of 8km (Austin - 6km; Dwale – 1.3km; and Mwaiwanthu – 0.7km) in all the three (3) schemes was included in the impact assessment reports. In compliance with the Public Roads Act, 2023 (Section 18), access road works follow prescribed reserves and environmental controls to minimise E&S risks.

41. **Stakeholder Consultations**: The Bank verified that the Recipient conducted public consultations in March 2025 across several localities within the project area of influence, namely Austen, Dwale, and Mwaiwanthu, during the preparation of the ESIA, PMP, and other environmental and social instruments. The consultations involved a broad range of stakeholders, including national and district-level authorities, Rural Commune Officials, decentralized technical services, Traditional Authorities, and local communities. In total, 186 individuals were consulted, including 82 stakeholder representatives at local and central government levels. At the community level, consultations in Austen engaged 50 participants (21 women and 29 men), in Dwale 50 participants (30 women and 20 men), and in Mwaiwanthu 33 farmers (17 women and 16 men), alongside 17 government officials. These consultations facilitated information disclosure, collection of stakeholder views and concerns, and the integration of feedback into project design and mitigation measures, in line with good international practice. Records of the consultation process, including meeting minutes, summaries of discussions, and attendance lists are duly documented and annexed to the ESIA reports, reflecting an integrated E&S approach that emphasizes early engagement, institutional coordination, and community participation in risk management.

42. **Environmental and Social Risk and impacts**: The assessment identified several major environmental and social risks and impacts. Environmental risks include (a) Soil erosion and sedimentation due to land clearance and construction activities; (b) Surface water contamination from agrochemical use; (c) Occupational health and safety risks for approximately 4,000 construction and scheme workers; (d) Community exposure to agro-chemical inputs; and (e) Loss of riparian vegetation and reduced agro-biodiversity that will be driven by likely cumulative impacts. The social risks and impacts include potential child labour, poor working conditions, gender-based violence and sexual exploitation and abuse, increased exposure to HIV/AIDS and other STIs, and community health and safety concerns linked to construction activities.

43. **Involuntary Resettlement**: The project focuses on the rehabilitation of existing small-scale irrigation schemes affected by Cyclone Freddy, and thus no resettlement action plan is required. The rehabilitation of the pipes (secondary line) is already in existence and therefore, there is no need for additional land.

44. **Mitigation Measures:** The safeguards measures have been designed to mitigate these risks effectively, including: (i) Planting vetiver grass along contours and canals to stabilize soils; (ii) Applying water to stripped soils to reduce erosion; (iii) Rehabilitating excavated areas

using stockpiled soils; (iv) Enhancing soil and water conservation practices, box ridging, and agroforestry; (v) Ensuring proper waste disposal at designated sites; (vi) Restricting unnecessary clearing of bush, under supervision of WUAs; and (vii) Effectively managing labour standards enforcement, GBV/SEAH prevention measures, public health awareness, and community safety and extension support. The EPRP will be implemented to ensure the safe execution of the project, strengthen institutional preparedness, enhance community safety, and protect project investments throughout the project lifecycle. The total cost of implementing the E&S measures is estimated at UA138,452.59 (USD188,097.54) and has been integrated into the project components 1, 3, and 4.

45. **Institutional arrangement and capacity to implement the E&S measures:** The consortium FAO-IFAD-UNOPS will be the Executing Agency and responsible for overall coordination. Each of these institutions has an E&S specialist with an office based in Lilongwe. The PIU will include, among others, Safeguards Specialists, specifically, one Environmental Safeguards Specialist and one Social Safeguards Specialist. This E&S staff will be mobilized for the entire duration of the project

46. **Environmental and social compliance**: In addition to the full and adequate implementation of all published Environmental and Social (E&S) plans, including measures to address non-anticipated risks and impacts occurring during project implementation, the Recipient will prepare monthly E&S implementation reports. Also, an E&S Performance Audit conducted by an independent E&S safeguards expert will be submitted annually and no later than the end of the first quarter of the following year. All these reports will be shared with the Bank and made accessible to the stakeholders. In addition, the Recipient is committed to continuing to maintain the project-level Grievance Redress Mechanism (GRM) from the onset of the implementation, making it known to all the stakeholders and ensuring it is functional over the project's lifecycle. Further, in the event of an Environmental-Occupational-Health and Safety (EOHS) incident on a project site, the Recipient shall notify the Bank immediately, no later than 48 hours after the event, share the investigation report from the competent national authority, and, when deemed necessary by the Bank, submit a Root Cause Analysis (RCA) including a Corrective Action Plan (CAP) by an independent OHS expert from the sub project. These obligations will be reflected in the E&S conditions of the financing agreement. On this basis, the project is compliant and ready to be submitted for review by the Board of Directors, as evident by the ESCON/NOCES attached to this Project Appraisal Report (PAR).

C. Climate Change and Green Growth

47. The project is classified as Climate Risk Category 1. Malawi is among the world's most climate-vulnerable countries, ranking 27th in vulnerability and 164th in readiness out of 187 countries (ND-GAIN, 2025). The Phalombe and Thyolo districts face heightened exposure to recurrent floods, droughts, and cyclones driven by climate variability and change (GFDRR, Think Hazard).

48. The project integrates climate risk considerations across all components—including infrastructure, agricultural systems, and institutional capacity development—guided by climate risk and vulnerability assessments. This ensures interventions respond to current climate threats while enhancing long-term resilience. Key adaptation measures include climate-proofing irrigation and WASH infrastructure and advancing CSA through drought- and flood-tolerant crop varieties, soil and water conservation, and livelihood diversification. The project also promotes nutrition-sensitive agriculture linked to improved WASH services, with a focus on reducing vulnerabilities among women and children. Climate-specific indicators—such as hectares of land under restored irrigation, CSA adoption rates, and water point resilience—are included to track adaptation outcomes. While the project is not expected to generate significant greenhouse gas (GHG) emissions, it aims to achieve moderate net emission reductions through sustainable land and water management. Activities include restoring 650 hectares of degraded

catchments, expanding agroforestry, and promoting CSA practices that enhance carbon sequestration and reduce land degradation. Shifts from unsustainable land use to conservation agriculture, mulching, and intercropping will help reduce emissions linked to soil degradation. Irrigation rehabilitation will prioritize gravity-fed and small-scale systems to minimize energy demand and associated emissions.

49. The project aligns with Malawi's Nationally Determined Contribution (NDC), which prioritizes irrigation expansion, climate-smart agriculture, and landscape restoration. It also supports Malawi Vision 2063 and the MIP-1, both of which emphasize sustainable agriculture, irrigation, and environmental management as key adaptation strategies. Paris alignment has been assessed using the MDB Joint Methodology for Assessing Paris Alignment of Direct Lending Operations. The operation is Paris Aligned.

D. Other Cross-cutting Priorities

Poverty reduction, Inclusiveness, and Job Creation

50. The project will make a substantial contribution to poverty reduction and inclusive socio-economic progress in the cyclone-affected districts of Phalombe and Thyolo. By rehabilitating 3 irrigation schemes totalling 180 hectares of irrigation land and strengthening WASH services, it will enable multiple cropping cycles, raise yields by 35-40%, and promote diversification into higher-value crops. These improvements are projected to increase household incomes by about USD 300 per year at maturity, directly benefiting 5,600 households with 40% female headed households' representation while reducing seasonal hunger and vulnerability to climate shocks. Complementary engagement with the National Climate Smart Enhanced Public Works Programme (CS-EPWP) will provide income opportunities for poor households with labour capacity, linking immediate employment to long-term resilience.

51. Inclusiveness is fully integrated into project design. At least 40% of farmers adopting climate-smart practices will be women, and women, youth, and persons with disabilities will comprise at least 40% of WUAs and cooperatives. FFSs, VSLA, and digital advisory services will help overcome structural barriers in access to inputs, finance, and markets. Nutrition-sensitive agriculture and behaviour-change activities will particularly benefit children, adolescent girls, and pregnant and lactating women, aligning with Malawi Vision 2063's human capital objectives. During implementation, the project is expected to generate about 1,250 jobs with 40% female representation through construction, rehabilitation, catchment management, as well as farming through the cooperatives' crop production enterprise.

Opportunities for Building Resilience

52. The project operates in a setting of interconnected fragility shaped by political, economic, social, environmental, and regional pressures. Malawi's weak institutional capacity and limited decentralization constrain effective service delivery, while its heavy dependence on rain-fed subsistence farming leaves rural households extremely vulnerable to climate shocks.

53. Environmental pressures compound the vulnerability level. Recurrent droughts, floods, and storms have degraded soils, damaged infrastructure, and reduced agricultural productivity. Regional disparities and weak infrastructure isolate remote communities, restricting access to markets, services, and opportunities. Under these conditions, households are often forced into negative coping strategies that erode long-term resilience and perpetuate fragility across generations. The project will contribute towards building resilience in the targeted communities by strengthening institutional capacity at the central and local levels to improve the delivery of agricultural and water services. Economic resilience will also be promoted through climate-smart agriculture, rehabilitation of irrigation schemes, and improved market access, creating

opportunities for inclusive growth. Social cohesion will be fostered by engaging women, youth, and marginalized groups in decision-making and governance of natural resources. Environmental resilience will be enhanced through sustainable land and water management, catchment restoration, and disaster-risk reduction.

Gender Equality and Women's Empowerment Promotion

54. Classified under AfDB Gender Marker 2A, the project mainstreams gender throughout design and implementation, adopting a Gender-Transformative Approach to address structural inequalities limiting women's, youths, and persons with disabilities' access to land, water, finance, and decision-making in Malawi's agriculture and water sectors. At least 40% of direct beneficiaries are women, with interventions focused on gender-responsive irrigation rehabilitation, climate-smart agriculture, and water supply infrastructure to reduce women's time burdens, improve livelihoods, and increase control over productive resources. The project mandates at least 40% female representation in Water User Associations, Catchment Management Committees, and FFS to promote inclusive governance. Gender Transformative Approaches, such as the Household Approach and Gender Action Learning System (GALS), will advance gender equality within households, fostering joint decision-making and intra-household equity. Additionally, women, men, and the youth will access Village Savings and Loan Associations and business development training to boost financial inclusion and resilience.

55. Safeguards include Menstrual Hygiene Management-sensitive WASH infrastructure, gender-based violence prevention and response mechanisms, and inclusive grievance redress systems to ensure safe and supportive environments. Community engagement through Communication for Development and Theatre for Development will challenge harmful gender norms and encourage lasting behavioural change. A dedicated Gender Focal Point within the Project Implementation Unit will oversee gender integration and ensure gender indicators are embedded in the results framework.

Youth Employment and Empowerment Opportunities

56. According to the National Statistical Office (2024), youth aged 15 to 24 years constitute about 21.8% of the Malawi demography, with unemployment standing at 24.1% and underemployment at 25.6%. About 98.7% of the same age group is estimated to be in the informal sector. The agriculture sector is estimated to be the main employer of young workers (over 56% for males, 60% for females). In line with the National Agriculture Policy (2024); the Malawi National Youth Policy (2023) and the Bank's Jobs for Youth in Africa Strategy (2016-2025), the project will facilitate integration of 30% youth farmers as beneficiaries of the irrigation schemes to be rehabilitated (8,409 youth farmers with 40% women representation), training of youth artisans in water infrastructure Operation and Maintenance (20% of the project target, with 40% women representation), and creation of employment opportunities in construction works (20% of the target with 40% female representation).

Nutrition Integration

57. The project integrates a comprehensive approach to nutrition in Subcomponent 2.3, focusing on addressing both chronic and acute malnutrition in the cyclone-affected districts of Phalombe and Thyolo. These areas face alarming levels of stunting (up to 38%), wasting (4.4%), and anaemia (68.6% in children), primarily driven by poor dietary diversity, food insecurity, limited nutrition knowledge, and climate-induced agricultural disruption. In response, the project blends nutrition-specific interventions (such as quarterly screening and referral of over 4,200 children and all pregnant/lactating women) with broader nutrition-sensitive strategies that leverage climate-smart agriculture (CSA), inclusive water and sanitation (WASH), and social protection systems, thereby ensuring a holistic and effective

approach to the nutrition problem. Through the establishment of 3,500 homestead gardens and the distribution of CSA nutrition packages to 5,600 households with 40% female headed households' representation, the project will improve both food availability and dietary quality. The project will also facilitate SBCC, and training of primary caregivers in Infant and Young Child Feeding (IYCF) practices.

4. IMPLEMENTATION

A. Institutional and Implementation Arrangements

58. The project will be implemented by a consortium led by FAO, in partnership with IFAD, UNOPS, and the Republic of Malawi through the Ministry of Agriculture, specifically the Department of Irrigation (DoI). Below are the specific roles of the consortium members:

- FAO: The FAO will serve as the principal coordinating body and operational lead for the project, establishing and managing the Project Implementation Unit (PIU). This unit will be responsible for the day-to-day management and smooth execution of project activities. FAO's role includes ensuring that all aspects of the project are consistent with the guidelines and requirements set forth by the African Development Bank (AfDB), while also guaranteeing strict adherence to Malawi's national policies and regulatory frameworks. Beyond coordination, FAO will oversee critical administrative functions such as recruitment of key personnel, procurement processes, financial management, and technical leadership to maintain high standards of implementation. Through these efforts, FAO will act as the central hub for aligning project goals with both international best practices and local priorities

- IFAD contributes valuable expertise basing on its comparative advantage on farmer organisations, rural development strategies, agricultural commercialization, and climate resilience. Its role is particularly significant in leveraging synergies with the existing PRIDE program in Malawi, which targets rural poverty alleviation and sustainable agricultural growth. The consortium member will play critical technical roles in implementation of component 2 of the project.

- UNOPS will provide specialized technical expertise, particularly in the areas of infrastructure development. Drawing on its extensive track record of managing AfDB-financed infrastructure projects within Malawi and the broader region, UNOPS will lend technical rigor and practical experience to the project implementation, particularity component 1 of the project. Their involvement is crucial to ensuring that infrastructure components meet quality standards, are delivered on time, and remain sustainable over the long term.

- Given the multisectoral nature of the project, coordination with all key government stakeholders will be facilitated by the DoI, including Natural Resources, Lands, Soil and Water Conservation, Seed Services Unit, Local Government, and District Councils. In addition, specialized services will be procured from research institutions, seed companies, NGOs, and private sector entities.

59. Memoranda of Understanding (MoUs) will be established amongst consortium members (FAO, UNOPS, IFAD, and the Government of Malawi) to formalize institutional roles and responsibilities on the project implementation based on their comparative advantages. These agreements will clearly outline resource contributions, project activities under the coordination of the consortium member in line with their comparative advantages, set up robust reporting and accountability frameworks, and define transparent procedures for conflict resolution, ensuring effective coordination and collaboration throughout the project cycle. In addition, service contracts with NGOs, academic institutions, and research organizations will

specify deliverables, ensure alignment with project workflows, and establish reporting lines. This approach will maintain coherence with the overall project governance structure and support effective implementation.

60. The PIU will be staffed through a combination of UN appointments and government secondments, with academic qualifications and professional experience acceptable to the Bank as summarised below. The appointments or secondments will be full-time (100%) on project activities, and the PIU will be instituted before first tranche disbursement.

Table 4A-2 : PIU Positions Secondement by Consortium Members

	PIU Position	Secondment Source	AfDB Cost Share (%)	Consortium Cost Share (%)
1	National Project Manager	FAO	100	0
2	National Environmental Safeguards Specialist	FAO	0	100
3	National Social Safeguards Specialist	Govt	40	60
4	National Irrigation Engineer	Govt	40	60
5	National Nutrition Specialist	Govt	40	60
6	National Gender Specialist	FAO	20	80
7	Technical Officer- Project Focal Person	IFAD	40	60
8	Technical Officer- Project Focal Person	UNOPS	40	60
9	National M&E Specialist	FAO	10	90
10	Data/Management Information System (MIS) Officer	FAO	0	100
11	Finance Specialist	FAO	0	100
12	Procurement Specialist	FAO	0	100
13	Driver	FAO	100	0

61. At the District Council level, each District Council will nominate a Project Focal Person (PFP) with academic qualifications and professional experience acceptable to the Bank, who will act as the District Project Coordinator (DPC). This focal person will serve as the main point of contact for project coordination at the district level and will oversee day-to-day implementation activities. They will be supported and supervised by the Irrigation Engineer from the Irrigation Services Division (ISD) and DoI Headquarters. This arrangement is designed to ensure technical quality, compliance with standards, and timely completion of project interventions.

62. Strategic and technical oversight will be provided by a Project Steering Committee (PSC) and a Project Technical Committee (PTC), respectively. The PSC will be co-chaired by the Secretary for Agriculture and the FAO Representative to Malawi. The committee members will include the Secretary to the Treasury (Ministry of Finance, Economic Planning and Decentralisation); Secretary for Natural Resource, Energy and Mining; Secretary for Gender, Children, Disability and Social Welfare; Secretary for Industrialisation, Business, Trade and Tourism; IFAD Representative to Malawi; and UNOPS Representative to Malawi. The PTC will be Co-chaired by the Director (Department of Irrigation) and the Director (Department of Land Resources Conservation). PTC Members will include Directors from the Department of Crop Development, Department of Agriculture Extension Services, Department of Agriculture Research, Debt and Aid, Department of Forestry, Department of Gender Affairs, Department of Trade, Department of Small and Medium Enterprises, and Cooperatives, Department of Local Government Services, Department of Nutrition and UN Agencies including FAO, IFAD and UNOPS. More implementation arrangement details are presented in PAR Volume II Technical Annex 4-4, pages 120 to 126.

B. Procurement

63. Procurement of Goods (including Non-Consultancy Services), Works and the acquisition of Consulting Services, financed by the Bank for the project, will be carried out in accordance with the Bank Procurement Framework that supports the use of Third-Party

procurement systems. The "Procurement Policy and Methodology for Bank Group Funded Operations" (BPM) dated October 2015 supports the use of third-party procurement methods and procedures were appropriate.

64. The Bank has assessed the Recipient Procurement System (RPS) and the risk for its use in Bank-financed project has been globally rated at Substantial. The Bank found that these deviations are significant and hence impinge on the Bank's fiduciary compliance standard in the context of the current project while using RPS. On this project therefore, the goods, works and services required will be procured using FAO procurement rules and procedures. The use of FAO procurement rules and procedures will be guided by the Fiduciary Principles Agreement signed between the Bank and the FAO, which provides assurances for sound fiduciary accountability and oversight framework. More procurement details are presented in PAR Volume II Technical Annex 4-5, pages 127 to 137.

C. Financial Management, Disbursements, and Audit

65. Financial Management Arrangements: FAO will take the lead role in overseeing the comprehensive implementation of the project, ensuring that all activities align with the established goals and timelines. In addition to managing the day-to-day operations, FAO will also be entrusted with the administration of the grant funds, maintaining strict oversight to guarantee transparency and accountability. This responsibility is carried out under the framework of the Fiduciary Principles Agreement agreed upon with the African Development Bank (AfDB), which sets clear standards for financial governance. To meet these requirements, FAO will utilize its well-established internal financial management systems. These systems have undergone independent evaluations and have been found to broadly comply with internationally recognized standards, providing confidence that project funds will be handled efficiently and in full compliance with best practices.

66. FAO will assign highly qualified financial management professionals to handle all fiduciary responsibilities related to the grant. These experts will oversee critical functions such as budgeting, accounting, managing disbursements, preparing financial reports, enforcing internal controls, and administering project assets. Their role is vital in establishing and maintaining robust internal control systems that protect project resources and ensure the accuracy and integrity of financial records.

67. Financial Reporting and External Audit: FAO will provide unaudited interim financial reports (IFRs) every six months to both the Government of Malawi and the Fund. These IFRs will offer a clear, detailed account of all receipts and expenditures incurred during each reporting period, ensuring transparency and timely communication of the project's financial status. To maintain a consistent reporting schedule, these reports will be submitted within sixty (60) days after the close of each semester. Beyond these interim updates, FAO will also prepare annual financial statements for the grant. These statements, certified by an FAO financial officer authorised to provide such certifications, will serve as an official record of the project's financial activities over the year. They will be shared with the Government of Malawi and the AfDB, within six months after the end of each fiscal year, providing both parties with the opportunity to review and assess the financial management and integrity of the grant throughout the project lifecycle.

68. At project completion, FAO will submit final certified financial statements, certified by an FAO financial officer authorised to provide such certifications, within 6 months of project completion. FAO's use of the grant funds will be subject exclusively to the internal and external audit procedures provided for in FAO's financial regulations. Additionally, FAO will furnish copies of its institutional audited financial statements and the accompanying external audit report for any fiscal year in which grant funds were expended. This submission will occur within thirty (30) days of their presentation to FAO's governing body, in accordance with the

Fiduciary Principles Agreement.

69. Disbursement Arrangements: Disbursement of the grant funds will follow standard Bank Disbursement Guidelines, particularly the Special Account method of disbursement. Upon the entry into force of the agreement, disbursement will be made in USD to an account to be specified for the purpose by FAO. Disbursement will be carefully organized into three distinct tranches, each released only after specific conditions are met. These conditions include the successful achievement of predetermined milestones and the fulfilment of agreed-upon financial utilization thresholds. The decision to release each tranche will be made collaboratively by the Government of Malawi, FAO, and the African Development Fund, ensuring that all parties are aligned on progress and financial accountability. This staged approach to funding not only promotes careful monitoring of project advancements but also encourages efficient use of resources, helping to maintain momentum and safeguard the overall success of the initiative.

(i) First Tranche (40%): Released upon the effectiveness of the Tripartite Funding and Implementation Agreement and fulfilment of the conditions to first disbursement.

(ii) Second Tranche (40%): Disbursed upon submission of interim financial and progress reports confirming that at least 70% of the first tranche has been utilized, amongst other conditions.

(iii) Third Tranche (20%): Released following receipt of interim reports verifying the utilization of no less than 70% of the cumulative amount from the first and second tranches, amongst other conditions.

D. Monitoring and Evaluation

70. The PIU under FAO will lead Monitoring, Evaluation, and Learning (MEL), supported by an M&E specialist, data/MIS officer, and district focal points collaborating with the Ministry of Agriculture's M&E Unit. A Planning, Monitoring, and Evaluation (PM&E) team composed of consortium partners and government representatives will oversee MEL coordination.

71. The MEL framework combines routine monitoring, independent audits, third-party verification, and baseline, midline, and endline surveys. Mobile data collection integrated with GIS and remote sensing will enable near real-time tracking of climate-resilient irrigation, catchment restoration, climate-smart agriculture uptake, WASH functionality, and safeguard compliance. Community accountability is embedded through scorecards, beneficiary feedback, and citizen-led monitoring, with data interoperability prioritized to enhance policy utilization and sustainability. Reporting includes quarterly and annual PIU updates, semi-annual Bank-Government supervision missions, and PSC/PTC governance reviews. Independent midterm and final evaluations will assess outcomes and guide course corrections. MEL costs are covered under Component 4, supporting surveys, verification, digital tools, MIS maintenance, audits, learning events, and capacity building.

E. Governance

72. Governance risks arise from the multi-partner delivery model (FAO/IFAD/UNOPS and Government of Malawi), which may generate role ambiguity, uneven standards, and coordination gaps across national and district levels. Capacity constraints within district services and Water User Associations (WUAs) risk delays in operations and maintenance (O&M) and potential elite capture, where inclusivity and accountability are weak. Mitigation centers on layered oversight. The Project Steering Committee (PSC) and the Project Technical Committee (PTC) will conduct regular governance reviews, complemented by supervision

missions and robust monitoring and evaluation (M&E). In particular, the PSC will be meeting twice a year (every six months) while the PTC will be meeting 4 times a year (quarterly).

73. As the Implementing Agency, FAO will apply the AfDB–FAO Fiduciary Principles Agreement, ensuring segregation of duties, centralized accounting, semi-annual financial reporting, and annual external audits. Bank disbursement guidance and annual supervision further reduce exposure, with residual financial management risk assessed as Low/Moderate. At the community level, social accountability will be operationalized through inclusive governance quotas, accessible grievance redress (covering GBV and other safeguards), participatory monitoring, and community scorecards. To smoothen governance and project implementation, the Consortium will be required to prepare a detailed project implementation manual before first disbursement.

F. Sustainability

74. The project's alignment to Key National and District Development Frameworks ensures that interventions are integrated into ongoing government programs rather than remaining stand-alone investments. The Government of Malawi has shown a strong commitment by providing USD 500,000 in-kind support, office space, and technical staff. Water User Associations will recover at least 90% of annual O&M costs from member contributions by year four, thereby safeguarding the functionality of irrigation and WASH infrastructure. This commitment offers a clear assurance that the project will remain viable and effective well beyond its initial phase.

75. Sustainability is reinforced across all dimensions of the project, ensuring its long-term success and resilience. On the technical front, the project will facilitate construction of climate resilient irrigation infrastructure. Institutionally, the project strengthens local governance and management by building the capacity of WUAs, Village Natural Resource Management Committees (VNRMCs), Village Development Committees (VDCs), and District Agricultural Extension Services (DAESS). From a socio-economic perspective, initiatives such as VSLAs, market linkages, and cooperative enterprises empower the targeted beneficiaries to have sustainable livelihoods. Furthermore, the engagement with the private sector through contract farming arrangements will enhance the project results sustainability. Environmentally, the project is committed to restoring catchment areas to maintain an 80% survival rate of newly planted trees. This not only supports biodiversity but also plays a critical role in reducing sedimentation in irrigation scheme intakes, thereby preserving water quality and system efficiency.

G. Risk Management

76. The project will be implemented in a context marked by high climate vulnerability, limited fiscal space, and constrained institutional capacity at both central and district levels. These factors expose the operation to various fiduciary, environmental, social, and institutional risks. Fiduciary risks are considered substantial at both country and entity levels due to Malawi's weak public financial management systems; however, selecting FAO as the Executing Agency significantly mitigates these risks by applying its established financial, audit, and reporting procedures in accordance with AfDB requirements.

77. Environmental and climate risks are rated high, given the cyclone-prone nature of the target districts. To address these risks, all infrastructure will be climate-proofed, and catchment restoration activities will help reduce erosion and flooding. Social risks, particularly those related to gender exclusion and GBV/SEA/SH, are also high but have been addressed in the design through gender-transformative approaches (GALS), inclusive governance quotas (≥50% women and 40% youth in committees), and grievance redress mechanisms. Institutional and capacity risks at the local level are substantial but will be mitigated through targeted

capacity building for extension services, Water User Associations, and catchment committees. Table 6 in Annex 4-2 summarizes the key risks identified, their ratings, mitigation measures, assigned responsibilities, and residual risk assessments. With these mitigation measures in place, the project's residual risk rating is Moderate, and the risks are considered manageable within the framework of AfDB operations in Malawi.

H. Knowledge Building

78. The project is designed to generate and institutionalize actionable knowledge in key thematic areas, including climate-resilient irrigation, infrastructure operation and maintenance, efficient water use, sustainable agriculture, watershed and catchment management, and the socio-economic dimensions of improved water governance. To ensure systematic knowledge capture and learning, the project will implement a robust Monitoring, Evaluation, and Learning (MEL) framework. This includes baseline assessments, endline evaluations, and continuous data collection to inform adaptive management. Evidence-based learning will be further supported through the documentation of best practices, technical reporting, and participatory stakeholder consultations. Generally, a dedicated Communication and Knowledge Management (CKM) Strategy will guide the packaging, dissemination, and utilization of knowledge products. This strategy will ensure that lessons learned and innovations are accessible, relevant, and actionable for diverse audiences, including policymakers, practitioners, and community stakeholders.

5. LEGAL INSTRUMENTS AND AUTHORITY

A. Legal Instrument

79. The legal instrument governing the financing of this operation is a Tripartite Funding and Implementation Agreement (the "Agreement") to be entered into amongst the African Development Fund (the "Fund"), the Republic of Malawi (the "Host Government"), and the Food and Agriculture Organization of the United Nations (the "FAO") for an ADF CAW grant not exceeding the equivalent of UA 6,251,633.

B. Conditions Associated with the Fund's Intervention

80. **Entry into Force**: The Agreement shall enter into force on the date of signature by the Fund, the Host Government, and the FAO.

81. **Conditions Precedent to Disbursement of the First Tranche of the Grant**: The obligation of the Fund to disburse the first tranche of 40% shall be conditional upon the entry into force of the Agreement and the submission by the FAO of evidence of the fulfilment of the following conditions:

(a) prepared Project Implementation Manual (PIM) clarifying the roles and responsibilities of key stakeholders involved in implementation of the Project, and project management and coordination arrangements, and Annual Work Plan and Budget (AWPB), approved by the Host Government and the Fund;

(b) evidence of FAO's designation of the following staff for the Project Implementation Unit ("PIU") with qualifications and terms of reference acceptable to the Fund: (i) National Project Manager; (ii) National Environmental Safeguards Specialist; (iii) National Gender Specialist; (iv) National Monitoring & Evaluation Specialist; (v) Financial Management Specialist; (vi) Procurement Specialist; (vii) Data/MIS Specialist and (viii) Driver;

(c) evidence of the Host Government's designation of the following staff for the PIU with qualifications and terms of reference acceptable to the Fund: (i)

National Social Safeguards Specialist; (ii) National Irrigation Engineer; and (iii) National Nutrition Specialist;

(d) evidence of IFAD's designation of the Technical Officer (Desk Officer), and UNOPS designation of the Technical Officer (Desk Officer), for the PIU, each with qualifications and terms of reference acceptable to the Fund;

(e) evidence of the nomination of a Project Focal Person by each of the District Councils for Phalombe and Thyolo, each with qualifications and terms of reference acceptable to the Fund; and

(f) evidence of the establishment of a Project Steering Committee ("PSC"), with terms of reference and composition satisfactory to the Fund, co-chaired by (i) the Secretary for Agriculture and Water Development and (ii) FAO Representative to Malawi, and comprising, (iii) Secretary to the Treasury (Ministry of Finance, Economic Planning and Decentralisation), (iv) Secretary for Natural Resource, Energy and Mining, (v) Secretary for Gender, Children, Disability and Social Welfare, (vi) Secretary for Industrialisation, Business, Trade and Tourism, (vii) IFAD Representative to Malawi, and (viii) UNOPS Representative to Malawi.

82. **Conditions Precedent to Disbursement of the Second Tranche of the Grant**: The obligation of the Fund to disburse the second tranche of 40% of the Grant shall be conditional upon submission by the FAO of evidence of the fulfilment of the following conditions:

(a) annual work plan and budget, approved by the Host Government and the Fund, in respect of the period for which the funds are being requested;

(b) unaudited interim financial statements showing, *inter alia*, all Project expenditures to the semester for the tranche requested from the Fund, with the expenditures reported and justified for at least 70% of the funds advanced in the first tranche, and

(c) copy of the project implementation report(s), approved by the Host Government for the period cumulative to the semester in which the tranche was requested, including reports of co-financing by all consortium members covering both cash and in-kind resources for the reporting period in line with the approved workplans.

83. **Conditions Precedent to Disbursement of the Third Tranche of the Grant**: The obligation of the Fund to disburse the third tranche of 20% of the Grant shall be conditional upon submission by the FAO of evidence of the fulfilment of the following conditions:

(a) Final annual work plan and budget, approved by the Host Government and the Fund, in respect of the period for which the funds are being requested;

(b) unaudited interim financial statements showing, *inter alia*, all Project expenditures to the semester for the tranche requested from the Fund, with the expenditures reported and justified for 70% of the cumulative amount of the funds advanced to FAO in the first and second tranches; and

(c) copy of the project implementation report(s), approved by the Host Government for the period cumulative to the semester in which the tranche was requested, including reports of co-financing by all consortium members covering both cash and in-kind resources for the reporting period in line with the approved workplans.

84. Undertakings:

(a) FAO shall, and shall cause all its contractors, its sub-contractors, and agents to:

(i) implement the Project in accordance with the environmental and social safeguards measures stipulated in the applicable environmental and social instruments, including the updated Environmental and Social Impact Assessment prepared and disclosed under the Project, the Environmental and Social Management Plan to be annexed to the Agreement, the Fund's Integrated Safeguards System policies, and the applicable national legislation in a manner satisfactory to the Fund;

(ii) refrain from taking any action which would prevent or interfere with the implementation of the environmental and social safeguards measures, including any amendment, suspension, waiver, and/or voidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Fund;

(iii) prepare and submit to the Fund, on a monthly basis, a periodic environmental and social safeguards implementation report within fifteen (15) days after each reporting period, starting from first disbursement date and, on annual basis, an environmental and social safeguards performance audit report prepared by an independent expert and submitted no later than the end of the first quarter of the following year; and

(iv) cooperate fully with the Fund in the event that the implementation of the Project or change in Project scope results in hitherto unforeseen resettlement of persons, and shall not commence any works in the affected area under the Project, unless all PAPs in such areas have been resettled in accordance with a Resettlement Action Plan (RAP) to be prepared by the Host Government and FAO, and approved by the Fund; and

(v) FAO and the Host Government shall constitute, and maintain, in existence throughout the Project implementation period: (i) the PIU, with qualifications and terms of reference acceptable to the Fund; (ii) the PSC and PTC with compositions and terms of reference acceptable to the Fund.

C. Compliance with Fund Policies

☒ This project complies with all applicable Fund policies.

☐ There are exceptions to Fund policies.

African Development Bank Group Independent Recourse Mechanism

85. Communities and individuals who believe that they are adversely affected by an African Development Bank Group (AfDB) supported project may submit complaints to existing project-level grievance redress mechanisms or the AfDB's Independent Recourse Mechanism (IRM). The IRM ensures project affected communities and individuals may submit their complaint to the AfDB's Independent Recourse Mechanism, which determines whether harm occurred, or could occur, as a result of AfDB non-compliance with its policies and procedures. To submit a complaint or request further information, please contact: IRM@afdb.org or www.irm.afdb.org. Complaints may be submitted at any time after concerns

have been brought directly to the AfDB's attention, and Bank Management has been given an opportunity to respond before reaching out to the IRM.

6. RECOMMENDATIONS

86. Management recommends that the Board of Directors approve the proposed Grant of an amount not exceeding Six Million, Two Hundred and Fifty One Thousand Six Hundred and Thirty Three Units of Accounts (UA 6.251,633.00) from the resources of the ADF Climate Action Window (CAW), to the Republic of Malawi for the purposes and subject to the conditions stipulated in this report.

7. RESULTS FRAMEWORK

RESULTS FRAMEWORK					
A PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: Enhancing Climate Adapted Agricultural Productivity through Improved Water Management (CAWMA) (P-MW-AA0-042)			COUNTRY/REGION: Malawi		
PROJECT DEVELOPMENT OBJECTIVE: To strengthen the climate-resilience of agricultural productivity and livelihoods in Cyclone Freddy -affected districts					
ALIGNMENT INDICATOR (S):	1. Reduced prevalence of waterborne diseases among children under five in target districts 2. Reduced prevalence of stunting among children under 5.				
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	**RMF/ADOA INDICATOR**	**UNIT OF MEASUREMENT**	**BASELINE (2025/2026)**	**TARGET AT COMPLETION (2030)**	**MEANS OF VERIFICATION**
OUTCOME STATEMENT 1: Enhance agricultural productivity through climate-resilient irrigation systems					
OUTCOME INDICATOR 1.1: Hectares of agricultural land with restored irrigation system	☐	Ha	60	180	WUA records, District Reports
OUTCOME INDICATOR 1.2: Increase in average agricultural yield (by crop)	☒	t/ha	Maize 1 Beans 0.7	3.0 1.2	District crop-cut survey reports; Scheme Operation Records
OUTCOME STATEMENT 2: Enhance equitable access to inclusive, climate-resilient WASH services.					
OUTCOME INDICATOR 2.1: Percentage of households with year-round access to climate-resilient potable water supply points within the targeted irrigation schemes.	☒	%	10%	60%	Household surveys; monitoring reports
OUTCOME STATEMENT 3: Improved nutrition status of project beneficiaries					
OUTCOME INDICATOR 3.1: Percentage of households with Diet Diversity of 6 (40% female headed households)	☒	%	10%	75%	Household surveys
COMPONENT 1: Climate-Adapted Agricultural and WASH Infrastructure Restoration					
OUTPUT STATEMENT 1.1: Climate-resilient agricultural infrastructure and inclusive governance systems.					
OUTPUT INDICATOR 1.1.1: Number of irrigation schemes fully rehabilitated and climate proofed.	☐	#	0	3	WUA records, system operation logs
OUTPUT INDICATOR 1.1.2: Number of jobs created through construction and rehabilitation works (≥40% women, and 20% youths (with at least 40% being female youths))	☐	#	0	1,250	Contractor employment records with gender-disaggregated labour logs. PIU monitoring reports.

OUTPUT STATEMENT 1.2: Inclusive and climate-resilient WASH infrastructure established to improve health and nutrition outcomes.					
OUTPUT INDICATOR 1.2.1a: Number of potable water supply systems constructed with climate-resilient features in targeted irrigation schemes	☐	#	0	6	Construction certificates, site inspections, functionality assessments, PIU progress reports
OUTPUT INDICATOR 1.2.1b: Number of communal sanitary facilities constructed in targeted irrigation schemes	☐	#	0	30 (ten per irrigation scheme)	Construction certificates, site inspections, functionality assessments, PIU progress reports
OUTPUT INDICATOR 1.2.2: Number of artisans/technicians (with 40% women & 40% youth representation) trained in O&M of water infrastructure.	☐	#	0	30	Certification lists, practical assessments
COMPONENT 2: Climate-Adapted, Gender- & Nutrition-Sensitive Agricultural Productivity and Commercialization					
OUTPUT STATEMENT 2.1: Strengthen extension services to empower smallholder farmers in climate-smart agriculture.					
OUTPUT INDICATOR 2.1.1: Number of extension workers trained in CSA with 40% women representation and 20% youths (with at least 40% being female youths)	☐	#	0	50	Extension reports, rosters
OUTPUT INDICATOR 2.1.2: Percentage of targeted farmers with access to extension services	☐	%	45%	80%	Extension reports, rosters
OUTPUT STATEMENT 2.2: Enhanced gender and nutrition integration capacity at household level					
OUTPUT INDICATOR 2.2.1: Number of VSLA groups established and functioning (with ≥60% women members) and 20% youths (with at least 40% being female youths))	☐	#	0	40	VSLA records, financial logs; PIU Monitoring Reports
OUTPUT INDICATOR 2.2.2: Number of primary caregivers of children under 2 years reached with Infant and Young Child Feeding (IYCF) and hygiene education.	☐	#	0	50	CARE Group training attendance registers; project progress reports; independent verification through household spot checks
OUTPUT INDICATOR 2.2.3: Number of farmers trained in nutrition integrated gender visioning (60% women representation and 20% youths (with at least 40% being female youths))	☐	#		28,030	Training Attendance List
OUTPUT INDICATOR 2.2.4: Number of households with integrated homestead gardens.		#	0	3,500	Site verification reports
OUTPUT STATEMENT 2.3: Strengthened climate resilience capacity amongst targeted farmers					
OUTPUT INDICATOR 2.3.1: Number of farmers accessing improved seeds, fertilizers, and CSA inputs (40% women representation and 30% youths (with at least 40% being female youths)).	☐	#	<30% (TBC)	5,600	Input distribution reports, Farmer input logs

OUTPUT INDICATOR 2.3.2: Number of farmers adopting ≥1 CSA practice (40% women representation and 30% youths (with at least 40% being female youths)).	☐	#	0		5,600	Farmer adoption surveys, extension records
OUTPUT INDICATOR 2.3.4: Average Volume of climate resilience maize and bean seed produced.	☐	MT	Maize	0 MT	540	PIU Monitoring Reports
			Beans	0 MT	216	
OUTPUT STATEMENT 2.4: Improved agricultural commercialization						
OUTPUT INDICATOR 2.4.1: Number of partnerships formed with the private sector for agribusiness	☒	#	0		1	Signed MoU
OUTPUT INDICATOR 2.4.2: Number of farmer groups formalized into cooperatives or agribusinesses (with ≥40% women/ and 20% youth membership (with at least 40% being female youths)	☐	#	0		3	Cooperative/agri-business registration; group membership records
OUTPUT INDICATOR 2.4.3: Percentage of crop harvest commercialized.	☐	%	Maize	0	85%	Household surveys; Farmer input logs
			Beans	0	85%	
COMPONENT 3: Community-Based Integrated Catchment Management						
OUTPUT STATEMENT 3.1: *Enhanced Community Capacity for Catchment Management*						
OUTPUT INDICATOR 3.1.1: Number of VNRMCs established/revitalized and formally linked to WUAs	☐	#	1 (inactive)		8	Council/WUA membership records, MoUs
OUTPUT INDICATOR 3.1.2: Number of hectares of degraded land restored with nature-based solutions (community-led catchment management practices)	☐	# (ha)	0		650	GIS mapping, field verification reports, PIU monitoring data.

8. ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

AFRICAN DEVELOPMENT BANK GROUP
2023 ISS Update v01

A. Basic Information[6]		
Project Title: **Enhancing Climate Adapted Productivity Through Improved Water Management**	**Project SAP or TFMS Code:** P-MW-AA0-042	
Region: RDGS	**Country:** Malawi	
Project Sector Unit: Agriculture	**Lending Instrument:** Project Finance Loan/Grant	
Appraisal dates: 20-Nov-25 to 3-Dec-25	**Estimated Approval Date:** 22-May-2026	
Task Team Leader: Kumwenda Doreen	**Alternate Task Team Leader:**	
Environmental Safeguards Officer(s): xxxxx | ABDOURHAMANE Hamidou		
Social Safeguards Officer(s): Katebaka Raymond | Kahubire Edith Birungi		
E&S Category: Category 1 (High Risk)	**Operation Type:** Sovereign Operation / Public Sector Operation	**Financial Intermediary:** No
Categorization Date: 23-Jun-25	**Categorization Date in ISTS:** 23-Jun-25	**Categorization Date in SAP:** 23-Jun-25
Is this project processed under rapid responses to crises and emergencies?	No	
Is this project processed under a waiver to ISS requirement(s) requested by the Borrower/Client and granted by the Board?	No	
B. Disclosure and Compliance Monitoring **B.1 Mandatory disclosure**[7]		
Environmental and Social Assessment/Audit/System/Others: 3 Environmental and Social Impact Assessment Irrigation Scheme		
Was/Were the document (s) disclosed ***prior to appraisal?***	Yes	
Date of "in-country" disclosure by the borrower/client	14-Aug-25	
Date of receipt, by the Bank, of the authorization to disclose	2-Sep-25	
Date of disclosure by the Bank	2-Sep-25	
Resettlement Action Plan (RAP)[8]**:** Not Applicable		
Was/Were the document (s) disclosed ***prior to appraisal?***	Not Applicable	
Date of "in-country" disclosure by the borrower/client	Click to select the date	
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date	
Date of disclosure by the Bank	Click to select the date	
Stakeholder Engagement Plan (SEP)[9]**:** 1		
Was/Were the document (s) disclosed ***prior to appraisal?***	Yes	

[6] **Note**: *This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.*

[7] *For multiple disclosure dates of the same type of document/instrument (ESIAs, RAPs, etc), please indicate the date of the last disclosure that meets the 50%+1 disclosure requirement.*

[8] *Including Livelihood Restoration Plan (LRP)*

[9] *Including Grievance Redress Mechanism (GRM)*

Date of "in-country" disclosure by the borrower/client	**21-Oct-25**
Date of receipt, by the Bank, of the authorization to disclose	**23-Oct-25**
Date of disclosure by the Bank	**23-Oct-25**
Pest or Vector Management Plan (PMP/VMP): 1	
Was/Were the document (s) disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	**21-Oct-25**
Date of receipt, by the Bank, of the authorization to disclose	**23-Oct-25**
Date of disclosure by the Bank	**23-Oct-25**
Vulnerable Peoples Plan (VPP): Not Applicable	
Was the document disclosed ***prior to appraisal?***	**Not Applicable**
Date of "in-country" disclosure by the borrower/client	Click to select the date
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date
Date of disclosure by the Bank	Click to select the date
Biodiversity Management Plan (BMP)[10]: Not Applicable	
Was the document disclosed ***prior to appraisal?***	**Not Applicable**
Date of "in-country" disclosure by the borrower/client	Click to select the date
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date
Date of disclosure by the Bank	Click to select the date
Livelihood Restoration Plan (LRP)[11]: Not Applicable	
Was the document disclosed ***prior to appraisal?***	**Not Applicable**
Date of "in-country" disclosure by the borrower/client	Click to select the date
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date
Date of disclosure by the Bank	Click to select the date
Riparian Communities Participation Plan (RCPP): Not Applicable	
Was the document disclosed ***prior to appraisal?***	**Not Applicable**
Date of "in-country" disclosure by the borrower/client	Click to select the date
Date of receipt, by the Bank, of the authorization to disclose	Click to select the date
Date of disclosure by the Bank	Click to select the date
Emergency Preparedness & Response Plan (EPRP): 1	
Was the document disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	**20-Nov-25**
Date of receipt, by the Bank, of the authorization to disclose	**26-Nov-25**
Date of disclosure by the Bank	**26-Nov-25**
Hazardous/Medical Waste Management Plan (HWMP): Not Applicable	
Was the document disclosed ***prior to appraisal?***	**Not Applicable**

[10] *Refer to footnote 212 of the ISS: Depending on the nature and the scale of the risks and impacts of the project, the Biodiversity Management Plan (BMP) may be a stand-alone document, or it may be included as part of the ESMP prepared under OS1. Select this if a standalone BMP is required.*

[11] *Refer to footnote 190 of the ISS: The Livelihood Restoration Plan (LRP) is normally part of the Resettlement Action Plan (RAP). However, for complex livelihood restoration, a stand-alone LRP can be prepared as part of the ESMP. Select this if a standalone LRP is required.*

Date of "in-country" disclosure by the borrower/client			Click to select the date
Date of receipt, by the Bank, of the authorization to disclose			Click to select the date
Date of disclosure by the Bank			Click to select the date
Riparian Notification (RN): **Not Applicable**			
Was the document disclosed ***prior to appraisal?***			**Not Applicable**
Date of "in-country" disclosure by the borrower/client			Click to select the date
Date of receipt, by the Bank, of the authorization to disclose			Click to select the date
Date of disclosure by the Bank			Click to select the date
Environmental and Social Management Plan of the Financing Agreement (FA-ESMP) [12]			
Was the document disclosed ***prior to appraisal?***			**Yes**
Date of "in-country" disclosure by the borrower/client			**30-Oct-25**
Date of receipt, by the Bank, of the authorization to disclose			**3-Nov-25**
Date of disclosure by the Bank			**3-Nov-25**
Is in-country disclosure of any of the above required documents not allowed as per the country's legislation or not expected because of crises/emergencies: **Not Applicable** **If applicable, please explain below:**			
Not Applicable,			
B.2. Compliance monitoring indicators			
Has satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?			**Yes**
Has costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?			**Yes**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[13]			**Not Applicable**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?			**Yes**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?			**Yes**
C. Clearance			
Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval?			**Yes**
Prepared by	***Name***	***Signature***	***Date***
Environmental Safeguards Officer(s):	xxxxx **ABDOURHAMANE Hamidou**		**9-Jan-26**
Social Safeguards Officer(s):	**KATEBAKA Raymond | KAHUBIRE Edith Birungi**		**9-Jan-26**
Task Team Leader:	**KUMWENDA Doreen**		**9-Jan-26**
Submitted by			
Sector Director:	**VINCENT CASTEL** OiC for **Martin FREGENE**		**4-Feb-26**
Cleared by			
Director SNSC:	**MAMAN-SANI ISSA**		**14-May-2026**

[12] *As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)*

[13] *In case a Resettlement Action Plan (RAP) is/are not required although the Environmental and Social Impact Assessment (ESIA) is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the Borrower that it is a public-owned land.*

9. CONTENT OF TECHNICAL ANNEXES

Annexes related to the strategic context

Annex 1-1: Project Classification by High 5, Area of Intervention and SDGs

Annex 1-2: AfDB's Current Portfolio in the Country

Annex 1-3: Similar Projects Financed by the Bank and other Partners in Country

Annex 1-4: Country's Comparative Socio-economic Indicators

Annex 1-5: Map of Project Area

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Annex 1-7: Sector and Institutional Analysis

Annex 1-8: Development Partner Support Matrix

Annexes related to the project description

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Annexes related to the project feasibility

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Annex 3-2a: Climate Change and Green Growth

Annex 3-2b: Project Fragility/Resilience Assessment Note

Annex 3-3: Gender Equality and Women's Empowerment Promotion

Annex 3-4: Nutrition Integration Technical Note

Annexes related to the project implementation

Annex 4-1: Monitoring Plan

Annex 4-2: Risk Matrix

Annex 4-3: Detailed Implementation Plan

Annex 4-4: Detailed Implementation Arrangements

Annex 4-5: Detailed Procurement Arrangements

Annex 4-6: Detailed Financial Management and Disbursement Arrangements

Annex 4-7: Detailed Audit Arrangements

Annex 4-8: Project Implementation Support Plan and Arrangements