



**CAADP Post Compact Review**

**MALAWI**

# **Country Technical Review Report**

**Lilongwe, September 2010**  
**Version date: 17/09/2010**

## **CAADP Technical Review**

### **Key Findings for Malawi**

Lilongwe, September 16, 2010

This document reports the findings of the Comprehensive Africa Agriculture Development program (CAADP) Post Compact Technical Review for Republic of Malawi. The purpose of the review is to enhance the quality of agricultural development and increase effectiveness of domestic and foreign development assistance for agricultural growth, food security and reduction of hunger and poverty. The purpose of the review is to ensure that every possible action is being taken to achieve the objectives and targets laid out in Malawi's Vision 2020, the Malawi Government Development Strategy (MGDS) and the National Agricultural Policy Framework (NAPF). The review should be seen as an exercise to lay the groundwork for successful implementation of the strategy through the Agriculture Sector Wide Approach (ASWAp). The Review exercise will also open up avenues to align and integrate implementation of the country's continental initiative on the Africa food basket.

The CAADP Framework advocates for socio-economic transformation through agriculture and food security investment with a wide-reaching influence on development aid architecture and development planning. CAADP is intended to support African governments in their strategic and investment planning process, ensure enabling policy environment to implement the plans and translate these plans into programs and projects for stimulating the necessary sectoral growth for effective poverty reduction and food security.

Malawi's ASWAp 2010-2014 proposes interventions to achieve the common aspirations of the Vision 2020, the MGDS and the CAADP goals of attaining robust sector growth and reduction of food insecurity sufficient to meet Malawi's target under the first Millennium Development Goal (MDG), which focuses on reducing poverty and hunger. The design of the ASWAp was based on broad-based participation of all agriculture sector stakeholders including government ministries, development partners, private sector, civil society and farmer organizations. Malawi's CAADP Compact was signed in April 2010 and the ASWAp implementation launched in July 2010.

The ASWAp seeks to sustain a minimum annual average growth rate of 6% in the agricultural sector and raise household agricultural incomes from US\$280 to US\$600 per annum by 2014. The ASWAp has three focus areas: (i) Food Security and Risk Management (ii) Agri-business and market development, and (iii) Sustainable land and water management. These are complemented by two key support services (i) Technology generation and dissemination, and (ii) Institutional strengthening and capacity building, and 2 cross-cutting areas: (i) HIV and AIDS pandemic, and (ii) gender disparities.

The Technical Review team's key findings and recommendations regarding Malawi's ASWAp are outlined below. The recommendations are intended to help strengthen the ASWAp and inform an implementation road map for the ASWAp, commencing immediately.

#### ***Component 1: Alignment with CAADP Vision, principles and strategy elements***

In line with the Maputo Declaration, Malawi places strong emphasis on agriculture as the key driver for economic growth, and targets food security as a pre-requisite for economic and wealth creation. Guided by the country's Vision 2020 document (which spells out the long-term development perspective for the country) and the subsequent MGDS, the ASWAp fully covers the four pillars of

the CAADP framework, as well as its principles and values. At 24% of the national budget, the GoM's projected investment in agriculture surpasses the 10% target. The ASWAp is consistent with the CAADP principle of a country-led and owned process, involving wide key stakeholder participation and consensus in the formulation of policy, planning, decision making and implementation of the national agriculture and food security investment programmes.

Although strong coordination mechanisms have been established to support programme implementation, these mechanisms are not yet fully functional, thus reducing the impact from the initially strong stakeholder consultations in the ASWAp. Strong coordination mechanisms are important to ensure full stakeholder participation, which is critical to successful program implementation.

There may be scope to review the ASWAp program balance as program performance can be evaluated. The ASWAp program is currently heavily focused on two programs, the Farmer Input Supply Program (FISP) and the Green Belt Initiative (GBI) that comprise 70% of the total ASWAp budget, with less attention and budget devoted to private sector, capacity building, agricultural diversification efforts, value chain development and financing to accelerate commercialization of agriculture.

## **Recommendations**

1. The GoM should reevaluate budget allocations based on program performance and contribution to results on a periodic basis. This reevaluation should consider more evenly balancing budgets across program components and diversifying investment in more agriculture value chains as appropriate.
2. Increase stakeholder participation in the review and implementation of the ASWAp. This effort can be facilitated by increasing meeting regularity and defining terms of reference for coordination platforms, especially the Sector Working Group
3. Identify and facilitate necessary capacity development and institutional alignment (mandate and responsibilities) to strengthen mechanisms for inter-sectoral, inter-ministerial collaboration. This should also take deliberate effort to institutionalize stakeholder consultations and dialogue(see also findings and recommendation in component 5 below).

## ***Component 2: Consistency with long term growth and poverty reduction options***

The ASWAp proposes an investment portfolio totaling US\$ 1,752,003,800<sup>1</sup> (with a 35.1% financing gap) for the first phase of implementation in the sector from July 2010 to June 2014. This represents a 48% increase over the 2006-2010 period. Against the Maputo commitment of 10% government budget commitment to agriculture, the ASWAp budget outperforms it and achieves nearly 14% of the national budget.

The consistency analysis completed as part of this technical review assessed whether the ASWAp will enable Malawi to achieve the initial five year targets of 6% growth in the agricultural sector. Initial analysis found that ASWAp implementation would allow Malawi to exceed the 6% growth target but that underlying assumption of the commodity –specific growth targets in ASWAp were unrealistic. After downward revision of the commodity specific targets to be more realistic, the analysis still

shows that Malawi will exceed the ASWAp/CAADP 6% annual growth rate, reaching 8% by 2015. This analysis is based on an assumption that their successful input subsidy scheme can be credited as new investments, rather than part of the baseline. It should also be noted that since the subsidy is mostly recurrent expenditure rather than capital investment, growth will quickly return to the baseline trajectory (i.e. fall to only 3.1 percent) should the subsidy scheme be discontinued or fail.

Looking at the proposed investments across the different thematic areas, it is clear that improving Food Security and Risk Management and promoting Sustainable Agricultural Land and Water Management are the major drivers of the ASWAp. These two take up to 85% of the total resources for the sector. Improving maize production and productivity, mostly through input subsidies, attracts the bulk (37%) of the agricultural expenditures targeting specific crops. The remaining resources cover several cross-cutting areas. If the remaining expenditures are distributed across all commodities, then maize could account for nearly 70% of the total agricultural expenditures. The remarkable performance associated with the FISP along with good rains seems to justify this lopsided budget allocation. This needs to be examined carefully, however, since the bulk of the budget is for recurrent and other expenditures items that have very little long-term productivity-enhancing impact, unlike spending on activities such as research and development and infrastructure. Unfortunately, the technology generation and dissemination component of the support services accounts for only 6.2% of the total agricultural resources or 1.7% of the total national budget.

### **Recommendation**

1. The ASWAp focus on maize is appropriate because it contributes a substantial share of agricultural GDP and is grown by most small holders. However, the consistency analysis shows that it is also possible to achieve a substantial return from investment in other agricultural products. Malawi has previously demonstrated regional and comparative advantage on other crops including tobacco and rice. Fish and marine products from Lake Malawi are other products which Malawi could also be exploited for viable investment opportunities
2. In line with recommendations above, it may be useful to continuously evaluate the balance between capital and recurrent budget allocations and the most appropriate mix to achieve growth and poverty reduction targets.

### ***Component 3: Adoption of best practices and inclusion of core program elements***

The three focus areas, two key support areas and cross cutting issues of the ASWAp provide a comprehensive set of activities and actions covering the four core pillar areas of the CAADP framework. The ASWAp builds upon strong on-going programs currently being implemented in Malawi. This experience can be enriched by further engagement of the Technical Working Groups as the program proceeds with implementation. The NAPF has provided important guidance for the sector, which can be strengthened by further analysis and implementation. Similarly, technical working groups can draw on best practices and translate them into practical guidance for implementation.

The review of the focus areas and activities, along with the strategy and policy frameworks was undertaken in line with the four CAADP pillars and cross cutting issues.

***Sustainable Land and Water Management.*** The ASWAp recognizes Sustainable Land and Water Management as key to increasing agricultural productivity in Malawi. It also identifies strategies related to improving soil fertility, access to fertilizer, increased livestock and fish production, and agriculture water management under rainfed and irrigated agriculture. These programmes are deliberately aimed at addressing identified constraints and challenges facing the Malawian

agricultural sector. Greater assessment of energy and maintenance requirements for water lifting devices may be needed as they may have a major impact on viability of investments and their long term sustainability. Land tenure and social issues related to both large and small scale irrigation investments may also require analysis.

**Market Access and Infrastructure.** The review revealed a strong ASWAp focus in developing commercial agriculture based on maize and traditional export crops (tobacco, cotton, tea and coffee) and promoting value chains and market linkages to better incorporate smallholder producers. However, implementation of the planned activities seems to predominantly center under the government responsibility. Focusing on entire value chains and improving input and output market development in collaboration with the private sector is important. The need to target higher value export markets through the adoption of technologies and establishment of better policy and regulatory environment is also highlighted by the review.

**Food Security.** On increasing food supply and reducing hunger, ASWAp is addressing the core issues of reducing food and nutrition insecurities, affordable food supply, diversification of diets to improve nutrition, and increasing incomes of the poor in Malawi. The plan represents a good example of gender mainstreaming but the M&E indicators need to be disaggregated by gender. More analysis may be needed on the particular issues facing vulnerable people and the impact this has on their participation in the programme. The monitoring and evaluation requirements are also incorporated in plan but may require more support.

**Agricultural Productivity.** The ASWAp also recognizes the need to generate and disseminate technologies. It, however, cites serious constraints in terms of number of qualified people in research and extension capacity. Although extension is decentralized it was noted that research is still centralized. Evidence based research is not yet functional although research is being integrated within extension services. Management Information system needs to be strengthened. In terms of gender, it can be noted that ASWAp is gender sensitive in extension and research activities. There is provision for significant training in ASWAp for diploma, Bsc, Msc and PhD levels to boost the research and extension capacity however there is little detail (training plan) or prioritization as of yet. The financial resources allocated to research appear not adequate.

## Recommendations

- a) Promote integrated soil fertility management and water resource management interventions;
- b) Incorporate cost-benefit analysis of energy and maintenance requirements in irrigation design
- c) Strategies should be designed to address growing competition for land between bio-fuel initiatives and arable agriculture so that increasing production of food is not jeopardized.
- d) Assess input market constraints and strengthen collaboration with private sector
- e) Focus on entire value chain including financial services
- f) Assess opportunities for growth corridors and regional linkages
- g) Undertake in-depth analysis of vulnerable groups
- h) Disaggregate indicators by gender
- i) Increase programmatic emphasis and budgetary resource allocation other focus areas including technology generation and dissemination
- j) Develop a research and training plan for ASWAp
- k) Strengthen research capacity at district level
- l) Assess how to meet extension gap using a variety of approaches
- m) Establish an effective information management system

- n) Conduct studies on existing livestock production systems to establish the holding capacities of the land in all agro-ecological zones;
- o) Explore investment potentials for diversified livestock products and byproducts such as hides, skins and other integuments for local manufacturing and export market. Show how Malawian sanitary and phytosanitary programmes are designed to align with the regional and international export initiatives and standards.
- p) Review linkages between agriculture, environmental resilience and climate change objectives including exploring and addressing opportunities in climate change, forestation, etc... that could rally investment financing for agriculture

#### **Component 4: Alignment with country commitments**

The GoM has put in place a set of policies and strategies as the guiding principles for the development of the agriculture sector, from which the ASWAp derives. While the plan indicates that some of the policies applicable to the implementation need review, there is no indicated plan to do so. The ASWAp could usefully be amended to describe the ASWAp policy review process and assess the impacts of policies on achievement of programme goals. The policy framework could operationally be translated into a policy index for ASWAp that could be used to track progress and performance.

Regional integration and cooperation are strategically important for the success of the ASWAp. However, the ASWAp does not provide clear understanding of the actions that can be taken at the country level to contribute to or benefit from regional agricultural markets and trade, sharing of science and technology, or capacity building. It could also identify areas of potential engagement with regional programs and institutions to help Malawi achieve its ASWAp goals and targets.

The ASWAp builds upon two ongoing major sector projects (FISP and GBI) that are well integrated into the ASWAp. Current and proposed activities will be implemented using a sector-wide approach that will harmonize activities by gradually integrate all projects currently implemented under PMUs into sector-wide management by 2011. This transition will require a significant increase in program and financial management capacity. Donor partners may have specific capacity requirements that should be addressed in partnership to ensure a strong transition to new program modalities.

#### **Recommendations:**

1. Develop a summary or matrix of priority policy frameworks and actions that are being developed, and include this as an annex to the ASWAp. Subsequently, develop a policy index to help track implementation of the policy agenda, assess impact of policy on achievement of programme goals, and identify any policy actions that need to be reassessed.
2. Malawi should work with COMESA, SADC and neighboring countries to complete analysis that can clarify the proposed or desired impact of regional programs on the overall national performance targets; and clarify what capacity needs to be developed or actions should be taken to enable Malawi to more effectively participate in regional and global markets. In this regard it may be useful to better link to ongoing Regional Agricultural Policy initiative under SADC
3. The transition of existing programs into the ASWAp will require a significant shift in implementation modalities. This transition will likely require additional focus and support. It may useful to reassess if support similar to what is being currently supported in ADP-SP

should be increased and if the current focus on institutional strengthening is sufficient to achieve full harmonization.

### **Component 5: Operational Realism**

The ASWAp uses a programme based approach and is being implemented through existing Government structures. The plan has outlined a clear structure with strong leadership from MoAFS, and focuses on the need for unity and cooperation across all government ministries in the implementation of the AWSAp. Inter-ministerial and multi-stakeholder structures will be used for management and consultation including the Sector Working Group, technical working groups, specialized task forces and district teams. Although the ASWAp outlines participation by several line ministries as well as the Ministry of Finance, more detail on the precise oversight, structure and frequency of interaction between MoAFS and other ministries that will be implementing activities that are critical to the ASWAp (i.e. MTI) is critical. Similarly, the involvement of civil society, farmers, and the private sector in AWSAp is limited to the Sector Working Group at the National level. Involvement of these stakeholders at the district level is not clear in the implementation arrangements outlined in the AWSAp. Although the ASWAp has begun implementation, some of these structures do not seem to be functional yet. For example, the Sector Working Group is not meeting regularly.

The ASWAp acknowledges the primary institutional challenges facing implementation and capacity constraints of the numerous institutional actors within the sector. To address this, GoM has initiated a core functional analysis of institutions within the sector with the intent of launching an institutional reform process based on its findings. However, only 4 percent of the total budget is devoted to strengthening public management systems and capacity building of the public and private sector. This is probably an underestimate of the resources needed for a comprehensive upgrading of human capacity and management systems within the agriculture sector.

The proposed budget for ASWAp is MK263 billion or US\$ 1.75 billion. Unit costing was used at the broad activity level but accuracy may need to be improved as it was based on constant prices and in some cases, based on a worst (most expensive) –case scenario. While it may be useful to ensure that previously experienced cost overruns do not reoccur, it may not provide the most accurate estimate of real costs, and can lead to questions regarding the cost-benefit ratio of priority programs. The unit costs for irrigation under the Green Belt Initiative are particularly high based upon past experience. Contingencies to account for inflation estimates may be more useful.

The ASWAp budget identifies existing Government and donor financing for ASWAp and lists a financing gap of MK 92 billion or US\$ 614 million. Estimates of private sector financing to support the ASWAp are not included. There is a recognition that the private sector is important to the successful implementation of the ASWAp, both from the point of service delivery and the financing of private goods that are complementary to government financing of public goods to achieve ASWAp goals and targets. However, the ASWAp does not lay out either a process to define private sector support and financing.

### **Recommendations**

1. Strengthen the TORs of the sector and technical working groups, which constitute the core institutional architecture for sector coordination, to better clarify expected contributions and possibility for collaboration.
2. Identify and prioritize key capacity requirements across the sector and complete the core functional analysis. Develop a capacity development plan in line with the proposed institutional reform, including timeline and targets.

3. Develop a private sector financing strategy for the ASWAp to support and compliment the public financing strategy.
4. The budget should be refined to (i) indicate likely unit costs according to varying conditions (i.e. technology required for differing environmental situations) rather than consistently using the most expensive unit cost; (ii) distinguish between recurrent and development cost; and (iii) further prioritize based on cost benefit analysis and contribution to programme objectives.
5. Re-start a regular public expenditure review process.

### **A “Road Map” towards ASWAp Refinements and Readiness for Effective Implementation**

Taking these recommendations forward will require a well coordinated effort between the country and the development community to help advance the plan. We are providing a road map that is intended to help bring clarity to the next steps for addressing the key outstanding issues for the investment plan, capacity building needs to prepare for implementation, further project design and integration of best practices into project approaches and financing strategy.



## **1. Introduction**

The Comprehensive Africa Agricultural Programme (CAADP) was endorsed by the African Heads of State at the Maputo Summit in 2003 as a strategy to transform African agriculture and address poverty and food insecurity in sustainable ways. CAADP represents a new era in international development and is transforming not only the largely neglected agricultural sector but creating innovative and unique development partnerships. The comprehensive and inclusive agenda has seen an unprecedented involvement of:

- Inter-Ministerial formulation of inter-sectoral investment plans that are country-driven and country-owned
- The private sector, civil society and farmers' organizations in identifying the priorities for agriculture-driven growth
- Technical expertise across the continent in establishing policy frameworks, implementation guides and tools that provide a sound base and guide for evidence-based planning, and
- Development Partners and Bilateral Agencies in common dialogue and planning.

Today CAADP represents a social transformation agenda with wide-reaching influence on the transformation of development aid architecture and development planning. CAADP provides numerous opportunities for value addition, offering support in the development of comprehensive agriculture investment plans with supporting comparable monitoring and measuring systems, independent political, technical and financial review of investment plans, peer review and capacity development.

CAADP is gaining momentum, creating positive peer pressure among African governments to prepare quality investment plans, ensure enabling policy environments to implement the plans and translate these plans into programmes that are efficient at stimulating growth and reducing poverty.

This report documents the findings of the AUC-NEPAD review of Malawi's four-year Agriculture Sector Wide Approach (ASWAp). The report focuses on the degree of alignment with CAADP principles and frameworks as contained in the broader CAADP Guide and Pillar Framework documents. The review commends the efforts of the Government of Malawi for putting in place a Comprehensive plan to respond to poverty, hunger and nutritional demands, as well as economic growth for her own people in the context of CAADP. The review proposes areas that will need strengthening of the ASWAp, and contribute more strongly to attaining the CAADP goals and outcomes in the country. The core questions asked in reviewing the plan are found in the inter-pillar guide for CAADP implementation that is informed by the more detailed Pillar Frameworks.

## **2. Review Context**

Working with its Member States, COMESA has taken a strong leadership role in advancing CAADP, an initiative of the New Partnership for Africa's Development (NEPAD) Agency, which is a program of the African Union. Seven of the 19 COMESA Member States have signed their country compacts including Malawi. Under the compacts countries commit to using 10% of their national budget for agricultural development and to ensure growth of the agricultural sector by 6% annually in order to reduce food insecurity and poverty.

Following the signing of their compacts, countries have developed their CAADP country investment plans. The investment plans undergo technical review led by the African Union Commission (AUC), the NEPAD Agency, The Regional Economic Communities, in this case COMESA, and CAADP Lead Pillar Institutions. This post compact technical review is a critical step in the operational implementation of the country compacts and investment plans. The primary objective is to collectively evaluate for:

- a) The likelihood for the investment programs to realize the growth and poverty reduction prospects laid out in the different strategy scenarios carried out for the roundtable and summarized in the different roundtable brochures;
- b) the use of best practices and other technical guidance in the pillar framework documents in designing the above investment programs;
- c) the technical realism (alignment of resources with results) and adequacy of institutional arrangements of the programs;
- d) the integration of CAADP principles of inclusive review and dialogue;
- e) the consistency with budgetary and development assistance commitments and principles agreed in the compact;
- f) adequacy of institutional arrangements for effective and efficient “delivery” including information and knowledge support, M&E and on-going evaluation and learning;
- g) coherence and or consistency between policies, implementation arrangements and delivery mechanisms and investments areas, priorities or programme objectives;
- h) appropriateness and feasibility of the indicators for impact and system or capacity improvement and accountability; and
- i) extent and quality of dialogue, (peer) review and mutual accountability system potential to contribute and link to regional integration objectives.

The review is not intended to approve or grade the investment programs, projects and other elements of the post-compact agenda. Rather, it is intended to enhance the quality of agricultural development and increase effectiveness of domestic and foreign development assistance for agricultural growth and food security, and to help ensure that every possible action is being taken to make sure that the objectives and targets laid out in the plan and defined in the CAADP agenda will be met. The review should be seen and approached as an exercise to lay the groundwork for successful implementation of the plans approved at the Compact roundtable and reflected in the Compact and in the ASWAp. The outcomes of the review should therefore be a set of concrete, implementable actions to:

- a) immediately mobilize the required expertise, capacities, and partnerships for immediate on-the-ground implementation;
- b) establish a mechanism to facilitate joint donor commitment to financing and thereby release the resources required to meet the funding needs of the plans within a reasonable time;
- c) streamline review and appraisal process and standards to speed up individual donor processing; and
- d) establish the knowledge systems for an inclusive review, M&E, mutual accountability, learning and impact assessment including on-going consultations and dialogue to enhance implementation as well as development and design of new programmes.

Once reviewed and adjusted, the investment plan (the ASWAP) is presented to the international community at a Business Meeting for endorsement and mobilizing of resources for financing the funding gaps. The CAADP reviews also form the basis for review of submissions by African

countries to the Global Agriculture and Food Security Programme (GAFSP). Such continentally agreed benchmarks are set to deliver quality investment strategies to governments, existing and new development partners, and the private sector, through an innovative and new funding architecture.

### 3. The Components, Methodology, Criteria, and Tools of the Review

The basic approach of the review consists of assessing proposed actions and outcomes in the programmes against CAADP principles and country specific targets, objectives, practices, and approaches defined and agreed in the country CAADP Compact. The criteria are measures of the consistency or lack thereof of the programs with the above indicators. The main components and tools for the review include the following:

- i. Alignment with the NEPAD-CAADP principles, values and targets: The CAADP Implementation Guide setting out the vision, principles, core strategy elements, and impact expectations;
- ii. Coherence and consistency with long-term growth and poverty reduction objectives and targets: The roundtable brochures and technical background documents defining the long-term agricultural productivity, growth, and trade performance, and the related poverty outcomes;
- iii. Embodiment of technical best practices and CAADP priority areas/issues: The Pillar Framework Documents lay out the key strategic issues, core program elements, and best practices;
- iv. Operational quality and implementation readiness and alignment with Compact commitments: The CAADP compact specifying the policy, budgetary, development assistance, review, and dialogue commitments;
- v. Detailed investment programs showing inputs, outputs, outcomes, and institutional arrangements;
- vi. The Donor coordination guidelines for CAADP support at a country level outlining modalities for engagement between local development partner agencies, government and other stakeholders; and
- vii. The available relevant documentation/literature supporting the development of the investment plans, including dialogue/interviews with key stakeholders involved in the plan formulation and implementation processes.

The review is conducted along five broader components, namely:

**Component 1** reviews alignment with CAADP vision, principles, and strategy elements to ensure that all key vision elements, principles, and strategy core elements, as defined in Annex I of the CAADP Post Compact Guide are reflected in the country's programs and, where there gaps, to help identify these in order to ensure full alignment. The main tool used is the *CAADP Implementation Guide*

**Component 2** looks at the consistency of the plan and the potential impact on long term growth and poverty reduction options. This section evaluates whether:

- The overall growth targets that are specified or implied in the plans, in general, and

- The changes in individual sub-sectors and related targets, in particular, diverge from the sector-wide performance and poverty reduction outcomes underlying the long term strategic scenarios. For instance, each of these scenarios is linked to required changes in sub-sector growth rates, trade performance, overall public expenditure levels, and assumptions about the efficiency of sector policies.

This component also presents a comparative country profile, based on the nearly two dozen CAADP indicators being tracked by Regional Strategic Analysis and Knowledge Support System (ReSAKSS) for all African countries, to show the current standing of each country with respect to its peers, and thereby identify gaps to be bridged. The main tools used are: *Brochures, technical background documents, investment program documents*

**Component 3** seeks to establish whether the investment plan includes the adoption of best practices and inclusion of core program elements. The aim of this assessment is find out where clearer definition and understanding of the strategic issues is required and where better integration of best practices can help improve the design of the plans and maximize benefits of growth. The CAADP Post Compact Guide Annexes II to IV present a set of specific guides and tools, prepared by the Pillar lead institutions as part of the Pillar framework documents, which provide criteria and step-by-step approaches to design high quality plans. The main tools used are: *Pillar Framework Documents and Pillar Implementation Guides and Tools*

**Component 4** focuses on alignment with compact commitments and its objective is to agree on: (i) a joint action plan to meet the policy, budgetary, and assistance commitments and (ii) identify and confirm modalities for mutual review, including dialogue fora and supporting knowledge systems to track and report on such commitments. The main tools used are: *CAADP Compact, Brochure 5, and Donor Guidelines for CAADP support at country level*

**Component 5** reviews the operational realism of investment programs and seeks to verify and confirm the adequacy of the content, cost and institutional arrangements, and where necessary, to identify the operational and design improvement to be carried out to ensure successful implementation. The task in this section is to verify the extent to which the key elements and features listed in Table 1 of the CAADP Post Compact Review Guide are reflected in the investment plans.

*Tools: Detailed investment programs*

The main sources of information used for the review include the review of main public documents and also specialized and targeted exchanges of views and ideas of clusters of different stakeholders both public and private. The main documents consulted include:

- The Malawi Vision 2020 (2000)
- The Malawian Growth and Development Strategy (2006)
- The National Agricultural Policy (2010)
- Project Appraisal for the Agriculture Development Programme – Support Project (2008)
- The Green Belt Initiative (2010)
- A Medium Term Plan for Farm Inputs Subsidy Programme (2011-2016) [2010]
- Malawi CAADP Compact (2010)
- Agricultural Growth and Investment Options for poverty Reduction in Malawi (ReSAKSS, 2008)

Dialogue meetings were held with the following key stakeholders:

- Principal Secretary and Staff- Ministry of Agriculture and Food Security
- Ministry of Finance – Department of Debt and Aid
- The Ministry of Planning and Development Cooperation
- Representatives of Private Sector – Malawi Chamber of Commerce and Industry
- Civil Society organizations - Civil Society for Agriculture Network
- Farmers Union of Malawi
- Representatives of Development Partners

#### **4. AUC/NEPAD Review of the MALAWI Agricultural Sector Wide Approach (ASWAp)**

This report documents the findings of the AUC/NEPAD review of: Malawi Agriculture Sector Wide Approach (September, 2010).

Malawi's Agriculture Sector Investment Plan outlines the financial aspects of the Agriculture Sector Wide Approach (ASWAp), and so provides the road map towards achieving the vision for the agricultural sector. The ASWAp is a comprehensive strategic plan, which outlines and costs the activities necessary in order for Malawi to achieve at least 6% growth in the agricultural sector, slightly above the target set by NEPAD's CAADP initiative, which is necessary to stimulate the type of growth needed to transform Malawi's rural areas and to significantly reduce poverty levels.

The Agriculture Sector Wide Approach has three focus areas, two key support services and two cross-cutting issues:

##### Focus Areas:

1. Food Security and Risk Management
2. Commercial Agriculture, Agro-processing and Market Development
3. Sustainable Agricultural Land and Water Management

##### Support Services:

1. Technology Generation and Dissemination
2. Institutional Strengthening and Capacity Building

##### Cross-cutting Issues:

1. HIV Prevention and AIDS Impact Mitigation
2. Gender Equality and Empowerment

#### **General Constraints**

Agriculture is the most important sector of the Malawi economy. It employs about 80 per cent of the total workforce, contributes over 80 per cent to foreign exchange earnings, accounts for 39 per cent of gross domestic product (GDP) and contributes significantly to national and household food security. The agricultural sector has two main sub-sectors - the smallholder sub-sector, and the estate sub-sector. Smallholder farmers cultivate small and fragmented land

holdings under customary land tenure with yields lower than in the estate sector. A major reason for the non-attainment of achievable yields include: low soil fertility which is partly due to low use of fertilizers; low level of mechanization in the production and being dependent on rain water

The agriculture sector of Malawi is dominated by small scale producers with average farm size of 1.2 hectares per household. Malawi has a high population density with 0.23 hectares of land per person in the rural area. Per capita land holding has been declining since 1970 due to a population growth rate of 3 percent per annum. The smallholders largely use traditional and non-mechanised methods of cultivation, but they account for more than 70 percent of agricultural GDP. Their crop yields are generally low and increased production is sometimes achieved by cultivating additional fragile land.

Most Malawians are poor, with 52.4 per cent of the population living below the poverty line (MK44 per person per day). Of those below the poverty line, some 22.4 per cent are barely surviving. Socio-economic indicators illustrate the depth and intractability of poverty. For example, the levels of malnutrition remain high, with 43.2 per cent of under-five children stunted and 22 per cent underweight in 2004 (NSO, 2005). The infant mortality rate and morbidity remain high with 104 deaths per 1,000 live births in 2004/05 and 1984 deaths per 100,000 births in 2004, respectively (NSO, 2006). There is also high prevalence of HIV and AIDS, currently estimated at 12 per cent.

## **Component 1: Alignment with CAADP vision, principles and strategy elements**

### **C1.1 Alignment with CAADP vision, principles and strategy**

In line with the Maputo Declaration, Malawi places strong emphasis on agriculture as the key driver for economic growth, and targets food security as a pre-requisite for economic and wealth creation. Guided by the country's Vision 2020 document (which spells out the long-term development perspective for the country) and the subsequent MGDS, the ASWAp fully covers the four pillars of the NEPAD-CAADP framework, as well as its principles and values. The ASWAp recognizes the CAADP philosophy of a country-led and owned process, involving wide key stakeholder participation and consensus in the formulation of policy, planning, decision making and implementation of the national agriculture and food security investment programmes. There is however evidence of skewed participation gravitating more towards the public sector and the Donors compared to the involvement of civil society, farmers and the private sector.

Although efforts have been made to involve all stakeholder groups in the CAADP/ASWAp consultative process, there is a need to re-examine the manner in which these stakeholders articulate, and participate in the various platforms to contribute to the design of the ASWAp programmes, and to incorporate representation of these groups in the ASWAp structures.

### **C1.2 Reform Agenda**

Over time the Government of Malawi (GoM) has initiated several reforms aimed at better policy and planning for economic development. These are contained in the long-term multi-sectoral approach of the Vision 2020 document and evidenced in the development of the National Agriculture Policy Framework (2010). The Malawi government has adopted the Sector-Wide Approach (SWAp) to aid its planning, harmonization of investments and support to development

programmes. Although the broad policy agenda has been defined, as implementation of the ASWAp continues, it will be necessary to further define and refine reforms to agricultural policies and institutions (further discussion of this issue is contained in the sections below).

### **C1.3 Alignment with compact commitments**

The ASWAp represents the evolution of the earlier Agriculture Development Programme (ADP) to reflect CAADP principles and the commitments made in the CAADP Compact. The CAADP Compact highlights Government's will to enhance its existing policies and strategies through better planning and investment in priority programmes, monitoring and consistent review of the national agriculture development and food security strategy. However, the document has yet to elaborate on some of the commitments in the Compact, in terms of providing clear mechanisms on how financial and institutional resources for the plan will be scaled up to meet the immediate, and medium to long-term aspirations in the ASWAp.

### **C1.4 Program balance**

The ASWAp aspires to implement an ambitious series of result oriented and targeted priority programmes in the sector. The proposed investment programmes focus on addressing issues of productivity and food security, primarily focusing on the Farmers Input Supply Program (FISP) and the Green Belt Initiative (GBI). The program is heavily weighted to these two programs with the FISP and GBI comprising 70% of the total ASWAp budget. Although ASWAp also focuses on crop diversification efforts, value chain development, financing to accelerate commercialization of agriculture as well as cross-cutting issues such as gender, HIV/AIDs, capacity building, and emerging issues such as climate change, much less attention and budget is devoted to these areas. This may result in an inability to achieve the full set of results and targets contained within the ASWAp.

#### **Recommendations:**

- a) The GoM should reevaluate budget allocations based on program performance and contribution to results on a periodic basis. This reevaluation should consider more evenly balancing budgets across program components and diversifying investment in more agriculture value chains as appropriate.
- b) Capacity building initiatives should be extended to other stakeholder groups beyond the public sector in order to strengthen their participation in programme implementation.

### **C1.5 Inter-ministerial collaboration and coordination**

The ASWAp details inter-ministerial participation and coordination through the membership in the Executive Management Committee, and Sector and Technical Working Groups. In addition, line ministries signatures on the Compact demonstrate inter-ministerial collaboration and a strong commitment to the ASWAp implementation.

As a collaborating partner, Ministry of Finance (MoF) has a pivotal role to source and release funds for ASWAp implementation, and in promoting donor harmonization. This important role of the MoF is underscored in the CAADP framework as a key principle and it is essential that the MoF buy into and strongly support the agriculture and food security agenda.

Although the ASWAp is already under implementation, it will be important to ensure all collaborating ministries are fully engaged, with appropriate-level representation and operating

as a cohesive unit. It should be noted that there is a risk during implementation of assuming certain cross cutting issues /activities have been catered for under other line ministry activities and thus may be neglected during (e.g. gender, HIV/AIDs, Capacity Building for issues directly affecting agriculture). Additionally, it is important that ministries focus on their comparative competencies.

**Recommendations:**

- a) Continually assess decision-making and coordination structures to ensure full engagement by all participating ministries in the ASWAp
- b) While it is noted that there are areas of collaboration across ministries, given the nature of cross-cutting issues, it is recommended to review these areas and ensure that those directly affecting agriculture are captured effectively in the ASWAp.

**C1.6 Stakeholder consultation**

A broad range of stakeholders have been consulted in the planning and development of the ASWAp in line with CAADP's call for an inclusive and wide-ranging consultative planning process.

Although stakeholder consultation has been built into the process, it is critical that this continues through the investment formulation and implementation process as well. Any indication that the private sector has not played an active role should raise questions about the capacity of the plan to mobilize private investment in the sector. Civil society organizations, especially farmers organizations, should be engaged in investment planning not only at the national but also at the local level.

In any collaborative process that involves various stakeholder groups, with diverse ways of thinking and doing business, it is essential to develop mechanisms that ensure emerging concerns/views are well internalized, digested and relevant feedback provided in good time to the stakeholders. It is essential to revisit and re-define the stakeholder consultative process in order to ensure an even balance in terms of stakeholder contribution to the ASWAp design and implementation. The private sector and the farmers need to be more visible in the document with clear roles in the various activities spelt out. They also need to be acknowledged as key contributors to the document.

ASWAp has established a sector working groups as a core consultative body, which is to be commended. However, there is a need to ensure that institutional arrangements around the implementation of ASWAp reflect its needs and that these measures are operational, inclusive and enable strong dialogue and participation in the policy institutional reform process by all stakeholders. In some cases it appears not all consultative are operational.

**Recommendations:**

- a) Increase stakeholder participation in the review and implementation of the ASWAp. This effort can be facilitated by increasing meeting regularity and defining terms of reference for coordination platforms, especially the Sector Working Group.
- b) The ASWAp should clearly show the roles of all actors either in monitoring, sector review, and reshaping policies, etc.

**C1.7 Incorporation of Private Sector**



The ASWAp recognizes the role of the private sector in the implementation of various programmes, including the building of public private partnership in the GBI and the FISP as well as other initiatives. The private sector is an important stakeholder in the design and implementation of the ASWAp as their participation is critical to the success of the program and achieving its objectives. Private sector participation is important not only because of the resources they can contribute to financing the program, but also because they are an important driver of the economy.

**Recommendations:**

- a) The SWG should be strengthened with strong representation from appropriate private sector representatives and through regular meetings and dialogue on program design and implementation.
- b) The design and implementation ASWAp activities should be flexible enough to adapt to private sector priorities and concerns and to take advantage of private sector capabilities to achieve program results and spread program risk for Government.

**C1.8 Donor Working Group (DWG) coordination measures**

The Donor Working Group (DWG) is in place and meets regularly to harmonize their programs to support GoM priorities. The DWG can be a useful forum to help provide clarity and coordination on donor support to the ASWAp including level of financial assistance and future commitments vis-à-vis agriculture development and food security in Malawi.

There is need for more open and regular dialogue between the two parties (GoM and the agriculture DWG), through the use of effective instruments such the ASWAp Sector Working Group. However, the ASWAp is not clear on the structure and operations of the SWG and how it coordinates its activities and interfaces with Government to effectively support the ASWAp design and implementation process. In line with the recommendation above, efforts should be made to establish an effective SWG to ensure better donor coordination and harmonization in line with the recommendation described above.

**C1.9 Status of donor harmonization and alignment**

The ASWAp has taken a strong position on donor harmonization in line with Paris and Accra Declarations. Donors have also committed to fulfilling Paris and Accra Declarations within the context of their support for the ASWAp. The government has also indicated a strong preference for pooled financing rather than discrete project financing. However it is not clear yet how the donors will, as a collective body, disburse funding to the ASWAp when not all donors are able to participate in the pooled funding arrangement. In order to move towards harmonized funding support through pooled funding, underlying systems may need to be strengthened.

**Recommendations:**

- a) A public expenditure review and a capacity building plan should be put in place. Jointly agreed milestones between donor and GoM should be developed as part of a road map to increase channeling of donor support through government structures.
- b) Donor partners need to commit to transitioning to new programmatic modalities as indicated in the ASWAp. A roadmap beyond the document is required to detail how donors will transition and link to the programmes and what the best entry point would be.

## Component 2: Consistency with long-term growth and poverty reduction options

### C2.1 Dimensions of incremental financing<sup>2</sup>

The scale of incremental financing proposed in the ASWAp was compared to that of recent expenditures on the sector for two different periods: the first uses annual average growth rate (15.4%) from 2001–05, prior to the Farm Inputs Subsidy Programme (FISP), and projects it forward to 2014 to serve as the baseline; the second captures the 2006-10 period, which corresponds to the implementation of the FISP (see Figure 1a). All values are converted into 2004 constant prices to exclude the influence of inflation and other temporal monetary and fiscal trends. Although the ASWAp budget declines over time in real terms,<sup>3</sup> the total budget represents about 39% and 48% more over the baseline and FISP-period budgets, respectively. Against the Maputo commitment of 10%, the ASWAp budget outperforms it and achieves nearly 14% of the national budget (Figure 1b).

Looking at the proposed investments across the different thematic areas, it is clear that improving Food Security and Risk Management and promoting Sustainable Agricultural Land and Water Management are the major drivers of the ASWAp. These two take up to 85% of the total resources for the sector (Figure 2a). Improving maize production and productivity, mostly through input subsidies, attracts the bulk (37%) of the agricultural expenditures targeting specific crops (Figure 2b). The remaining resources cover several cross-cutting areas. If we distribute those resources across all commodities, then maize could account for nearly 70% of the total agricultural resources. The remarkable performance associated with the FISP along with good rains seems to justify this lopsided budget allocation.

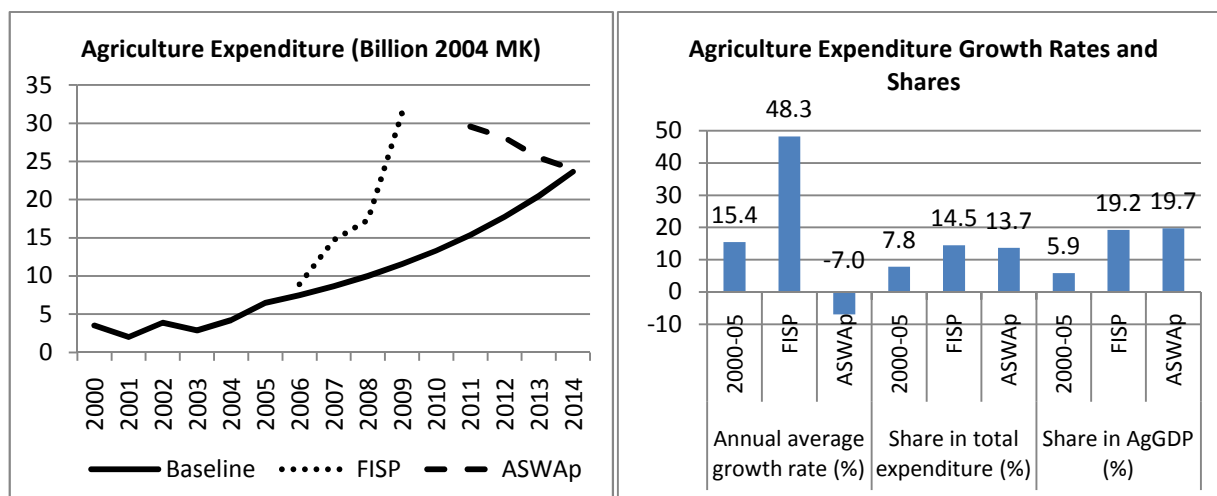
This needs to be examined carefully, however, since the bulk of the budget is for recurrent and other expenditures items that have very little long-term productivity-enhancing impact, unlike spending on activities such as research and development and infrastructure. Unfortunately, the technology generation and dissemination component of the support services accounts for a dismal 6.2% of the total agricultural resources or 1.7% of the total national budget and it represents a business-as-usual spending scenario.

---

<sup>2</sup> All values converted into 2004 constant prices using GDP deflator (WDI).

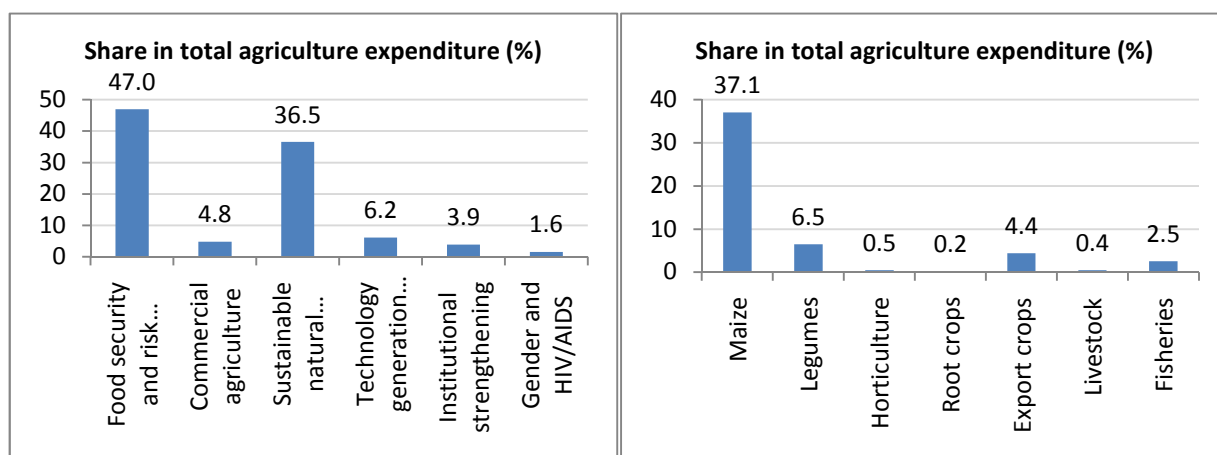
<sup>3</sup> This not surprising since a constant unit-cost approach was used in estimating the ASWAp budget. This is not a realistic way of budgeting given the experience of very large (41-105%) cost overruns associated with the FISP in the past (MoAFS 2010).

**Figure 1: Agriculture expenditures (values, growth rate, and shares)**



Sources: ASWAp; Benin et al. (2008); WDI.

**Figure 2: Agriculture expenditures across thematic areas of ASWAp**



Sources: ASDS/MTIP; WDI.

## C2.2 Agriculture within the economy

With the agriculture sector employing about 80 percent of the total workforce, contributing over 80 percent to foreign exchange earnings, and accounting for 40 percent of gross domestic product (GDP), the ASWAp is central to the achievement of Malawi's overall development objectives outlined in its Growth and Development Strategy (MGDS). Since agriculture has strong economy-wide linkage effects for the non-agricultural sectors, any acceleration in agricultural growth due to the above investments would significantly increase overall GDP growth rate. But expansion of the non-agricultural sectors is critical for sustaining high agricultural growth through supply of agricultural inputs transportation services at low prices and fostering upstream processing. Thus, increasing investments in these areas will be critical.

### C2.3 Links to regional agriculture sector development plans

The ASWAp discusses some specific links to the SADC regional agriculture sector development plans, for example Early Warning, Vulnerability Assessment, and increasing capacity of regional hatcheries. Regional trade is also discussed and about 2.4% of the total ASWAp resources are devoted to promoting agricultural exports for example.

### C2.4 Effectiveness of existing programmes

With the exception of the FISP programme, the ASWAp is silent on the effectiveness of any investment programs in raising productivity or reducing poverty. Based on the budget allocations in the ASWAp and anticipated contributions to agricultural GDP from the Malawi CGE Model, we calculated a measure of the return on spending on the major commodities considered. As Table 2 shows, all the commodities considered have a return relative to maize. Although maize contributes a substantial share (25%) of agricultural GDP, the other commodities are important too. Its contribution is rivaled by that of export crops and closely followed by legumes and horticultural crops. This highlights our earlier concern about the government's past and proposed investment strategy being dominated by a single sector or commodity without adequate consideration of its economy-wide growth and poverty-reduction linkage effects. We look at these next.

**Table 2. Effectiveness of ASWAp expenditures on major commodities**

	A. Share in agriculture expenditure (%)	total	B. Share in Agricultural GDP (%)	C. Return (B/A)	D. Relative return (maize=1)
Maize	37.0		25.1	0.7	1.0
Legumes	6.5		13.1	2.0	3.0
Horticulture	0.5		10.6	21.4	31.5
Root crops	0.2		7.0	34.0	50.0
Export crops	4.4		25.3	5.7	8.4
Livestock	0.4		6.1	13.7	20.1
Fisheries	2.5		5.6	2.2	3.3

Source: Calculations based on ASWAp and Malawi 2004/05 Recursive Dynamic CGE Model (IFPRI)

### C2.5 Consistency with long-term growth and poverty reduction

If the commodity specific growth targets specified in the ASWAp are achieved within the time frame, then our analysis shows that Malawi will actually exceed the CAADP six percent annual average agricultural growth rate and poverty-reduction targets by 2015. However, compared to previous trends, several of the commodity-specific production targets specified in the ASWAp seem unreasonably high, in excess of 10 percent per year (Table 3).

**Table 3. ASWAp production targets and growth rates**

	Baseline (2009/10)	End target (2014/15)	Annual average growth (%)
Maize (mt/ha)	1.8	3.3	13.3
Pulses (mt/ha)	0.5	1.0	14.9
Eggs (mt)	2,291.0	4,685.0	15.4
Chicken (million)	44.0	120.0	22.0
Guinea fowl (number)	900,000.0	2,000,000.0	17.3
Goat milk (liters/goat)	0.5	1.5	24.6
Pigs (number)	1,000,000.0	2,000,000.0	14.9
Rabbits (number)	600,000.0	1,200,000.0	14.9
Beef cattle (number)	850,000.0	1,250,000.0	8.0
Aquaculture (kg)	700.0	2,000.0	23.4
Irrigation (ha)	72,000.0	300,000.0	33.0

Sources: ASWAp

This raises concern about the validity of the production targets, considering possible implementation problems and gestation periods. Therefore, we rerun the Malawi CGE Model to consider more plausible targets as shown in Table 4.

**Table 4. Agricultural production statistics**

	Crop land yields (production / hectare)			Average annual production growth rates (%)	
	Baseline 2009	2015	ASWAp 2015	Baseline 2009-2015	ASWAp 2009-2015
<b>Cereals</b>					
Maize	2.15	2.44	3.14	3.77	8.62
Rice	1.49	1.63	1.98	2.22	4.06
Other cereals	0.71	0.76	0.96	1.64	3.56
<b>Root crops</b>	7.44	8.17	10.22	2.33	4.22
<b>Pulses &amp; nuts</b>					
Pulses & oils	0.72	0.80	1.18	2.32	8.61
Groundnuts	1.08	1.23	1.63	2.56	9.18
<b>Horticulture</b>					
Vegetables	17.56	20.28	23.86	2.37	2.25
Fruits	12.91	14.59	17.29	1.53	-0.91
<b>Export crops</b>					
Tobacco	0.69	0.78	1.00	3.37	7.76
Cotton	0.84	0.96	1.35	3.45	9.51
Sugarcane	45.59	52.60	67.33	3.64	7.99
Tea	3.11	3.68	4.61	4.10	8.06
Other crops	0.44	0.52	0.68	3.89	8.89
<b>Livestock</b>	2.15	2.44	3.14	3.77	8.62
Poultry	1.49	1.63	1.98	2.22	4.06
Other livestock	0.71	0.76	0.96	1.64	3.56

Source: Malawi 2004/05 Recursive Dynamic CGE Model (IFPRI)

Based on the revised targets, the CGE analysis still shows that Malawi will exceed the ASWAp/CAADP six percent annual average agricultural growth rate, reaching 8.1% by 2015 (Table 5). We should emphasize that this is based on an assumption that their successful input subsidy scheme being credited to their new investments, rather than capturing it in the baseline. Given that the subsidy is mostly recurrent expenditure rather than capital investment, things will quickly return to the baseline trajectory (i.e. fall to only 3.1 percent) should the subsidy scheme be discontinued or fail.

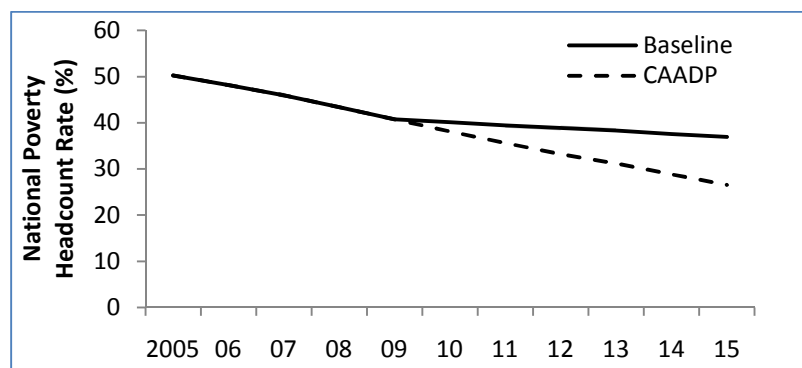
**Table 5. National growth targets and simulation results**

	Share of total (%)		Average annual growth rates (%)	
	Total GDP 2004	Agriculture 2004	Baseline 2009-2015	ASWAp 2009-2015
<b>Total GDP</b>	<b>100.00</b>		<b>3.43</b>	<b>6.10</b>
<b>Agriculture</b>	<b>40.15</b>	<b>100.00</b>	<b>3.08</b>	<b>8.10</b>
<u>Cereals</u>	<u>11.94</u>	<u>29.73</u>	<u>3.55</u>	<u>8.79</u>
Maize	10.07	25.08	3.66	9.04
Rice	1.17	2.92	1.47	3.35
Other cereals	0.70	1.74	1.10	3.24
<u>Root crops</u>	<u>2.79</u>	<u>6.95</u>	<u>2.04</u>	<u>4.47</u>
<u>Pulses &amp; nuts</u>	<u>5.27</u>	<u>13.12</u>	<u>2.00</u>	<u>12.25</u>
Pulses & oils	3.44	8.58	1.92	12.04
Groundnuts	1.82	4.54	2.14	12.63
<u>Horticulture</u>	<u>4.25</u>	<u>10.59</u>	<u>1.38</u>	<u>0.04</u>
Vegetables	2.83	7.06	1.57	0.90
Fruits	1.42	3.53	0.95	-2.15
<u>Export crops</u>	<u>10.16</u>	<u>25.32</u>	<u>3.13</u>	<u>8.16</u>
Tobacco	5.89	14.66	2.94	7.86
Cotton	0.91	2.27	2.99	9.64
Sugarcane	1.51	3.77	3.29	8.17
Tea	1.62	4.04	3.59	8.13
Other crops	0.23	0.58	3.34	8.76
<u>Livestock</u>	<u>2.46</u>	<u>6.13</u>	<u>3.05</u>	<u>6.59</u>
Poultry	1.11	2.75	3.12	6.44
Other livestock	1.36	3.38	2.97	6.72
<u>Fisheries</u>	<u>2.26</u>	<u>5.62</u>	<u>2.99</u>	<u>5.43</u>
<u>Forestry</u>	<u>1.02</u>	<u>2.53</u>	<u>2.17</u>	<u>4.21</u>
<b>Mining &amp; Industry</b>	<b>11.63</b>		<b>3.03</b>	<b>3.53</b>
Agro-processing	3.88		3.47	4.14
Other	7.74		2.77	3.17
<b>Construction &amp; Services</b>	<b>48.23</b>		<b>3.90</b>	<b>4.24</b>

Source: Malawi 2004/05 Recursive Dynamic CGE Model (IFPRI)

The poverty results associated with these scenarios are shown in Figure 3. If the commodity specific growth targets specified in the ASWAp (or in the revised IFPRI CGE model) are achieved within the time frame, then Malawi will reduce poverty significantly by 2015.

**Figure 3. National poverty**



Source: Malawi 2004/05 Recursive Dynamic CGE Model (IFPRI).

The consistency analysis also assessed whether and to what extent the proposed investments and expenditures will deliver the commodity-specific and overall agricultural growth targets. The ASWAp budget was derived on a unit cost analysis based on the current levels of the cost of the activities. While this method provides a rigorous estimate of the total cost of the inputs of the intended programmes, the main drawback is that, because there is no one-to-one relationship between expenditures (or inputs) and outcomes (e.g. yield or growth rate), estimating the unit cost of achieving a specific outcome (e.g. yield or growth rate) is elusive. Realization of outcomes depends on several other factors, some of which may enhance or reduce the effects of the expenditures or inputs. Another problem is that a constant unit cost is used, which is not realistic. The substantial cost overruns with the FISP attest to this. What will happen during implementation is that some of the budgets will be taken away from other investment activities (e.g. research, extension, and infrastructure) and will undermine any long-term productivity gains. On the other hand, the inputs subsidies may be scaled back. Either way, the anticipated growth targets are not likely to be reached.

With the total ASWAp budget declining at 7 percent per year, we can expect agricultural GDP to decline by 1.1–2.1 percent per year, assuming an average elasticity of growth with respect to public spending in the range of 0.13–0.3 (Benin et al. 2008). To maintain the high agricultural growth rates achieved in the recent past, it is important to also maintain positive real growth in agriculture expenditures. As Figure 1b shows, agriculture expenditures at constant prices grew at an annual average rate of 48%, which is much higher than the 22.4–32.5% suggested in the growth and investment analysis that was done for Malawi by Benin et al. (2008). In that analysis, however, a six percent agricultural GDP growth rate was the target, which is much lower than the average rate achieved during 2006-09 when the FISP was being implemented. Going by the suggested agriculture expenditure growth targets by Benin et al. (2008), an additional MK153–246 billion (or US\$1–1.6 billion) in 2004 constant prices<sup>4</sup> over 2010 to 2014 will be required to achieve the ASWAp long-term agricultural growth target of six percent and related poverty-reduction and food security targets.

## **C2.6 Beneficiary analysis**

Identifying the beneficiaries of the ASWAp could be analyzed based on the spatial distribution of the budget and related performance in production and poverty-reduction. Such information is not available with the proposed investments. The number of farmers targeted under different investment areas, however, shows that up to 1.6 million farmers (about 15% of the total farm population) benefit directly from the different farm input subsidy programmes. Disaggregation of the poverty results shown in Table 6 reflects that rural and farm populations stand to benefit the most from achieving the commodity-specific and overall agricultural growth rate targets specified in the ASWAp.

---

<sup>4</sup> To compare, the current ASWAp budget in 2004 constant prices is MK226 billion (or US\$1.5 billion). Exchange rate used is US\$1 = MK 150.

**Table 6. Poverty results**

	Baseline		ASWAp 2015	Reduction Baseline 2015- ASWAp 2015
	2009	2015		
<b>Poverty rate (%)</b>				
National	40.8	37.0	26.5	-10.4
Rural	43.4	39.2	27.9	-11.3
Farm	43.7	39.4	27.8	-11.6
Non-farm	36.5	36.5	31.0	-5.6
Urban	21.1	20.4	16.1	-4.2
<b>Population (1000s)</b>				
Total	13,376	14,979	14,979	0
Poor	5,453	5,536	3,972	-1,564

Source: Malawi 2004/05 Recursive Dynamic CGE Model (IFPRI).

### **Component 3: Adoption of best practices and inclusion of core programme elements**

#### **C3.1 Pillar 1: Sustainable Land and Water Management (SLWM)**

##### **C3.1.1 Land Management**

The ASWAp recognizes Sustainable Land Management (SLM) as key to agricultural production and its impacts on food security, poverty reduction and household income. To address low agricultural productivity, ASWAp identifies the inherently fragile soil, low soil fertility status and the associated low fertilizer input, predominantly maize-based rainfed system by resource-poor, small-holder farmers being characteristic of the Malawi agricultural system. A number of interventions are being proposed in the plan to address low productivity related to land management through improved nutrient and water management and access to organic and inorganic fertilizer. Among the proposed interventions is the promotion of conservation farming, community-based dambo (wetland) management and protection of fragile lands. The planned increase of land area under SLM from 72,000ha to 250,000ha is commended as this will reduce land degradation and associated negative impacts on the environment.

Due to the limited land available for extensive grazing, adoption of small stocks farming (poultry, pigs, sheep and goats) is a valued decision. Small stocks can provide higher returns per unit area, as they mature early and sustain long reproductive cycles with minimum pressure on the resources. Furthermore, proposed crop-livestock integrated systems are the best practices in reciprocating essential nutrients for improved soil fertility and structure. However, ASWAp does not provide clear benchmarks in defining appropriate stocking rates based on resource availability. Also, there are limited attempts made to improve the integrated aquaculture practices under the GBI rice irrigation schemes.

##### **Recommendations:**

- a) With the proposed increase in fertilizer use, interventions should be put in place to address environmental threats of the increased fertilizer use;
- b) The increased use of fertilizer should be supported by access to soil testing facilities by the farmers so that the fertilizers are used efficiently – initial efforts to support this under FISP should be expanded;
- c) Integrated soil fertility management should be incorporated among strategies to achieve sustainable land management and to enable farmers to achieve desired yield increases;
- d) For efficient utilization of land resources, focus should be on keeping few but highly productive animals especially in the case of large stocks;



- e) Develop intensive dairy farming (cut-and-carry) along with cultivation of grass-legume mixture plots and wide distribution of multipurpose trees as supplements to the fodder requirement, soil re-nitrification and moisture conservation;
- f) Conduct studies on existing livestock production systems to establish the holding capacities of the land in all agro-ecological zones;

### **C3.1.2 Water Management**

The ASWAp recognizes the importance of water management under both rainfed and irrigated systems to improve agriculture productivity. Agricultural production being predominantly rainfed (99%) improvement in water use efficiency has a potential to increase productivity through on-field rainwater harvesting techniques, improved tillage practices and residue management. However innovative ways of increasing land under irrigation is commendable, as they can take advantage of the long dry season when high value crops can be grown as source of income for farmers. The ASWAp proposes to increase land irrigation from 72,000ha to 300,000ha through the GBI by rehabilitating existing irrigation schemes and constructing new ones. This will entail increased surface water storage through dams which creates potential for integrating aquaculture (fisheries capture) and livestock into the cropping system to the benefit of the target farmers.

#### **Recommendations:**

- a) Establish an inventory of appropriate technologies that can increase the water use efficiency of rainfed practices under Malawi conditions, such as conservation agriculture, and promote such. Currently under rainfed agricultural systems, when good soil water management is applied grain yields can be increased up to 150%.
- b) Promote affordable low-cost irrigation innovations that are available on the market such as solar-powered water pumps. This will reduce the challenges associated with cost of maintenance and energy requirements for water lifting devices,
- c) An Irrigation maintenance plan and budget is required to ensure the long-term sustainability of irrigation investments.
- d) There is need to put in place strategies to identify and address environmental impacts of irrigation. The planned feasibility studies for the GBI should be a high priority activity.
- e) Interventions should be put in place to prevent proliferation of diseases associated with irrigation schemes (water-borne diseases associated with irrigation);
- f) Increase efficiency in the utilization of available water resources by adopting the best intensified aquaculture practices.

### **C3.1.3 Land Policy/ Administration**

Malawi has one of the highest rural population densities in Sub-Saharan Africa estimated at 2.3 persons per hectare of cultivated land, and the resulting average farmland size of 1.12 hectares per household (IFPRI, 2008). The challenge is that as the population increases (3.0% growth rate), the pressure on land will result in more fragmentation and farmland becoming much smaller per household. Given these land constraints and that this landholding is under customary law (rights to cultivate and transfer conferred in traditional chiefs), investment on the land becomes very difficult. Despite these challenges ASWAp is not explicit on strategies to address land tenure.

#### **Recommendations:**

- a) ASWAp should put in place strategies to address land tenure issues so that private access is increased and investments in agriculture production stimulated. Clarity on

land tenure arrangements is especially important where significant investment in irrigation is planned.

- b) Strategies should be designed to address growing competition for land between bio-fuel initiatives and arable agriculture so that increasing production of food is not jeopardized.

#### **C3.1.4 Climate Change**

Climate change is a global concern with devastating implications on agriculture, health and food security. The main drivers of climate change namely temperature, precipitation, atmospheric carbon dioxide and extreme events may affect the agricultural sector through reduced crop yields and productivity; increased incident of pests and diseases, occurrence of drought and water stress. The impact of these adverse impacts of climate change on agriculture is worsened by lack of adaptation and mitigation strategies, and vulnerability to climate change may have adverse effect on agriculture in Malawi. ASWAp has made attempts to put in place strategies to mitigate and adapt to impacts of climate change, however the list does not fully capture the likely mitigation and adaptation measures necessary for Malawi.

#### **Recommendations:**

- a) The FAO Guidance to Best Practices (FAO 2007; FAO 2009) on climate change could be used to develop its climate change response and adaptation strategies;
- b) Put in place mechanisms to identify, observe and monitor stresses that influence agriculture, land and water resources and biodiversity to assess the relative importance of these stresses for future planning.

### **C3.2 Pillar 2: Improving Rural Infrastructure and Trade-Related Capacities for Market Access**

The ASWAp includes emphasizes commercial agriculture, agro-processing and market development through its second Focus Area. ASWAp targets are clearly defined with a displayed willingness to focus on core crops - maize and traditional export crops (tobacco, cotton, tea, coffee), and the need to develop value chains and market linkages to better incorporate smallholder producers. Given the focus on maize production as part of the FISP, the ASWAp also calls for complementary efforts to develop market based risk management schemes such as commodity market insurance system including weather insurance mechanism for maize producers and a warehouse receipts system operated by the private sector.

Nonetheless, the strategy is heavily reliant on the public sector and the roles and responsibilities of different actors in agricultural value chain are not sufficiently clear in the document. In particular, three major issues were highlighted in the review:

1. The government has taken responsibility for implementation of most of the planned activities. CAADP encourages increased participation of and responsibility to the private sector in reviving agriculture. While the technical and financial contribution of private sector in the implementation of the ASWAp is not clear, it is noted that the government expresses a willingness to allow the promotion of some activities by other stakeholders.
2. Capacity building activities appear focused on the public sector and silent on private sector and the organization of producers who equally need this capacity strengthening.
3. ASWAp is aligned with CAADP objectives as it places substantial thrust on improving farm managerial practices for increased livestock products to support agro-processing

sub sector as a means of promoting import substitution of the products. However, there is limited effort made in exploring investment potentials for diversified livestock products and byproducts such as hides, skins and other integuments for local manufacturing and export market. The document does not adequately show how Malawian sanitary and phytosanitary programmes are designed to align with the regional and international export initiatives and standards.

More specific issues identified in the review centered around the following strategic areas:

### **C3.2.1. Raising competitiveness and seizing opportunities in domestic, regional and international markets**

The ASWAp highlights the need to target higher value export markets through the adoption of technologies to improve output quality, and establishment of better policy and regulatory environment and systems, including quality and standards. The ASWAp also calls for targeting niche regional and international markets for non-traditional commodities (chilies, paprika, etc.).

Given the heavy focus on improved food security through the input subsidy program there appears to be insufficient emphasis on how to improve input market functioning to meet the needs of effective, timely provision of fertilizer and seeds. While the focus of the programme is on ensuring delivery of inputs in order to meet the important programme objectives for food security in the immediate short term, a complementary parallel effort may be required to put in place the necessary pre-conditions that would allow for an eventual shift towards a fully market based provision of inputs and complementary services (storage and transport).

#### **Recommendations:**

- a) Undertake a more targeted assessment of input market constraints and specific measures to address them within the context of the medium term plan of the input subsidy program;
- b) Develop policy recommendation on markets and market competition;
- c) Assess opportunities for developing growth corridors and linking to regional markets
- d) Strengthen sanitary and phytosanitary infrastructure and facilities internally and at border posts;
- e) Provide data/information from countrywide market survey of agricultural products, including livestock and fish.

### **C3.2.2. Invest in commercial and trade infrastructure to lower costs of supplying domestic, regional and international markets.**

The ASWAp does emphasize infrastructure investments to improve production and strengthen value addition. The GBI in particular calls for large new investments in infrastructure for irrigation and water resource management and some complementary infrastructure for value addition. However, in the diagnosis of the agricultural sector, the weakness of market access infrastructure is highlighted as a major constraint.

Given the focus on improving smallholder commercialization through outgrower schemes and contract farming arrangements, there appears to be less focus on the complementary infrastructure required to facilitate smallholder commercialization (for example feeder roads, and storage) and mechanisms for leveraging private sector investments in this type of infrastructure development.

**Recommendations:**

- a) In depth analysis is needed on market access infrastructure to complement investments in irrigation, value chain development, and smallholder commercialization activities.
- b) Given the focus on public private partnerships (PPPs), there may be a need to place a special focus on understanding and facilitating the enabling environment for PPPs – including market related infrastructure - particularly in the context of the GBI. As the detailed development of the GBI takes place specific analysis or strategies should be developed on PPPs.

**C3.2.3 Develop value chains and access to financial markets**

The ASWAp calls for strengthening value chains as part of the commercialization agenda. The ASWAp will support the provision of a range of services to smallholders and small scale agro-processing to better link actors in the value chain and facilitate access to financial markets including business development services. For the development of agricultural value chains, the ASWAp appears to be using the stream approach, which focuses on a more linear analysis of the flow of information and materials within the chain, rather than a traditional agriculture value chain approach, which focuses on analyzing inter-linkages within the entire chain, which includes input and output market actors, and service providers operating at all stages of production and marketing. The role and position of different actors in the value chain therefore do not appear clearly either in value chain interventions, particularly financial services.

**Recommendations:**

- a) Expand the focus of value chain interventions to include all actors within the chain, including financial services
- b) A needs assessment may be useful to assess whether the supply of business development and value chain service providers in the public or private sector is sufficient and if any training is required to expand the pool of qualified providers. Other countries have experienced bottlenecks in accessing qualified service providers as these particular skills are often rare.
- c) More in depth analysis on gender issues within value chains may also be useful to reflect differentiated gender roles and responsibilities, as well as challenges and opportunities, related to development of value chain interventions

**C3.2.4 Strengthen the commercial and technical capabilities of farmer organisations and trade associations.**

The ASWAp focuses on farmer groups as a mechanism for improving input and output marketing. However, the budget allocated for strengthening the capacity of stakeholders is more centered in MoAFS and less so on other key actors in agricultural value chains such as producers and the private sector. Trade associations do not receive much emphasis in ASWAp although they could play an important role in ASWAp implementation and in achieving marketing and exports objectives and can operate at both national and district level.

**Recommendations:**

- a) Reassess whether specific capacity building support should be identified for producers and farmers organizations in addition to what is currently envisioned under ASWAp,
- b) More support could be provided for the establishment of professional networks and associations which could help in improving consultation with stakeholders in the

agricultural sector as well as providing a mechanism for training or building capacity of members within the producer/farmer organizations and trade associations

### **C3.3 Pillar 3 – Reducing hunger and poverty**

Making provision for access to adequate and year-round supplies of food that is nutritious and safe to eat is rated as the most important task lying ahead for Malawi and its people in pursuit of their 2020 vision. The National Nutrition Policy and Strategic Plan intends to facilitate the improvement of the nutritional status of all Malawians, with emphasis on pregnant and lactating women, children below the age of 15 years, people living with HIV, people in emergency situations and other vulnerable groups.

The review focused on major priority areas identified in the Framework for African Food Security, the CAADP Pillar 3 framework document.

#### **C3.3.1 Risk management**

The ASWAp expresses strong government commitment to move away from the experiences of severe food shortages experienced in the last 15 years. To reduce food and nutrition insecurities, ASWAp emphasizes the need for provision of drought resistant and early maturing varieties, and inputs to minimize the risk of an early end to the rainy season; cross-sectoral collaboration to minimize risk of climate change; strengthening environmental protection to reduce the negative impacts from natural disasters; and market-based risk management strategies including weather insurance, warehouse receipt systems and other market friendly buffer stock system management. The ASWAp will support the National Early Warning Unit for food Security (NEWU) to provide early warning information for disaster preparedness and mitigation.

While ASWAp is clear on the strategies needed to reduce risk at national level, the necessary profiling of vulnerable groups is missing. This makes it difficult to identify the level and scope of action required to address the risks to food and nutrition insecurities of vulnerable groups. Attempts to support risk management strategies at the individual and household level do not address the specific needs of some vulnerable groups within communities. For example promoting village grain bank schemes including improved granaries and mini silos may not benefit women unless conditions necessary to access those services are addressed

#### **Recommendations:**

- a) Clear identification of vulnerable groups is required along with identification of factors that limit these groups from accessing and benefiting from program activities and for informing the design of appropriate strategies.
- b) ASWAp should extend the current FAO initiative on gender analysis to include an assessment of all vulnerable groups (youth, disabled, women, orphans, people living with HIV)

#### **C3.3.2. Improved food supply through increased production and market linkages**

ASWAp plans to increase food supply by improving maize productivity from 1.2 to 3.0 MT/ha and decreasing on-farm post harvest losses from 30 percent to 15 percent. The ASWAp proposes to continue with the success of the targeted input subsidy program with the aim of attaining maize self-sufficiency. This is a tested strategy that more than tripled maize production in four years from 2004/05 to 2008/09 and has been accompanied by a decrease in

costly food imports, and a reduction in malnutrition. For this reason, the Government sees the input subsidy strategy as a viable strategy to continue with. The GBI will also increase food supply by increasing land under irrigation. Programs targeting marketing are primarily focused on high-value crops for export, yet marketing is also important to ensure food availability, especially in remote areas.

**Recommendations:**

- a) Deliberate attention to and the budgetary allocation to livestock and crops other than maize is necessary to ensure dietary diversity and balance risk of weather and crop crises.
- b) Market distribution and access programs are necessary to in deficit areas.
- c) Measures to manage a potential for increased malaria from increased irrigation is necessary.

**C3.3.3. Diversification of diets to improve nutrition**

There are serious attempts in the ASWAp to improve livestock, fishery, legumes and horticultural food production as potential sources of protein and micronutrients essential for minimizing nutritional problems largely affecting children (under 5yrs) and pregnant women.

The ASWAp has a strategic objective to promote consumption and utilization of diversified high nutritive food at household level and comprehensively describe actions for improving the quality of diets for the most vulnerable groups. The ASWAp proposes to promote consumption of enriched foods in complementary feeding programs, maternal nutrition and for people living with HIV and AIDS and conducting of demonstrations on preparation of enriched porridge in communities and NRU and CTC sites, which are effective in combating malnutrition among the vulnerable.

The proposed collaborative arrangement between the MoAFS and Ministry of Women and Child Development and the Local Government to conduct joint staff and farmers training will go a long way in leveraging resources, standardizing messages to the farmers and expedite the creation of a critical mass of empowered households to deal with risks to food and nutrition insecurities.

**Recommendation:**

- a) The post-compact road map needs to include regular surveys to establish per capita consumption of highly nutritive foods produced in the country.
- b) Education programmes to promote the diversification of the food basket with livestock products and other nutritious crops is necessary.

**C3.3.4. Increase in the income of the poor**

The ASWAp focus on increasing maize production directly impacts the poorest farmers. With dramatically increased yields, many of these farmers should have some marginal profits, or will be less dependent upon the market to buy food. Smaller producers will also have the opportunity to increase their incomes through the program's commercial agriculture activities that promote outgrower schemes and contract farming arrangements. However, the current program is unlikely to benefit the landless or those farmers with very small plots.

**Recommendation:**

- a) Relevant government ministries and civil society organizations known for social protection services should collaborate to provide social safety nets and social protection programs in the plan.

### **C3.4 Pillar 4: Agricultural Research, Technology Dissemination and Adoption**

The ASWAp notes expenditure on research and extension is low and greater investments will be required to achieve the expected gains in productivity. At the same time technology generation and dissemination are also highlighted as key support services within the ASWAp, particularly with respect to addressing the productivity agenda. This is particularly appropriate as assessments of FISP impact have highlighted good husbandry/management as deciding factors from which farmers achieve the highest productivity gains of the input subsidy. The emphasis on improving commercialization, import substitution and improving exports also calls for moving towards higher quality production and adopting new technologies and practices.

The ASWAp cites the serious constraints facing the sector in terms of service delivery due to the large number of vacant extension posts, and limited research and extension capacity. As an early implementation of the ASWAp, the ASWAp Support Project supported technology transfer and strengthening of research-extension services for smallholders. A number of good practices have been developed there and it will be important to further extend these in the full ASWAp. The review assessed the ASWAP and ASWAP-SP in line with the priorities and principles articulated in the CAADP Pillar IV Framework document, the Framework for African Agricultural Productivity (FAAP).

*Farmer empowerment:* The ASWAP-SP focused in part on improving the coordination and strengthening the capacities of agricultural research and extension services to respond more efficiently to farmer needs and promote sustained smallholder productivity gains. Support is provided for stakeholder fora and planning, coordination and support to district service provision, including annual district review and planning workshops.

*Planned subsidiarity:* Substantial decentralization has taken place within extension services in line with overall decentralization initiative. The research system remains relatively centralized with a centrally planned system under MoAFS.

*Pluralism in the delivery of agricultural research, extension and training services:* Malawi has been experimenting with different methods of service provision including the development of lead/peer farmers who are provided with mobility and a mandate to provide services within their communities. Civil society has also been supported to provide extension services in addition to the traditional public sector extension service. The ASWAp also highlights the need for sub-contracting private service provision in value chain development and for particular value chain services. Within the research systems, the ASWAp calls for a mix of demand driven, market and industry oriented research. Both university and private sector research seed company doing research on new varieties. The ASWAp also calls however, for greater expansion in public sector extension capacity – it may be useful to assess lessons learned – including efficiency and cost effectiveness – of alternative extension approaches in line with strengthening service provision. Likewise, leveraging private sector research capacity on major commodities (such as maize and commercial export crops) should also be investigated.

*Evidence-based approaches:* Efforts have been made to improve the planning process for research under ADP/ASWAP-SP and some support is provided for monitoring and evaluation however prioritization and assessment of the research agenda is not as well informed by

evidence based assessments as it could be. Competitive grant systems, which provide a means to channelling funds to the highest quality and most relevant research proposals, are limited. One CGS is currently functioning at Bunda College as part of the Agriculture Research and Development Programme. The system promotes collaborative research and both university and government researchers are involved.

*Integration of agricultural research within extension services:* Technical coordination teams involving the research, extension, crops and Land Resources Conservation department have been formed at national level and meet quarterly for coordination and consultation. At the district level district agricultural extension coordination committees have been established to coordinate research and extension and engage in joint planning for technology transfer programs.

*Explicit incorporation of sustainability criteria in evaluation of public investments in agricultural productivity and innovation programmes:* Sustainable land and water management are high priorities and soil fertility management is a high priority in the research agenda. Research on drought resistant or early maturing varieties has been prioritized in response to risk management.

*Systematic utilization of improved management information systems:* The AWSAp does call for increased use of management information systems as part of the institutional strengthening within the context of MoAFS, primarily as it relates to the implementation of the larger program.

*Introduction of cost sharing with end users:* There is limited cost sharing in the delivery of extension or research service. There is some private sector funding for research but it is primarily for cash crops (tobacco).

*Integration of gender considerations at all levels:* The ASWAp adequately highlights the need for gender sensitive research and extension activities and special consideration has been made to target women for technology transfer initiatives in the ASWAP-SP, at up to 50% of farmer participants.

*Agricultural education and training:* Because of major capacity gaps within the public sector, the ASWAp includes provision for significant training at the diploma, Bsc, Msc and Phd levels however there is little detail or prioritization as of yet.

### **Recommendations:**

- a) While Malawi demonstrates that it has adopted good practices, many seem to be at the pilot stage or require more support to fully scale up. Further assessment on key areas for strengthening research and extension systems may be required and could be centered on assessing the areas identified above.
- b) It would be appropriate to give more details on the practical actions for leveraging sub-regional knowledge to draw on available expertise in the region – possibly through sub-regional agricultural productivity programmes or drawing on centres of excellence
- c) The involvement of private sector in the agricultural research and extension services should be clarified.
- d) Develop an in depth research plan for ASWAp in line with a strengthened prioritization exercise
- e) Research capacity at district level should be strengthened in line with decentralization policy
- f) Establish an effective information management system



- g) Develop a training plan as preparation for capacity building within extension and research services
- h) Assess whether research and technology generation has been allocated adequate resources.

### **3.5 Crossing-cutting Issues: Livestock and Fisheries**

Livestock and capture fisheries are growing sectors in Malawi that will be further addressed by the activities outlined in the ASWAp. These sectors are important not only for dietary diversity, but are also a source of income security for the poorest families. However, particular efforts are required to improve management practices including upgrading of indigenous livestock breeds to balance their productivity and adaptability performances and intensify fish farming.

The ASWAp would benefit from more details regarding how farmers are going to achieve income benefits from selling livestock and livestock products. To allow critical analysis, data on current and projected production performance of individual livestock species in the country and on current and projected consumption per capita of these products must be available.

Livestock sector in Malawi and across the border faces a number of challenges including rapid spread of tick-borne and infectious diseases that may translate to huge economic losses in terms of increased animal mortalities and reduced productivity. In view of this scenario, the country's early warning and preparedness plans against trans-boundary diseases, zoonosis and pandemics need to be defined and elaborated.

#### **Recommendations:**

- a) Based on the current populations and the annual growth rates of 15, 17 and 36% for the dairy cattle, small ruminants and poultry, respectively (NAPF, 2010), there is a need to develop a livestock policy to address important issues including control of animal diseases and zoonosis, feeding and breeding;
- b) The ASWAp should promote upgrading of the indigenous stock through artificial insemination and enhancing cockerel and bucks exchange programmes;
- c) An early warning and preparedness plan should be developed to prevent trans-boundary animal diseases, zoonosis and pandemics;

### **C3.6 Crossing-cutting Issues: Gender and HIV/AIDS**

The ASWAp recognizes the central role women will play in delivering on the plan objectives, and proposes mainstreaming gender and HIV and AIDS in the ASWAp activities. The plan calls for the establishment of focal points to act as catalysts to coordinate and address gender and HIV and AIDS activities. The GoM is in a process of developing a Gender and HIV policy to mainstream these important issues into the overall sector and the ASWAp.

While there is a general recognition of the role of gender and HIV, no effort was made to factor the gender dimension and the effects of HIV in the CGE model to facilitate prioritization and selecting of strategic actions. The ASWAp details a number of actions to address gender and HIV issues, which MoAFS may not have the mandate, skills and comparative competencies to effectively implement. Strategic partnerships with the relevant Ministries like Ministry of Health and the civil society are encouraged.

**Recommendations:**

- a) The CGE model should be reviewed to factor in gender and HIV dimensions to ensure proper targeting of the vulnerable and the women in particular. There is enough evidence that increasing access to credit and land will increase women's contribution to agricultural production.
- b) The MoAFS is encouraged to solicit support from donors and the National Statistical Office to facilitate the availability of relevant information and statistics necessary for prioritizing the gender and HIV action in the ASWAp.

**C3.7 Monitoring and Evaluation**

ASWAp recognizes the critical role of M&E in the implementation process of the plan. A proposal is made on the need to formulate a result-oriented framework which is disaggregated at district and ADD levels. As part of the implementation of the FISP, GoM has engaged in more intensive monitoring and evaluation of the program and initiated data collection efforts to enable analysis of program impacts. Additional strengthening of monitoring and evaluation systems, including collection of baseline and mid-term data, has been supported under ASWAp-SP. The ASWAp highlights the need to improve data gaps through agricultural surveys and management information systems.

All this presents a positive approach to developing an effective monitoring and evaluation system, however it is not clear if there is an adequate budget for M&E activities. The ASWAp notes the existing gaps and challenges of the implementation the plan due to the fragmentation of key actors and propose an assessment to identify strategies to strengthen the M&E system. An attempt has been made to develop a logical framework, however, more effort need to be made to make a systematic and coherent logical flow of prioritized strategies and activities. Moreover, it will be important to ensure indicators are easily measurable.

**Recommendations:**

- a) There is need for purpose-built M&E plan to be developed and agreed upon by all the stakeholders
- b) Efforts should be made to provide baseline data in partnership with specialized institutions like National Statistics Office (NSO), FAO, Agriculture Research Institutes and others, and Universities;
- c) In order to ensure a robust M&E system, adequate financial and human resources need to be allocated and budgeted for towards data collection, surveys, capacity building and knowledge management;

Link to MAF

**Component 4: Alignment with country commitments****C4.1 Prioritization within the investment plan**

The three ASWAp focus areas and two Key Support Services have been prioritized up to the component level, but not at activity level. Given that the GoM has targeted agriculture as a driver of economic growth, and because of the current financial resource constraint, there is need to identify the order and manner in which planned activities can contribute to the economy and translate into poverty reduction. From the background information presented in the document, it is clear that the need to achieve increased maize and agricultural productivity for food self sufficiency are high on the government country agenda. Hence almost 70% of the budget is devoted to these activities. However the other programme objective is to

commercialize agriculture so as to stimulate economic growth. The ASWAp would therefore benefit from conducting cost-benefit-analysis in order to prioritize the activities so that expenditure can be directed at those activities that will more likely bring about highest returns.

ASWAp does not provide timelines or sequencing for the implementation of activities. The activities are broad in scope and would thus benefit from set targets that can be quantified within a monitoring and evaluation framework that is agreed among stakeholders.

**Recommendations:**

- a) Undertake a priority ranking of programme components with due consideration given to contribution to results, cost-benefit analysis, and availability of resources.
- b) There is a need to rationalize the number of activities that are truly possible to undertake and accomplish with the available and planned human resource capacity and systems.

**C.4.2 Links with existing sector programmes/projects**

The ASWAp is derived from the Vision 2020, MGDS and NAPF which provide the focus for national agricultural development and so it addresses the national goals for agriculture and food security. Ongoing major sector projects including FISP and the GBI are central to and well integrated into the ASWAp. Until now, GoM activities have been implemented using a project management approach. However, the ASWAp uses a sector-wide approach that will gradually integrate all projects currently implemented under PMUs into sector-wide management by 2011.

**Recommendations:**

- a) The transition of existing programs into the ASWAp will require a significant shift in implementation modalities. This transition will likely require additional focus and support. It may be useful to reassess if support similar to what is being currently supported in ADP-SP should be increased and if the current focus on institutional strengthening is sufficient to achieve full harmonization.

**C4.3 Links to regional agriculture sector development plans**

The ASWAp is designed to transform agriculture in Malawi to support long term economic growth and food security. As a member of COMESA and SADC, there is a direct link into regional market. A deliberate effort has been made to align the ASWAp with the CAADP principles of 6% growth in agriculture and allocating at least 10% of national budget to agriculture. However beyond its intention to develop the agriculture export sector, the plan does not elaborate on how it will penetrate and exploit regional cooperation.

There are no indications what the implications of ASWAp activities such as FISP and increased agricultural productivity in Malawi would be relative to the neighboring countries. For instance, as crop production increases significantly from the interventions planned, how does that affect market prices in Malawi? Is there likelihood that fertilizer or maize from the subsidy programme could be sold into the neighboring countries rather than benefit the people of Malawi? Similarly, the ASWAp does not discuss involvement in regional agricultural research and capacity building initiatives.

**Recommendation:**

- a) Develop action to ensure that the benefits of subsidized fertilizer and increased maize output accrue to Malawi. Consideration to include acquisition of technologies and access to training and information in what can/should be subsidised

- b) Malawi should work with COMESA, SADC and neighboring countries to complete analysis that can clarify the proposed or desired impact of regional programs on the overall national performance targets; and clarify what capacity needs to be developed or actions should be taken to enable Malawi to more effectively participate in regional and global markets. In this regard it may be useful to better link to ongoing Regional Agricultural Policy initiative under SADC

#### **C4.4 Identification of policy issues and steps required to resolve them**

The GoM has put in place a set of policies and strategies (Vision 2020, MGDS, and NAPF) as the guiding principles for the development of the agriculture sector. The ASWAp derives from these. While the plan indicates that some of the policies applicable to the implementation are old and need review, there is no evidence that an audit of these has been carried out, or how the sector intends to work to achieve specific and inter-sectoral policy reviews. Since it is also known that policy review processes can be extensive, the impact of such delays may negatively affect ASWAp implementation. Whereas the NAPF contains the set of policies that need to be enacted or reviewed, the ASWAp does not carry these through.

#### **Recommendation:**

- a) Develop a summary or matrix of priority policy frameworks and actions that are being developed, and include this as an annex to the ASWAp. Subsequently, develop a policy index to help track implementation of the policy agenda, assess impact of policy on achievement of programme goals, and identify any policy actions that need to be reassessed.

### **Component 5: Operational realism**

#### **5.1 Viability of implementation arrangements**

The ASWAp uses a programme based approach and is being implemented through existing Government structures. The plan has outlined a structure with strong leadership from MoAFS, and focuses on the need for unity and cooperation across all government ministries in the implementation of the ASWAp. Inter-ministerial and multi-stakeholder structures will be used for management and consultation including the Sector Working Group, technical working groups, specialized task forces and district teams. Although the relationship between MoAFS, other ministries and stakeholders is outlined in the management structure document, the involvement of other ministries is not clear. More detail on the precise oversight, structure and frequency of interaction between MoAFS and other ministries that will be implementing activities that are critical to the ASWAp (i.e. MTI).

Similarly, the involvement of civil society, farmers, and the private sector in ASWAp is limited to the Sector Working Group at the National level. Involvement of these stakeholders at the district level is not clear in the implementation arrangements outlined in the ASWAp. The Sector Working Group is designated by the ASWAp to engage all stakeholders. Although the ASWAp is already being implemented, some of these structures do not seem to be functional yet. For example, the Sector Working Group is not meeting regularly.

#### **Recommendations:**

- a) ASWAp Secretariat should work with relevant ministries and stakeholders to institutionalize mechanisms for structured and regular dialogue on the ASWAp

implementation through the sector working group, executive management committee and other platforms as necessary.

- b) A great deal of implementation will take place at the district level and it will be essential that working/operational modalities are well functioning. Special effort or focus will likely be required in the early stages of implementation of ASWAp – it may be useful to constitute (and budget for) mobile support teams in the first year to provide backstopping to the district level.

## **C5.2 Institutional assessment**

The ASWAp acknowledges the primary institutional challenges facing implementation and capacity constraints of the numerous institutional actors within the sector. To address this, GoM has initiated a core functional analysis of institutions within the sector with the intent of launching an institutional reform process based on its findings. The ASWAp has a strong emphasis on training throughout the document and highlights the need for more collaboration and coordination to more effectively utilize existing capacity. The Agricultural Support Program was also launched prior to the ASWAp to build the capacity needed to implement the program successfully.

However it can be noted that ASWAp document states that there is a “top heavy and administratively bloated structure...” with a low ratio of number of technical personnel to administrative support. Vacant posts are highlighted as a problem at the MoAFS (31%). The institutional assessment should include not only the MoAFS, but also other stakeholders (other relevant ministries, the private sector) that will be critical to the successful implementation of the ASWAp.

Currently the ASWAp allocates 4 percent of the total budget to strengthening public management systems and capacity building of the public and private sector. This is probably an underestimate of the resources needed for a comprehensive upgrading of human capacity and management systems within the agriculture sector. While there is good analysis of the problems of skills shortages and attrition within the agricultural sector, there is less detail on how these problems will be addressed during ASWAp implementation.

### **Recommendations:**

- a) The core functional analysis should be completed and an implementation strategy developed in parallel to address the identified weaknesses and launch the institutional reform process. A more detailed costing of capacity building needs following the analysis will also likely be required. The core functional analysis should cover not only the MoAFS, but also the all related agencies including the private sector. This assessment should include the following:
  - Functional analysis
  - Gap analysis
  - Capacity building plan at both central and district levels
  - Public financial management assessment, either as part of this or in a separate document
- b) Although the ASWAp calls for filling vacancies within MoAFS, particularly of front line extension staff, more consideration should be given to expanding service delivery by other ministries participating in the ASWAp, the private sector or civil society including using public resources to fund services on behalf of farmers.

### **C5.3 Costing**

The budget provides a costing for overall cost for program-related expenditures and is broken down by objectives and outcomes. Unit costs based on broad activity level estimates are used in the calculations and the budget broadly prioritized among programme components in that GoM has directed existing financial resources to the highest priority programmes.

The budget is not broken down between recurrent and development costs, at the component, project or sub-project level so there is no visibility on how the investments might incur costs over time, and does not indicate planning for maintenance. Additionally, there are some items listed in the budget that are not included in the text of the ASWAp.

The budget is based on a worst (most expensive) –case scenario for many unit costs. While this effort is useful to ensure that previously experienced cost overruns do not reoccur, it may not provide the most accurate estimate of real costs, and can lead to questions regarding the cost-benefit ratio of priority programs. The unit costs for irrigation under the GBI are particularly high based upon past experience.

#### **Recommendations:**

- a) Distinguish between recurrent and development budget line items.
- b) Unit costs should be refined to indicate likely unit costs according to varying conditions (i.e. technology required for differing environmental situations) rather than consistently using the most expensive unit cost.
- c) Ensure that the text of the ASWAp document is consistent with the activities listed in the budget
- d) Consideration and necessary steps to strengthen internal capacity for program budget costing through the various levels in programme planning and implementation.

### **C5.4 Indicative financing plan**

The ASWAp includes a detailed assessment of the financing available by Government and development partners for each of the focus areas and support services. A funding gap has been calculated at the aggregate level and will form the basis on which new funding will be allocated to programs within the ASWAp. Relatedly, while existing financing has been prioritized to cover the top two priority programs, there does not seem to be a prioritization of the activities in the funding gap – only partially in that the those areas with the biggest gaps are said to represent the highest priorities for new funding.

There also seems to be lack of clarity about the current year budget and the degree to which it is consistent with, or captured by, the budget presented in the ASWAp document. This is because the structure of the ASWAp budget is “results based” and generated on the basis of unit cost assumptions for types of activities while the standard Ministry of Finance budget structure is based on expenditure types, and administrative and thematic areas. As a result, it is not clear what targets described in the ASWAp are being achieved by the current year budget. It should be possible to establish what the current funding will achieve and to also present the funding gap in terms of the targets (ha covered, farmers organizations trained), both of which would assist in clarifying where additional resources will be directed.

**Recommendations:**

- a) Develop more detail on high and low priorities for new funding, and link to budget to identify what new funding will achieve in terms of the targets or results established in the ASWAp.
- b) Better articulate what the current 2010/11 budget is “buying” or covering within the program in order to bridge the gap between the current year budget and the proposed ASWAp targets/results.

**C5.5 Agriculture Sector Public Expenditure Review**

A public expenditure review was initiated in 2008 but not completed due to difficulties in finalizing the analysis. The ASWAp has broadly analyzed the public expenditure on agriculture. It can be noted that the Government of Malawi has increased budget share for agriculture from 6.13% in the period 2000-2005 to 15.95% in the period 2006 and 2009. With the implementation of the ASWAp, this share is projected to increase to 24% by the year 2015. This is in line with the Maputo declaration which stipulates that governments must allocate at least 10% of its budget to agriculture. However it is important to undertake the Public Expenditure Review in order to gain a better understanding of budget performance and execution and its relation ASWAp priorities.

**Recommendations:**

- a) An Agriculture Sector Public Expenditure Review should be completed and instituted as a regular exercise in line with movement towards a sector wide approach.

**C5.6 Public financial management capacity**

The proposed ASWAp budget represents an increase over a baseline budget scenario by approximately 48% in real terms (see component 2 above). While this is significant, a substantial portion of this represents the input subsidy program. An assessment on the capacity to absorb extra budgetary resources in the sector does not come out strongly in the plan, however the MoAFS has managed dramatically increasing budget levels with high levels of disbursement since 2006. It can also be noted that the MoAFS has put in place an Integrated Financial Management system that maintains a computerized accounting system which can produce accurate and timely financial management information.

In terms of instruments that guide financial management, the Government of Malawi has the Government Public Management Act (2003), the Public Audit Act (2003), Public Procurement Act (2003), the Treasury Instruction and Desk Instructions to guide all financial matter for the implementation of the ASWAp. It is anticipated that the planned ASWAp budget will increase the budget of the MoAFS by almost 25% and hence use of these instruments is critical to track use of funds. Although the Support Project has been building financial management capacity, this was limited to MoAFS. It is also noted that public financial management capacity building is not prioritized within the ASWAp for districts and other ministries.

**Recommendations:**

- a) Identify the financial management capacity strengthening needed at District, central MoAFS and inter-ministerial coordination levels, and build this in as an investment activity.
- b) It may be necessary to assess to what extent the ministries can absorb the proposed higher expenditure planned levels of capacity.

## **C5.7 Risk assessment**

The ASWAp contains a thorough risk assessment that identifies a number of major risks and proposes some mitigation measures. Policy inconsistency has been identified as a major risk, and the ASWAp is identified as a common and transparent framework for developing evidence-based policy in the future. The strength of the civil service is discussed in light of the high numbers of vacancies (30% rate), and as is outlined in the ASWAp document, addressing this critical issues should be a major component of the capacity building plan. Weather variability and climate change has also been mentioned as a threat to the success of ASWAp. Another important risk is a lack of full stakeholder involvement during program implementation, particularly the private sector.

The social risks related to the impact of the program have not been addressed in the document. For example, there are risks related to gender-based violence as a result of increased competition for resources, increase HIV infection due to increased population movement and wealth, and population dislocation due to large-scale irrigation schemes.

### **Recommendations:**

- a) The Sector working groups should identify those policies most critical to the success of the ASWAp program components and propose concrete steps to harmonize policies with program objectives. It may be useful to identify more mitigation measures for other risks as well.
- b) After the core functional analysis is completed there is need to improve the terms and conditions of service to retain staff.
- c) As indicated earlier in the document, it is important that program design and implementation fundamentally include the private sector and other stakeholders to gradually shift risk through greater involvement in the implementation of the ASWAp.
- d) The ASWAp mainstreaming strategy should develop mitigation measures to address potential social risks of the program.

## **C5.8 Financial and economic assessment (including cost-benefit analysis)**

The ASWAp does not present financial and economic analysis of proposed investments, however this may be because specific investments have not been decided. The ASWAp should mention specific investments and assess the financial and economic viability (including Cost-Benefit Analysis) of such programmes within the investment plan. There is a mention of support to commercial agriculture and therefore, it would be necessary to demonstrate the economic viability of the programmes and of certain investments. This would act as an incentive to the private sector to participate in the implementation of the ASWAp. This would also be important when assessing the potential impact of the plan on beneficiaries and the country (micro and macro level impacts).

### **Recommendations:**

- a) The ASWAp should include a brief description of the viability analysis and screening tools used to develop and prioritize investment activities; and
- b) In undertaking cost benefit analysis for the investment activities, include the estimates of recurrent costs and build them into the analysis.



### **C5.9 Estimate of private sector investment**

The ASWAp does not estimate the financial contribution of private sector. The ASWAp recognizes the critical role of the private sector in focus area two (commercial agriculture, agro-processing and market development), and there are plans (although not yet reflected concretely) in the document for private sector involvement in the GBI. The contribution of private sector especially in financial services, production and marketing would be crucial for the success of Component 2. Although these complementary private sector investments are assumed in the document, these investments may require further analysis and engagement to realize. It is important to capture all of the resources that will be needed for successful implementation of the ASWAp.

#### **Recommendation:**

- a) Finalize private sector engagement and financing strategy that details private sector financial and programmatic contribution to the ASWAp.

**Annexure 1; CAADP Post-Compact Guide – see attachment**

**Annexure 2: Post Review Road Map Template**