



Report No: ICR00006698

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IDA-60480)

ON A CREDIT

IN THE AMOUNT OF SDR 70.1 MILLION  
(US\$95 MILLION EQUIVALENT)

TO THE  
REPUBLIC OF MALAWI

FOR THE  
MALAWI AGRICULTURAL COMMERCIALIZATION PROJECT

January 31, 2025

Agriculture and Food  
Eastern and Southern Africa

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CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2024)

Currency Unit = Malawi Kwacha (MWK)

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MWK 1,743.19 = US\$1

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US\$1.31 = SDR 1

FISCAL YEAR

January 1 - December 31

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**ABBREVIATIONS AND ACRONYMS**

<b>AGCOM</b>	Malawi Agricultural Commercialization Project
<b>AIP</b>	Malawi Affordable Inputs Programme
<b>BCR</b>	Benefit-Cost Ratio
<b>BRS</b>	Business Registration System
<b>CAS</b>	Country Assistance Strategy
<b>CERC</b>	Contingent Emergency Response Component
<b>EIRR</b>	Economic Internal Rate of Return
<b>ENPV</b>	Economic Net Present Value
<b>ESMF</b>	Environmental and Social Management Framework
<b>ESMP</b>	Environmental and Social Management Plan
<b>FM</b>	Financial Management
<b>GDP</b>	Gross Domestic Product
<b>GRM</b>	Grievance Redress Mechanism
<b>HDI</b>	Household Commercialization Index
<b>IFR</b>	Interim Financial Report
<b>ISR</b>	Implementation Status and Results Report
<b>LIMS</b>	Land Information Management System
<b>LMI</b>	Last-Mile Infrastructure
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MFSRP</b>	Malawi Food Systems Resilience Project
<b>MITC</b>	Malawi Investment and Trade Centre
<b>MTR</b>	Midterm Review
<b>PA</b>	Productive Alliance
<b>PAD</b>	Project Appraisal Document
<b>PCG</b>	Partial Credit Guarantee
<b>PCGF</b>	Partial Credit Guarantee Fund
<b>PDO</b>	Project Development Objective
<b>PIU</b>	Project Implementation Unit
<b>PMP</b>	Pest Management Plan
<b>PO</b>	Producer Organization
<b>RPF</b>	Resettlement Policy Framework
<b>STEP</b>	Systematic Tracking of Exchanges in Procurement
<b>TIS</b>	Technical Implementation Services
<b>ToC</b>	Theory of Change
<b>WEAI</b>	Women Empowerment in Agriculture Index
<b>WRS</b>	Warehouse Receipt System



TABLE OF CONTENTS

<b>DATA SHEET .....</b>	<b>i</b>
<b>I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES.....</b>	<b>1</b>
<b>II. OUTCOME.....</b>	<b>5</b>
<b>III. KEY FACTORS AFFECTED IMPLEMENTATION AND OUTCOME.....</b>	<b>13</b>
<b>IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME .....</b>	<b>14</b>
<b>V. LESSONS AND RECOMMENDATIONS .....</b>	<b>18</b>
<b>ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS .....</b>	<b>20</b>
<b>ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION .....</b>	<b>26</b>
<b>ANNEX 3. PROJECT COST BY COMPONENT.....</b>	<b>29</b>
<b>ANNEX 4. EFFICIENCY ANALYSIS .....</b>	<b>30</b>
<b>ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS .....</b>	<b>40</b>
<b>ANNEX 6. SUPPORTING DOCUMENTS.....</b>	<b>44</b>



**DATA SHEET**

**BASIC DATA**

**Product Information**

Operation ID P158434	Operation Name Malawi Agricultural Commercialization Project
Product Investment Project Financing (IPF)	Operation Short Name Malawi AGCOM
Operation Status Closed	Approval Fiscal Year 2017
Original EA Category Partial Assessment (B) (Approval package - 16 Oct 2019)	Current EA Category Partial Assessment (B) (Restructuring Data Sheet - 30 Jan 2023)

**CLIENTS**

Borrower/Recipient Republic of Malawi	Implementing Agency Ministry of Agriculture, Ministry of Finance and Economic Affairs, Malawi, Ministry of Trade
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**DEVELOPMENT OBJECTIVE**

Original Development Objective (Approved as part of Approval Package on 16-Oct-2019)

To increase commercialization of agriculture value chain products selected under the Project and to provide immediate and effective response to an Eligible Crisis or Emergency

Current Development Objective (Approved as part of Restructuring Package Seq No 1 on 26-Feb-2021)

To increase commercialization of agriculture value chain products selected under the Project and to provide immediate and effective response to an Eligible Crisis or Emergency

**FINANCING**



Financing Source	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
World Bank Financing	95,000,000.00	94,385,933.91	95,854,166.27
IDA-60480	95,000,000.00	94,385,933.91	95,854,166.27
<b>Total</b>	<b>95,000,000.00</b>	<b>94,385,933.91</b>	<b>95,854,166.27</b>

**RESTRUCTURING AND/OR ADDITIONAL FINANCING**

Date(s)	Type	Amount Disbursed (US\$M)	Key Revisions
26-Feb-2021	Portal	31.61	<ul style="list-style-type: none"> <li>• Development Objective</li> <li>• Components</li> <li>• Results</li> <li>• Disbursement Estimates</li> <li>• Reallocations</li> </ul>
30-Jan-2023	Portal	76.79	<ul style="list-style-type: none"> <li>• Components</li> <li>• Results</li> <li>• Loan Closing Date Extension</li> <li>• Reallocations</li> </ul>

**KEY DATES**

Key Events	Planned Date	Actual Date
Concept Review	31-Aug-2016	07-Sep-2016
Authorize Negotiations	13-Apr-2017	14-Apr-2017
Approval	23-May-2017	23-May-2017
Signing		02-Feb-2018
Effectiveness	01-Jun-2018	30-May-2018
ICR/NCO	30-Jan-2025	31-Jan-2025
Restructuring Sequence.01	Not Applicable	26-Feb-2021
Restructuring Sequence.02	Not Applicable	30-Jan-2023
ICR Sequence.01 (Final)	--	30-Jan-2025
Operation Closing/Cancellation	31-May-2024	31-May-2024



## RATINGS SUMMARY

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Substantial

## ISR RATINGS

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	28-Sep-2017	Moderately Satisfactory	Moderately Satisfactory	0.00
02	24-Apr-2018	Moderately Satisfactory	Moderately Satisfactory	0.00
03	07-Dec-2018	Moderately Satisfactory	Moderately Satisfactory	3.28
04	29-Jul-2019	Moderately Satisfactory	Moderately Unsatisfactory	3.28
05	26-Jan-2020	Moderately Satisfactory	Moderately Unsatisfactory	12.33
06	13-Apr-2020	Moderately Satisfactory	Moderately Unsatisfactory	22.83
07	22-Oct-2020	Moderately Satisfactory	Moderately Unsatisfactory	26.17
08	12-Apr-2021	Moderately Satisfactory	Moderately Satisfactory	36.61
09	09-Oct-2021	Moderately Satisfactory	Moderately Satisfactory	45.35
10	22-Dec-2021	Satisfactory	Satisfactory	45.74
11	23-Apr-2022	Satisfactory	Satisfactory	52.46
12	23-Oct-2022	Satisfactory	Satisfactory	73.25
13	18-Apr-2023	Satisfactory	Satisfactory	87.32
14	26-May-2023	Satisfactory	Satisfactory	87.70
15	21-Nov-2023	Satisfactory	Satisfactory	93.11
16	29-Jan-2024	Satisfactory	Satisfactory	95.64

## SECTORS AND THEMES

### Sectors



Major Sector	Sector	%	Adaptation Co-benefits (%)	Mitigation Co-benefits (%)
FY17 - Agriculture, Fishing and Forestry	FY17 - Public Administration - Agriculture, Fishing & Forestry	11	27	1
FY17 - Industry, Trade and Services	FY17 - Agricultural markets, commercialization and agri-business	89	27	1

**Themes**

Major Theme	Theme (Level 2)	Theme (Level 3)	%
FY17 - Environment and Natural Resource Management	FY17 - Climate change	FY17 - Adaptation	27
		FY17 - Mitigation	1
FY17 - Finance	FY17 - Finance for Development	FY17 - Agriculture Finance	35
FY17 - Urban and Rural Development	FY17 - Rural Development	FY17 - Land Administration and Management	35
		FY17 - Rural Infrastructure and service delivery	76
		FY17 - Rural Markets	100



**ADM STAFF**

Role	At Approval	At ICR
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## I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

### A. CONTEXT AT APPRAISAL

#### Context

1. **At the time of the project's approval in 2017, Malawi's gross domestic product (GDP) had grown at the average rate of about 4 percent over the previous decade, with significant fluctuating annual growth rates over this period.** Despite robust economic growth in the early 2000s, Malawi's economic performance had declined since 2010, with low GDP growth rates of 2.8 percent and 3.4 percent in 2015 and 2016, respectively. The episodic and volatile economic growth over this period can largely be attributed to a series of exogenous shocks (climate-related disasters such as cyclones and droughts) and persistent macro-fiscal imbalances, including currency devaluations and inflation. Official development assistance budget support to Malawi was suspended in 2013 owing to irregularities in public financial management. This erratic growth had adverse effects on poverty outcomes, with an estimated 70 percent of Malawians living below the international poverty line, surviving on less than US\$1.90 per day (WDI 2016).

2. **Agriculture has been the backbone of Malawi's economy, contributing 25–30 percent of GDP in 2015, employing over 80 percent of the population, and generating 80 percent of national export earnings—yet the sector faced critical challenges.** In 2015, over 99 percent of households engaged in small- and medium-scale production of crops. Rural smallholder farmers, who comprised 80 percent of producers and accounted for 70 percent of agricultural GDP, faced significant challenges, exacerbated by the sector's heavy reliance on rain-fed agriculture and high vulnerability to external and climate-related shocks. Smallholder agriculture was further constrained by weak market links, poor infrastructure, and inconsistent policies which hindered agricultural commercialization efforts. Most farms were too small to independently access markets, with only 18 percent of the 4.2 million smallholders participating in farmer organizations. Additionally, a weak investment and regulatory environment stifled agricultural enterprise development and limited opportunities for value addition. These barriers reduced the volume of agricultural products reaching markets, weakened smallholders' bargaining power, and prevented the sector from achieving its full potential.

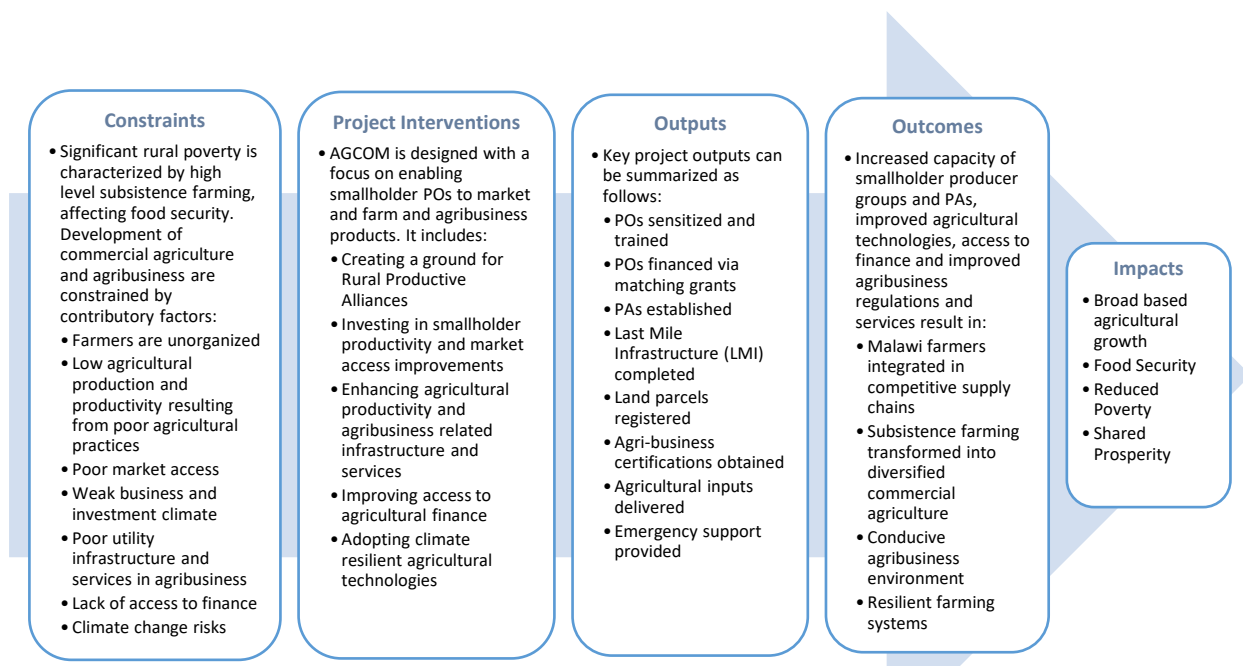
3. **It is against this background that the Government of Malawi requested the World Bank to participate in the formulation and financing of the Malawi Agricultural Commercialization Project (AGCOM, P158434).** The project aimed to increase the commercialization of agriculture value chain products and was designed to allow the market to lead the selection of specific value chains with strong prospective commercial links. The project design was based on the premise that organized farmers are generally better positioned to aggregate and commercialize their output and integrate into domestic and regional value chains, thereby reaping significant market benefits.

4. **Higher-level objectives to which the project contributed.** At appraisal, the project was consistent with the World Bank Group's Malawi Country Assistance Strategy (CAS) (Report 74159-MW [2013–17]), particularly with its themes on (a) promoting sustainable, diversified, and inclusive growth through inclusive private sector growth and competitiveness and (b) increasing productivity and commercialization of agriculture and sustainable management of water resources. It was also aligned with national strategies such as the Malawi Growth and Development Strategy (2011–16), the National Export Strategy (2013–18), the Agriculture Sector-Wide Approach (2011–16), and the National Agricultural Policy (2016), all of which aimed to promote commercial livelihood strategies, economic diversification, and rural poverty reduction through enhanced market liberalization, rural infrastructure, agricultural market information systems and technology, agro-processing, market access, and commodity exchanges.

**Theory of Change (Results Chain)**

5. The Theory of Change (ToC) for the project, developed during appraisal and illustrated in figure 1, posits that agricultural commercialization in Malawi can empower subsistence smallholder farmers by enhancing their participation in diversified and resilient value chains integrated into competitive supply chains. This can be achieved by investments in fostering inclusive rural productive alliances (PAs)—characterized by building producer organizations (POs), linking to offtake markets, improving access to finance, and creating an enabling environment (via last-mile infrastructure [LMI], land tenure security, standards, certifications, and so on) to allow smallholders to seize market opportunities, reduce costs, and aggregate to sell in volume. In the long term, this approach has the potential to create a sustainable pathway for market-led agricultural growth and employment generation, and ultimately enhanced food security, reduced poverty, and improved shared prosperity for this smallholder subset. At appraisal, the project was not intended to include a rapid response mechanism to natural or human-induced disasters. Since a Contingent Emergency Response Component (CERC) was added, an updated ToC would need to capture CERC-related interventions, highlighting its role as a rapid response to crises or emergencies. For this review, the outputs and key assumptions—which are missing in the ToC rendering at appraisal—have been reconstructed based on the Project Appraisal Document (PAD) description.

**Figure 1. AGCOM Theory of Change (as developed at appraisal)**



**Key assumptions within project control:** (a) smallholder farmers are interested in working together through POs and within PAs; (b) qualified service providers and contractors are available; and (c) the matching grant implementation modality, with its 10 percent farmer contribution requirement, is functional and adequate.

**Assumptions beyond project control:** (d) no severe natural disasters during project implementation; (e) a conducive policy environment; and (f) stable macro-fiscal conditions within the country during the project's life-span.

**Project Development Objectives (PDOs)**

6. The PDO was to “increase commercialization of agriculture value chain products selected under the project.”



## Key Expected Outcomes and Outcome Indicators

7. The following outcome indicators aimed to capture progress toward attainment of the PDO: (a) increase in yield of selected commodities by POs participating in PAs, (b) selected agricultural value chain products linked to markets - producer groups that meet market specifications defined by off-takers (% of members women), and (c) increased value of gross sales by producer groups for products of agricultural value chains supported by the project. However, these original PDO indicators were replaced following restructuring.

## Components

### Component 1: Building Productive Alliances (Estimated: US\$62 million; Actual: US\$48.1 million)

8. This component aimed to integrate smallholder farmers into value chains and PAs by enhancing their capacity for productivity investments and meeting market demands.

- **Subcomponent 1.1: Horizontal Alliances (US\$10.3 million):** This subcomponent focused on forming formal POs to enter PAs, with an emphasis on women and youth.
- **Subcomponent 1.2: Productive Alliances (US\$33.3 million):** This subcomponent provided matching grants, Partial Credit Guarantees (PCGs), technical assistance, and credit to enable alliances between POs and PAs.
- **Subcomponent 1.3: Last-mile Infrastructure for Productive Alliances (US\$18.4 million):** This subcomponent invested in infrastructure to support PAs and rural communities.

### Component 2: Support Investment Enabling Services (Estimated: US\$23 million; Actual: US\$14.9 million)

9. This component aimed to support the investment and trade environment to deepen market links and improve financing for PAs and POs (through improved access to markets, provisions for more secure land tenure, and so on).

- **Subcomponent 2.1: Access to Agricultural Financing (US\$7.3 million):** This subcomponent aimed to improve the Warehouse Receipt System (WRS) in Malawi.
- **Subcomponent 2.2: Access to Land for Commercial Agriculture (US\$7.3 million):** This subcomponent aimed to support policies and regulations to increase land access and tenure security for smallholders.
- **Subcomponent 2.3: Support for Business Enabling Services (US\$8.4 million):** This subcomponent aimed to improve the regulatory environment for agribusiness.

### Component 3: Contingent Emergency Response Component (Estimated: US\$0 million; Actual: US\$23.1 million)

10. This component was established as a disaster recovery contingency fund (in accordance with OP/BP 10.00) to be triggered in the event of an eligible crisis/emergency, through a rapid reallocation of resources from other components.

### Component 4: Project Coordination and Management (Estimated: US\$10 million; Actual: US\$10.8 million)

11. This was intended to finance the Project Implementation Unit (PIU) to oversee the implementation of project activities and ensure sound fiduciary management, monitoring and evaluation (M&E), compliance with social and environmental safeguards, communication, and reporting.



## B. SIGNIFICANT CHANGES DURING IMPLEMENTATION

12. **The project was restructured twice over its lifetime.** The first restructuring was a Level 2 restructuring in February 2021 for adjustments in the PDO, Results Framework, budget allocation, and disbursement categories. It reflected the recommendations of the midterm review (MTR) mission conducted in September 2020 and addressed the following areas: incorporating a CERC-related outcome in the PDO statement, strengthening the Results Framework, adjusting components and cost, and updating/reallocating between disbursement categories. The second restructuring was also a Level 2 restructuring in January 2023—following the activation of a second CERC in April 2022, in response to Tropical Storm Ana. It covered changes to the Results Framework and component costs and categories of disbursement. It also included a one-year no-cost extension of the project closing date to May 31, 2024, to allow the project to fully achieve the PDO.

### Revised PDOs and Outcome Targets

13. The PDO was revised to incorporate language that captured the overall expansion of the scope of the project for the inclusion of emergency response activities under the CERC. The revised PDO was to “increase commercialization of agriculture value chain products selected under the project *and to provide immediate and effective response to an eligible crisis or emergency.*”

### Revised PDO Indicators

14. Following the first restructuring, all original PDO-level indicators were replaced by the following four indicators: (a) increase in sales by POs within PAs (to better reflect the Project’s contribution to increased commercialization); (b) value chain products with at least 50% increase in commercialization (to reflect value chain products with the greatest benefits from the project); (c) farmers reached with agricultural assets and services (to reflect the number of farmers that are improving commercialization); and (d) number of beneficiaries of emergency response (to reflect the number of beneficiaries benefiting from CERC). The restructuring provided an opportunity to strengthen the overall results chain by better defining the PDO-level indicators based on an improved understanding of the project.

**Table 1. Changes to PDO Outcome Indicators and Targets**

Action	PDO Indicators	Original Targets	Proposed Targets
New	Increase in sales of POs within PAs	n.a.	15,000 MT/year
New	Value chain products with at least 50% increase in commercialization	n.a.	5 value chains
New	Farmers reached with agricultural assets or services	Nn.a.	40,000 farmers
New	Number of beneficiaries of emergency response	Unspecified	430,000 beneficiaries <sup>a</sup>
Removed	<i>Increase in yield of commodities by supported POs participating in PAs</i>	50%	16,000 MT (moved)
Removed	<i>Producer groups that meet market specifications defined by off-takers</i>	300 groups	Nn.a.
Removed	<i>Value of gross sales from ag. value chain products supported by project</i>	US\$85 million	n.a.

Note: a. This target was 391,000 beneficiaries in the first restructuring and was adjusted to 430,000 in the second restructuring.



## Revised Components

15. Component structure and content remained unchanged; but costs were redistributed among components following the activation of the two CERCs.

## Other Changes

16. **The first restructuring** included a reallocation between disbursement categories, the creation of a disbursement category for CERC expenditures, and an update of disbursement estimates. A CERC envelope of US\$20 million was allocated based on an adjustment of components. Furthermore, several changes were made to the intermediate results indicators. Four new indicators were added: 'number of smallholder households with secure land tenure' (target: 12,000 HHs), 'volume of maize delivered to the National Food Reserve Agency' (volume: 21,000 MT), 'area under irrigation through rehabilitated systems' (target: 2,000 ha), and 'distance rehabilitated or improved under roads' (target: 100 km). Six indicators were adjusted: (a) 'subprojects financed with matching grants' (target changed from 250 to 200 grants); (b) 'loans from financial institutions (FI) supported by the PCG Fund' replaced by 'POs accessing financing supported by the PCG Fund' (target: 50 POs); (c) project-supported agro-business organizations that obtained one or more certifications (target changed from 50 to 15 organizations); (d) 'LMI subprojects implemented' replaced by 'POs benefited by LMI subprojects implemented' (target: 50 POs); (e) 'agricultural actors that receive FI loans by using warehouse receipt' replaced by 'beneficiaries of the WRS' (target: 4,038 beneficiaries); (f) 'agriculture business related reforms undertaken' replaced by 'automatized systems, policies and regulatory instruments implemented to support agriculture business and commercialization' (target: 12 reforms). Three indicators were removed: 'PAs established', 'buyers who fulfill their obligations under the commercialization agreement or business plan of PA', and 'number of warehouses that introduced WRS'. The second restructuring reallocated funds to cover the second CERC as well as project management costs for the 12-month no-cost extension. A CERC envelope of US\$3.7 million was allocated based on an adjustment of components. In addition, a new intermediate indicator was added: 'volume of inputs delivered' (target: 2,145 MT).

## Rationale for Changes and Their Implication on the Original Theory of Change

17. The rationale for the changes was to enhance the project's ability to respond to emergencies while continuing to support agricultural commercialization. The changes were made to better reflect the PDO and to strengthen the Results Framework to improve reporting. These changes did not affect the original ToC which remained applicable throughout the project life.

## II. OUTCOME

### A. RELEVANCE OF PDO

#### Assessment of Relevance of PDOs and Rating

18. **The relevance of the PDO was rated High at appraisal and remained High at project closing.** At appraisal, the project was part of a multipronged effort by the World Bank Group to help Malawi break the cycle of vulnerability unleashed by two years of drought and a resulting severe food security crisis. To that end, the project was prepared in close alignment with an Agricultural Support and Fiscal Management Development Policy Operation (DPO) in Malawi that aimed to catalyze investment financing by addressing binding policy constraints that have amplified the country's vulnerability to climate-induced shocks. The project was also developed in close synergy with the World Bank's Shire Valley Transformation Program - Phase 1 (P158805) which supported the development of large-scale irrigated commercial



agriculture. The goal was for these projects to align closely to contribute to a sustained supply of marketable products for domestic and export markets.

19. The PDO remains consistent with the World Bank Group's Country Partnership Framework for Malawi for the Period FY21–25 (report number 154505), particularly Strategic Area 2 (Promoting Private Sector-led Jobs and Livelihoods), which focuses on 'supporting the shift towards commercial agriculture and creating opportunities for employment'. The project is also aligned with Malawi's current Country Economic Memorandum: A Narrow Path to Prosperity (2023), where the agriculture chapter focuses exclusively on smallholder commercialization. The project's encouraging results and achievements have been acknowledged by the Government of Malawi and broadcast via its mass media channels as well as documented in various academic/analytical studies including those prepared by the World Bank. The PDO's continued relevance is further demonstrated by the project's recognition as a government flagship project that has transformed the landscape of rural commercializing smallholders in Malawi. The project's achievements have significantly influenced Malawi's development vision, Malawi 2063 (MW2063), which prioritizes 'agricultural productivity and commercialization' as a key pillar for achieving its goal of transforming agriculture into a driver of inclusive and sustainable development. AGCOM was also aligned with National Agriculture Policy and National Agricultural Investment Plan as well as the Farmer Organization Strategy, the Agriculture Extension and Advisory Services Strategy, and the Cooperatives and Associations regulatory provisions. Other relevant policy frameworks included the National Export Strategy II.

20. To build on the project's notable achievements, the Government has launched the Malawi Food Systems Resilience Project (MFSRP), locally referred to as 'AGCOM2', as a successor project to scale up activities and further advance the MW2063 agenda. Notably, AGCOM has played a critical role in laying the groundwork for the design and implementation of the ongoing repurposing of the spending allocated to the Malawi Affordable Inputs Programme (AIP) being advanced through the MFSRP through several pilots (an e-voucher system to move toward a more data-driven subsidy allocation through a digital farmer registry and using subsidies to incentivize and guide more productive and sustainable farming practices).

## **B. ACHIEVEMENT OF PDOs (EFFICACY)**

21. The PDO consisted of two parts: (a) increase commercialization of agriculture value chain products selected under the project and (b) provide immediate and effective response to an eligible crisis or emergency. Overall, the project is considered to have fully achieved both outcome areas, with respective PDO and intermediate indicators either substantially met or exceeding their target values.

### **Assessment of Achievement of Each Objective/Outcome**

22. **PDO Part 1: Increase commercialization of agriculture value chain products selected under the project.** This indicator was to be captured in part by the increase in the number of value chain products with increased commercialization (PDO indicator). At appraisal, this target had been set to at least five value chains realizing increased commercialization. By the project's closing date, this had been surpassed with 11 value chains (comprising diversified agricultural products such as fish, baobab palm, banana, pineapples, horticulture, goats, macadamia, tea, beans, poultry, cotton, honey, and dairy) exceeding their sales volumes by 50 percent of baseline figures. In total, the project supported 30 value chains, with the most dominant value chains being soya beans (30 percent), dairy (17 percent), rice (10 percent), honey (7 percent), poultry (7 percent), and horticulture (7 percent). In addition to this, 184 POs within PAs achieved a volume of sales of over 26,000 MT against a target of 15,000 MT (PDO indicator), while the value of sales reached US\$18 million against a project target of US\$10 million (PDO indicator). At project closure, the total number of farmers reached with agricultural assets and services was 72,873 households, exceeding the project target of 40,000 households (PDO



indicator). Overall, the project had an expansive reach of 431,200 beneficiaries in total. The achievement of these PDO indicators demonstrates an increase in agriculture commercialization among project participants.

**Table 2. Summary of the PDO Outcomes and Achievement Status**

PDO Indicators	Unit of Measure	PDO Part	Baseline Value	End Target Value	End Actual Value	Achievement (%)
<b>PDO 1: Increase commercialization of agriculture value chain products selected under the project</b>						
Increase in volume of sales for producer organizations within productive alliances	MT/year	Part 1	0	15,000	26,581 MT per year	177
Increase in value of sales for producer organizations within productive alliances	US\$	Part 1	0	US\$10,000,000	US\$18,154,595	182
Number of value chain products with increased commercialization	At least a 50% increase	Part 1	0	5 value chain products	11 value chain products	220
Farmers reached with agricultural assets and services	Number	Part 1	0	40,000	72,873 farmers	182
<b>PDO 2: Provide immediate and effective response to an eligible crisis or emergency</b>						
Number of beneficiaries of emergency response	Number	Part 2	0	430,000	431,200	110

23. **To assess whether the increases in the commercialization of agriculture value chain products were attributable to the project, a comprehensive impact study was conducted that analyzed data from both beneficiaries and non-beneficiaries of the project.** The study employed a multi-stage sampling technique and covered 15 representative project districts, selected based on the prevalence of the sampled value chains. The process involved the selection of value chains, the identification and random selection of POs, proportionate sampling to ensure that sampling was proportional to the size of the value chains, and the random selection of PO members. A sample size of 2,400 households was used, divided equally between households supported by the project and non-project beneficiary households.

24. **The study found that the increase in commercialization for project participants was higher than for non-participants and that project beneficiaries increased their incomes.** Despite spillover effects in the project implementation areas (with non-beneficiary households showing higher levels of commercialization), project participants had significantly higher gross margins and productivity compared to non-participants in a variety of value chains (beans, soybean, coffee, groundnuts, rice, honey, and dairy). For example, in specific value chains such as groundnuts, participants had an average yield of 1,396 kg/ha (36 percent increase from baseline) and a gross margin of US\$752.4, compared to non-participants' 1,092 kg/ha yield and US\$346.34 gross margin. Similarly for soybean, participants had an average yield of 1,653.8 kg/ha (59 percent increase from baseline) and a gross margin of US\$635.29, compared to non-participants' 1,042 kg/ha yield and US\$334.3 gross margin. Furthermore, the Household Commercialization Index (HDI)—which reflects the extent to which households have engaged in commercial agricultural activities—stood at an outstanding 82 percent, indicating a high level of commercialization in project-supported POs.

25. **Furthermore, the Propensity Score Matching (PSM)—used to assess the quantitative impact of the project on farmer-level indicators—showed significant differences in crop productivity, gross margins, and access to markets and extension services between beneficiaries and non-beneficiaries.** The study showed that beneficiaries had higher asset indexes, and their incomes had improved by 64 percent compared to non-beneficiaries. For example, beneficiary rice farmers earned an average of US\$439.52 per ha more compared to non-beneficiaries, while bean farmers earned 834.8 kg/ha more, and coffee farmers earned 463.3 kg/ha more than their counterparts. On average, project beneficiaries placed



a value of US\$69.72 on their assets, whereas non-beneficiaries valued their assets at US\$41.54, demonstrating a significant increase in asset wealth among beneficiaries.

26. **Overall, beneficiaries reported substantially higher productivity and gross margins per hectare across various value chains and better access to profitable markets, demonstrating attribution of the observed income changes to the project's interventions.** In fact, a beneficiary satisfaction survey, conducted for the whole project, indicated that over 90 percent of beneficiaries across all household types attributed changes in various aspects to the project—including productivity, access to markets, profitability, and value addition.

27. **In addition, the combined effects of increased productivity, production, aggregation, value addition, and collective marketing led to a significant increase in agriculture commercialization among project beneficiaries,** all of which is at the heart of the PA approach. This was facilitated by the success in strengthening POs and creating an enabling environment for well-functioning PAs, fostered through improving PO capacities in governance and agribusiness, including improving their access to structured markets and deepening these market links. Although uptake was slow at the beginning because the PA approach was new to Malawi and the PIU had to undergo a lengthy learning process, at project closing, 365 PAs had been formed, well surpassing the end target of 200. The project enabled increased commercialization in several concrete ways:

- (a) **The project emphasized strengthening the governance and management capacity of POs.** The project focused on training and workshops to equip local entities and beneficiaries with the necessary skills to sustain project initiatives—in particular, helping POs meet market requirements and improve productivity. For example, it employed district agribusiness officers and agriculture frontline staff to help POs develop business plans and link to off-takers; as well as technical implementation service (TIS) brokers to support the delivery of PAs and raise awareness about the project. The project built horizontal alliances to integrate small and medium-scale farmers and vertical alliances to link them with markets and off-takers. Training and capacity-building activities were provided to enhance agribusiness skills, governance, and collective marketing. The project trained 372 POs in bookkeeping, accounting, and procurement, and supported them in registering as cooperatives. This exceeded the project's end-of-year target of 200 PAs. WRSs were implemented to help POs store and manage their produce effectively and trainings on WRSs and structured markets enabled POs to access finance and market information more easily, empowering farmers to make informed decisions and secure better prices for their produce.
- (b) **Project-supported POs were assisted, with LMI providing them with improved access to roads, electricity, and water.** LMI supported by the project included rural warehouses, feeder roads, electricity supplies, potable water supplies, and irrigation schemes, as well as storage facilities, cleaning, and processing equipment to enhance value addition and conserve perishable items, thus maintaining their quality and stretching out the marketing season. These initiatives benefited 39 POs and their communities, significantly improving access to vital services beyond project beneficiaries. The project led to the construction of 260 warehouses and 127 factory structures, which increased tradable volumes of commodities through aggregation and reduced post-harvest losses.
- (c) **The project offered financial services to POs—in the form of matching grants and PCGs—to support capital investments and secure production inputs.** Over the course of the project, the number of subprojects financed with matching grants rose from 120 to 378, well over the target. The project-provided matching grants increased from US\$450–550 per farmer in the initial years to US\$1,200–1,500 as the project progressed. The hiring of TIS brokers also played a critical role in helping POs with resource mobilization strategies.



- (d) **The project enabled POs' access to profitable markets through the establishment of formal business agreements between POs and off-takers.** POs were linked to potential buyers, enhancing their ability to sell produce collectively and secure better prices. Ultimately, a significantly higher proportion of beneficiary farmers (37 percent more than their counterparts) were reported to have access to profitable markets. Focus group discussions conducted by the project revealed that higher returns for beneficiaries were attributed to access to profitable markets and support obtained from the project. For instance, members of the Muona Cooperative in Nsanje had agreements with the World Food Programme as their off-taker for rice, which offered better prices compared to local vendors.

28. **In addition to these four specific enabling project interventions outlined above, the MFSRP provided further support and truly stepped in to build on the project's achievements and scale up the project's interventions based on lessons learned.** POs that have been past recipients are eligible for additional financing under new calls for concepts under the MFSRP as long as basic criteria are met. Furthermore, the MFSRP has supported 33 PO beneficiaries of the project that were affected by the most recent currency devaluation by providing additional financing. This continued support through improvements in access to finance, capacity building, and access to LMI (through the cluster approach of supporting a group of PAs) has ensured longer-term sustainability of project interventions to empower and enable project-supported POs beyond project closure.

29. **Project support for strategic investment enabling services—such as enhanced access to financing, land access and tenure security, and regulatory environment for agribusiness—were critical in bringing about enhanced agricultural commercialization.** In addition to the PCG fund, the project improved farmers' access to financing by training lead farmers in structured market and warehouse receipt financing, training 300 farmers on the use of WRS and structured markets, and engaging the agriculture commodity exchange to train 211 lead farmers in harmonized warehouse commodity standards. In terms of access to land for commercial agriculture, the project piloted aspects of the new legal framework for land administration, ensuring secure land tenure for farmers participating in the matching grant program. The project worked to register land and provide titles to the respective POs, with particular attention given to protecting and strengthening land rights for women and youth. The project supported the Malawi Investment and Trade Centre (MITC) in its mandate to make land available for commercial investments in agriculture. It also strengthened multisectoral links and operationalization of the Land Information and Management System (LIMS). As a result, 97.5 percent of beneficiaries own and cultivate land. Overall, the project has improved access to land for commercial agriculture for beneficiaries compared to non-beneficiaries, leading to higher land ownership, better asset resilience, greater participation in commercial networks, and increased income and productivity. Land tenure security also increased farmer investment in land, adoption of climate-smart technologies, and improved productivity.

30. **PDO Part 2: Provide immediate and effective response to an eligible crisis or emergency.** The project's success in providing timely and effective responses to emergency humanitarian crises was to be captured by the PDO-level indicator 'number of beneficiaries of emergency response'. The project targeted 391,200 beneficiaries in the first restructuring for the emergency response through CERCs, later increasing the target to 430,000 beneficiaries (second restructuring) and ultimately reaching 431,200 beneficiaries. The project triggered two CERCs to address different emergencies over the lifetime of the project, reallocating funds in the amount of over US\$23.7 million for a range of emergency response actions,<sup>1</sup> taking up a significant portion (almost 25 percent) of the overall project budget. It did so

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<sup>1</sup> Following Cyclone Idai in 2019, the project reallocated US\$20 million to fund the Emergency Action Plan, which included rehabilitating irrigation schemes, repairing roads and bridges (15 feeder roads and 12 bridges were rehabilitated, covering approximately 99.7 km), and procuring maize for the Strategic Grain Reserves. In response to Cyclone Ana in 2022, the project reallocated an additional US\$3.7 million to restore agricultural livelihoods by distributing input packs of maize and fertilizer. Cyclone Freddy in 2023 led to further resource reallocation, with US\$35 million redirected from the Malawi Governance to Enable Service Delivery (GESD) Project to address the emergency.



while navigating challenges such as quality issues with procured maize, delays in payment processes, and fuel shortages affecting transportation. The project also faced challenges in terms of ensuring the durability of irrigation infrastructure built as a part of CERC interventions (some which were destroyed by subsequent cyclones), signaling the need to foster strong institutional capacity in irrigation development.

31. **To better understand whether these emergency response interventions were effective in realizing their intended objectives beyond beneficiary reach, beneficiary satisfaction surveys were conducted, in addition to external and internal project evaluations.** Independent beneficiary satisfaction surveys indicated satisfaction levels improving from 86 percent in the 2020/2021 season to 95 percent in the 2021/2022 season and 97 percent in the 2022/2023 season, demonstrating that the interventions were relevant and timely in addressing the immediate food security needs in affected areas. The project implemented certain steps to ensure that the CERC interventions were not only effective but also timely in responding to emergencies and meeting the needs of the beneficiaries. For example, for CERC II during Cyclone Ana, the project conducted a Rapid Needs Assessment to quickly prepare a response plan that helped identify urgent needs and prioritize interventions.

32. **In terms of the types of interventions that the CERCs reallocated funds for, they prioritized livelihoods recovery for beneficiaries in addition to infrastructure rehabilitation in areas affected by the natural disaster and padding grain reserves to enable the Government to respond to the emerging disaster.** For example, CERC II focused on livelihoods recovery for approximately 39,000 households, with the intervention targeting the most vulnerable groups (69 percent women and 31 percent youth) through the distribution of input packs of fertilizer and certified maize seed for winter cropping. Beneficiaries reported that food harvested from winter cropping lasted on average 3.4 months, helping households meet their food needs up to the next harvest. Furthermore, funds were timely utilized in the face of this emergency, with 96 percent of the allocated budget utilized amounting to US\$3,552,000 out of a budget of US\$3,700,000 and benefiting from exchange rate gains which allowed for efficient use of funds. Through a citizen engagement mechanism set up by the project to generate feedback from the communities, 97 percent of the beneficiaries registered indicated a positive reception across both CERCs. This high level of satisfaction was attributed to the effective distribution of inputs, which addressed their immediate food security needs. Overall, the CERC activities brought relief to project beneficiaries, managed to rebuild livelihoods, and contributed to food security and environmental sustainability (for example, by planting 6,310 trees and 14.8 km of vetiver to mitigate erosion and siltation).

### Justification of Overall Efficacy Rating

33. **Overall efficacy is rated Substantial.** The project fully achieved its objective of increased commercialization of agriculture value chain products selected under the project as well as provision of immediate and effective response to an eligible crisis or emergency.

## C. EFFICIENCY

### Assessment of Efficiency and Rating

34. The ex post economic and financial analysis reaffirmed the project's economic viability, yielding an economic internal rate of return (EIRR) of 42.6 percent, an economic net present value (ENPV) of US\$226.2 million, and a benefit-cost ratio (BCR) of 3.3. These results were derived using a cost-benefit approach aligned with the methodology from the design stage but adjusted to incorporate actual implementation data. While slightly lower than the design-stage projections, the outcomes reflect robust economic returns, with the EIRR remaining above the discount rate even under adverse scenarios (see table 3). Key contributing factors to the reduced EIRR and ENPV include a one-year project



extension, lower-than-anticipated adoption rates (82 percent compared to 90 percent at design), marginally lower yields, underperformance of the PGCF component, and implementation delays.

35. The macro-fiscal context of Malawi from 2018 to 2024 also had some influence on project outcomes. High inflation, local currency depreciation, and challenges in accessing finance increased input costs and affected operational efficiency. Nonetheless, the project’s overachievement in beneficiary numbers, which reduced the cost per beneficiary from an estimated US\$215 to US\$200, along with significant job creation, strengthened its overall impact and highlighted its high efficiency.

**Table 3. Sensitivity Analysis**

Sensitivity Analysis ( 25-year period)	Base Case	Costs Increase			Increase of Benefits		Decrease of Benefits			Delay of Benefits	
		+10%	+20%	+50%	+10%	+20%	-10%	-20%	-30%	One Year	Two Years
EIRR (%)	42.6	37.4	33.1	24.4	48.8	55.2	36.8	31.3	26.1	29.7	23.6
ENPV (US\$, millions)	226.2	216.5	206.8	177.8	258.5	290.8	193.9	161.6	129.3	200.6	176.5

36. **Efficiency is rated Substantial.** The economic rate of return is in the range of what would be expected for similar projects, and the sound project design and implementation factors contributed to the project’s efficient use of its resources.

**D. JUSTIFICATION OF OVERALL OUTCOME RATING**

37. **Overall outcome is rated Satisfactory.** The project’s relevance, efficacy, and efficiency are rated Satisfactory.

**E. OTHER OUTCOMES AND IMPACTS**

**Jobs**

38. **Agricultural commercialization fostered through the project had a transformative impact on generating employment opportunities in rural areas.** The impact survey indicated that the project created 16,652 new jobs, including 13,769 temporary and 2,883 permanent positions between POs and off-takers. This represents a 97 percent increase in permanent jobs and a 63 percent rise in temporary jobs compared to baseline figures. Out of the total jobs created, 57 percent were occupied by women.

**Gender**

39. **The project successfully engaged women and youth within agricultural value chains supported by the project, driving greater inclusion and empowerment.** Of the 75,000 households (approximately 350,000 individuals) that the project directly benefited, women made up nearly 60 percent and youth 27 percent. The project put in place targeted initiatives such as women- and youth-only calls for matching grant applications, as well as specialized training programs focused on strengthening their capacity and representation in POs. Women received 57 percent of the project’s matching grants and held over 40 percent of PO leadership roles. The project exceeded its targets by establishing 32 women-only POs (target: 20) and 20 youth-only POs (target: 10). Access to grants enabled many women and youth to launch or expand agricultural businesses, boosting their economic stability. Additionally, 45 percent of women beneficiaries received training in bookkeeping, accounting, business management, and procurement. Comprehensive gender action plans further reinforced gender equality and women’s empowerment in agriculture, particularly in enhancing access to finance.



These efforts contributed to an 84 percent Women Empowerment in Agriculture Index (WEAI)<sup>2</sup> score, reflecting significant empowerment in terms of resource access, decision-making, and income control.

### Institutional Strengthening

40. **The project implemented a number of measures to strengthen institutional capacities and frameworks to advance agricultural commercialization and enable the sustainability of project initiatives.** First, the project included strategic capacity-building interventions targeting a wide range of stakeholders, including government personnel, POs, and other relevant institutions. Specialized training programs were conducted to enhance skills in project management, financial management (FM), value chain development, and environmental and social safeguards—ranging from bookkeeping, accounting, procurement, resource mobilization, data collection, and organization management to governance measures. Governance structures, such as Project Technical and Steering Committees, were established to strengthen oversight and institutional effectiveness. At the district level, the project established technical teams to work directly with POs, consisting of TIS brokers, agribusiness officers, agricultural extension coordinators, and agricultural extension development officers. These interventions ensure the sustainability of the project as these institutions will continue functioning beyond the project’s life-span. Second, the project supported strategic policy and regulatory reforms as well as systems development to enhance the agricultural business environment. It developed and optimized systems such as the Malawi Business Registration System (MBRS) and Investment and Export Promotion Act Regulations which significantly reduced the time required for business registrations. It also focused on the legal framework for land administration, piloting new land laws. Through the MITC, it facilitated access to land with secure tenure for commercial agriculture investments. It also piloted various aspects of the legal framework for land administration enacted in 2016 (including the Land Act, Customary Land Act, Land Survey Act, and Physical Planning Act). The project also developed digital data management systems that will continue to aid district and national governments monitor PO performance beyond project support. Third, the project established several institutional systems for financial inclusion, including PCGs, to derisk smallholder farmers and increase their access to agricultural financing. While initial usage was low, early adopters of PCG such as Mwandama Cooperative in Zomba benefited significantly, accessing substantial loans for working capital. Financial institutions were also trained to increase access to finance for POs while POs were trained to negotiate input and output prices, enhancing their long-term business interactions. Training was also provided to farmers on WRSs and structured markets to improve access to finance

### Food and Nutrition Security

41. **The project has enabled significant improvements in a diverse range of over 30 value chains, which indirectly support enhanced food and nutrition security through increased productivity and profitability**—that is, the rise in income levels at the household level afford better access to nutritious food. The impact survey shows that positive changes—including in food and nutrition security—are attributed to the project by over 90 percent of beneficiaries across different household categories (males, females, and youths). While the primary focus of the project remained agricultural commercialization, the project made efforts in building the resilience of rural communities through education in enhanced agricultural practices; diversification of crop and livestock production including nutrient-dense crops and livestock (such as soybeans 30 percent, dairy 17 percent, poultry 7 percent, and groundnuts 4 percent); increased attention to storage and processing of foods; and sensitization efforts to retain a certain portion of smallholder produce for home consumption, thereby enhancing nutrition and food security.

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<sup>2</sup> The WEAI score measures women’s empowerment and inclusion in the agriculture sector (with a focus on autonomy and decision-making).



## Digital Agriculture

42. **The project's investment in digital capacity has had a transformative impact, driving transparency, efficiency, and growth in agriculture and enterprise in Malawi.** LIMS and Business Registration System (BRS) exemplify the power of digital tools to stimulate private investment and promote sustainable land management. Since its launch in May 2021, LIMS has registered 22,592 households and issued customary land certificates, safeguarding landowners' rights, including those of women. By improving governance, ensuring accurate tenure records, and deterring corruption, LIMS has enhanced land productivity and fostered equitable access to resources. Similarly, the BRS, established in April 2022, has revolutionized business registration for micro, small, and medium enterprises, including farmers. By eliminating bureaucratic barriers, it has enabled streamlined registration and ensured the integrity of certificates, reducing fraud and improving access to financial services. With 21,000 businesses registered to date, the BRS is empowering entrepreneurs. Together, these systems underscore the project's lasting contributions to digital innovation and sustainable development.

## Other Unintended Outcomes and Impacts

43. **Through investments in local infrastructure through the LMI component, the project has resulted in a range of unintended benefits that has been transformational not only for project beneficiaries but also benefited surrounding communities beyond the scope of the project.** The project-supported infrastructure included upgrading of feeder roads, connection of aggregation centers and processing facilities to the national grid and water for sanitation, and irrigation schemes rehabilitation (that is, 27 irrigation schemes, covering 4,076.6 ha, rehabilitated or constructed 27 roads covering 173.5 km, constructed 24 bridges [249 m], 12 clean water supply connected to POs, and connected 6 PAs to the power grid). This has not only enhanced agricultural and commercial activity but also improved general accessibility and transportation within rural areas. It has also stimulated economic activities beyond agriculture, such as trade and services, by connecting rural areas to urban centers and regional markets. This has enabled communities to diversify their business opportunities and has created employment opportunities.

44. **The impressive results of the project and the remarkable cooperation among the Government, World Bank, and international development partners in the country around the agricultural commercialization agenda** promoted by the project has resulted in the establishment of a Multi-Donor Trust Fund (MDTF) in the amount of US\$48 million funded by the European Union (EU) and the embassies of Ireland, Norway, and Belgium. More broadly, the project has fostered improved coordination and collaboration among a range of stakeholders, including government ministries and agencies, private sector entities, nongovernmental organizations (NGOs), and local communities, in addition to the broader international development community in Malawi.

## III. KEY FACTORS AFFECTED IMPLEMENTATION AND OUTCOME

### A. KEY FACTORS DURING PREPARATION

45. **Several elements during project preparation influenced implementation outcomes.** First, the project was anchored in a clear policy framework, most notably Malawi's Growth and Development Strategy (2011–16). Therefore, the project objective was also a top priority of the Government, which actively participated in its formulation. Second, significant work had been done at the district level in identifying potential POs for the first round of project support, since this was a prerequisite to respond to the Call for Concepts. Third, as noted in the PAD (paragraph 60), the project's design had been informed by broad consultations with stakeholders. Fourth, the project drew heavily from lessons learned from other agriculture commercializing projects within and outside Malawi, which gave the project strong technical grounding.



## B. KEY FACTORS DURING IMPLEMENTATION

46. **AGCOM was implemented during a challenging period marked by natural disasters, the COVID-19 pandemic, and economic and political instability.** The project's initial stage faced a number of challenges, including a one-year delay in project effectiveness, as the PIU took time to grasp the project concept and implementation modalities. Other critical challenges faced by the project throughout its life included (a) delays in collecting farmer contributions; (b) the devaluation and subsequent depreciation of the Malawi kwacha, prevailing high inflation over the project period, and shortage of foreign currency; (c) change of government and political instability; and (d) the COVID-19 pandemic and other global challenges, all of which affected asset acquisition, caused increased cost of production and construction materials, procurement delays and issues with infrastructure investment and completion, and access to training and consulting services. Additionally, adverse weather conditions and natural disasters over the project's lifetime damaged crops and affected the profitability of PAs.

47. **Active government support and strategic partnerships with diverse stakeholders were key to the project's successful implementation, despite facing initial setbacks and challenges.** Despite a range of obstacles, the project demonstrated adaptability in implementation. Collaborating with producers, off-takers, service brokers, financial institutions, and independent evaluators—some of whom were contracted as service providers during its implementation—allowed the project to leverage specialized expertise in agricultural technologies, PA development, marketing, and FM. The project's judicious use of independent evaluators and external auditors ensured transparency and enhanced the quality of business plans and cooperative operations. Overall, the multisectoral nature of the project (involving the Ministry of Agriculture, the Ministry of Industry and Trade, the Ministry of Lands, the MITC, the Malawi Competition and Fair-Trading Commission, and the Malawi Bureau of Standards) increased coordination complexity but it also created a good opportunity to anchor commercialization agenda in Malawi. Furthermore, a robust M&E system played a critical role in tailoring capacity-building activities to the specific needs of districts and POs, maximizing their effectiveness.

## IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

### A. QUALITY OF MONITORING AND EVALUATION (M&E)

#### M&E Design

48. **The project's M&E design was Substantial—it effectively supported data collection and analysis to test the ToC and monitor progress toward objectives.** All original outcome indicators were replaced through restructuring and the ToC was not fully comprehensive at appraisal. However, the revised PDO indicators, complemented by other data sources, were well-suited for assessing implementation performance and project impact. Institutional arrangements included baseline and periodic monitoring surveys, internal and external evaluations, and beneficiary satisfaction surveys, ensuring data-driven decision-making during implementation. End-of-project impact assessments further evaluated outcomes and captured lessons learned. The system was backed by adequate staffing and funding, including a full-time M&E specialist within the PIU and support from the Ministry of Agriculture's Planning Division. This comprehensive framework ensured systematic data collection, verification, and utilization, enabling effective tracking of indicators and guiding project execution.

#### M&E Implementation

49. **The project's M&E implementation was Substantial—it was comprehensive and effective, enabling sound monitoring and timely decision-making.** The project faced delays in conducting the baseline study and setting up the



online M&E system. Regular performance tracking of project-supported POs, coupled with external financial audits, ensured accountability and insight into financial performance. A robust data collection system was developed, including a detailed data flow map outlining stakeholder responsibilities, ensuring efficient movement of information from communities to district offices and the PIU M&E Unit. Extensive repositories of quantitative and qualitative data at household and PO levels supported trend analysis and impact assessments. Data collection included both beneficiaries and non-beneficiaries, enhancing baseline comparisons and attribution of project outcomes. Agricultural frontline staff and TIS brokers provided monthly updates, enabling timely identification and resolution of challenges on the ground. The project implemented an online tracking system to monitor the service delivery of TIS brokers in real time, further strengthening accountability. Additionally, the project piloted a Geo-Enabled Monitoring and Evaluation System (GEMS) for 30 subprojects across five key value chains, enabling efficient progress tracking and setting the stage for scaling under MFSRP.

### M&E Utilization

50. **The project's M&E utilization was Substantial and effectively guided project implementation.** This project was a sound example of how M&E can be a powerful tool in effective project implementation, enabling teams to make timely adjustments. Performance monitoring of participating POs informed targeted capacity-building activities tailored to PA-specific needs. Also, data on each PO's profitability helped in identifying the cause of poor performance and implementing solutions to course correct and address ongoing challenges.

### Justification of Overall Rating of Quality of M&E

51. **The M&E system is rated Substantial.** This is based on the adequacy of its design, its effective implementation (especially by allowing attribution), and its usefulness in guiding implementation, especially in addressing POs' needs flexibly and in a well-tailored manner.

## B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

### Environmental Safeguards

52. **The overall Environmental and Social Safeguards rating for the project is Satisfactory.** Based on the project's monthly monitoring of safeguards compliance (including Environmental and Social Management Plan [ESMP] implementation) and field mission visits by the PIU and the World Bank's task team, environmental mitigation measures were generally well implemented at the project sites. Furthermore, the implementation of safeguard activities continuously improved over the course of the project based on procedural adjustments made by the project. The project was assigned Environmental Category B and triggered Environmental Assessment (OP/BP 4.01), and Pest Management (OP 4.09). An Environmental and Social Management Framework (ESMF) was prepared, which identified the potential types of investments; set out the guidelines and procedures to assess the environmental impacts; and contain measures and plans to reduce, mitigate, and avoid adverse impacts and enhance positive impacts. ESMPs and Pest Management Plans (PMPs) were prepared by the borrower during project preparation and project implementation to ensure that potential impacts were properly identified and appropriate mitigation measures were developed and agreed on. Screening for environmental and social impacts of all project investments was conducted according to ESMF requirements. The mitigation measures specified in the ESMPs and the PMPs were well implemented and no environmental, health, and safety incident/accident was reported during project implementation. In addition, the project had several noteworthy environmentally friendly practices.



## Social Safeguards

53. **The overall performance of social safeguards implementation was Satisfactory.** The project triggered Involuntary Resettlement (OP/BP 4.12). A Resettlement Policy Framework (RPF) was prepared to identify potential types of investments; set out guidelines and procedures to assess social impacts; and contain measures and plans to reduce, mitigate, and avoid adverse impacts and enhance positive impacts. The project implementation did not encounter land acquisition or displacement of people. The grievance redress mechanism (GRM) was established early during project implementation. The project maintained the functionality of GRM structures and tracking of grievances (through GRM committees at national, district and community levels). No pending issues were reported by the time the project closed. COVID-19 control measures were adopted consistently throughout the pandemic period. In terms of occupational health and safety (OHS) incidents, two accidents and two fatalities occurred during the lifetime of the project. Root cause analysis (RCA) reports and safeguards corrective action plans (SCAPs) were developed and implemented to prevent further occurrence of similar incidents, and compensations were arranged.

## Fiduciary

54. **Procurement.** The overall project procurement was Satisfactory. All procurement transactions—documents, signed contracts, and acceptance certificates for contracts procured and implemented by the project—were uploaded into Systematic Tracking of Exchanges in Procurement (STEP). The majority of procurements were for works (under Subcomponent 1.3) related to the LMI and first CERC. Procurement delays at the outset of the project—in terms of recruitment and file-keeping—placed initial ratings at Moderately Satisfactory. However, these were mitigated through the implementation of an updated Procurement Plan. At closure, the project had substantially completed the majority of LMI contracts that were approved for implementation, while a few remaining clusters were recommended for implementation in the MFSRP. Furthermore, the project established improved procurement capacity within the Ministry of Agriculture, which is being utilized by the MFSRP.

55. **FM.** The overall project FM was Satisfactory. The FM through project implementation provide reasonable assurance that the World Bank investment was used for its intended purpose. Project audit reports for the fiscal years of project implementation were timely furnished to the World Bank with acceptable quality and unmodified (clean) audit opinion. External audit reports for all the years of the project were clean. All shortfalls noted during implementation and raised in both internal and external audit reports were successfully addressed with the help of the internal audit office of the Ministry of Agriculture. All interim financial reports (IFRs) were also submitted to the World Bank in a timely manner. With the World Bank team’s guidance and supervision, the borrower continued to maintain the project FM work. The project was timely on reporting requirements for both IFRs and audited financial statements. Quality IFRs were submitted on time. Annual work plans and budgets were thoroughly and timely done and shared with the World Bank. Furthermore, the FM arrangements instituted under the project, including the accounting software utilized for transaction processing and reporting, have seamlessly transitioned into MFSRP.

## C. BANK PERFORMANCE

### Quality at Entry

56. **Quality at entry is rated Satisfactory.** The project was fully aligned with a number of government strategies as outlined above. It incorporated lessons from other similar operations on agriculture commercialization and value chain development through PAs. The project’s financial and economic analysis had demonstrated strong feasibility. Adequate social and environmental safeguards were put in place, and all requisite disclosures were made. Risk assessment was thorough and candid, and where possible, mitigation measures were planned (such as strong emphasis on capacity



building for POs). The M&E arrangements were adequate, and provisions for capacity building were made. The composition of the World Bank project preparation team sufficiently reflected the nature of project activities. All these elements gave the project firm technical and institutional grounding.

### Quality of Supervision

57. **Quality of project supervision is rated Satisfactory.** The project team demonstrated effective supervision despite significant challenges, including two cyclones, the COVID-19 pandemic, and repeated devaluation of the Malawi kwacha. Timely support from the Malawi World Bank Office, through regular engagement with the PIU and stakeholders, was critical. The World Bank established robust mechanisms and structures to oversee, guide, and solve implementation issues as they arose, such as initiating fortnightly review meetings when the project was downgraded to Moderately Unsatisfactory in April 2019 due to limited progress in the PA component. These measures accelerated progress, leading to an upgrade by October 2020. The team conducted an average of two formal implementation support missions annually, supplemented by candid mission Aide Memoires with actionable plans. The teams proactively addressed key challenges, including project restructuring. During COVID-19 travel restrictions, the team intensified virtual interactions to maintain momentum. The project team was multisectoral, comprising members from Agriculture and Food Global Practice; Water Global Practice; Finance, Competitiveness, and Innovation (FCI); International Finance Corporation (IFC); Macroeconomics, Trade, and Investment (MTI); Poverty Global Practice; and more, to appropriately respond to the diverse set of activities (from irrigation infrastructure to establishing links to local and regional markets) and find innovative, cross-sectoral solutions.

### Justification of Overall Rating of Bank Performance

58. **Overall World Bank performance is rated Satisfactory, owing to quality at entry and satisfactory project supervision.**

### RISK TO DEVELOPMENT OUTCOME

59. **The overall risk to the development outcome is rated Moderate.** The key risks to the project's development outcomes are identified below, along with mitigation measures in place to enable the long-term sustainability of its interventions:

- (a) **Changes in government legislation could negatively affect commercialization - Moderate.** While Malawi faces a range of macroeconomic challenges (high inflation rates, fiscal deficits, exchange rate volatility, energy and infrastructure deficits, and so on) arising from structural issues, external shocks, and policy constraints, the enabling environment for agricultural commercialization has seen improvements over the course of project implementation, with policy and legal framework adjusted to allow more commercialization. This shift is partially attributable to the project which has been recognized as a government flagship project. In particular, the Government has demonstrated a commitment to reform the AIP, notably through improved targeting of farmers and increased emphasis on increasing commercialization. Despite this progress, certain existing legislation, such as the Control of Goods Act (COGA) and Crops Bills, continue to challenge the commercialization agenda and the involvement of the private sector in agriculture.
- (b) **Risk of adverse developments in some value chains supported by the project - Moderate.** While there may be occasional and/or temporary oversupply in certain commodities, adverse changes in demand for certain commodities will require shifts to other value chains. However, the overall risk to the portfolio of POs formed through project support is not expected to be significant given (i) the diverse range of value chains supported



and (ii) that PAs were formed through an approach that identified smallholder farmers that were responding to market demand—and therefore already engaged in specific value chains—and that were ready and willing to access markets.

- (c) **Risk of PO/PA systems and arrangements disintegrating - Moderate.** Individual farmers of POs risk undermining formal market agreements by diverting commodities to parallel markets offering higher prices. For example, although the project increased smallholder farmers' access to markets and encouraged aggregation and collective marketing, only 52 percent of PAs honored their pre-signed market agreements, indicating an ongoing process in market link sustainability. To address this, member participation mechanisms were strengthened, and extensive sensitization emphasized the benefits of aggregation and collective marketing for achieving economies of scale and accessing structured markets. Another challenge is ensuring proper maintenance of project-acquired PO assets. This risk is lower for assets funded through matching grants, as the required 10 percent cash contribution fostered ownership. Additionally, asset management plans were integrated into POs' annual and multiyear business plans. Yet another challenge is with the PCG, which was a strategic intervention in de-risking smallholder farmers and promoting active participation of commercial banks, as its effectiveness and sustainability have been challenged by low awareness and utilization, limiting opportunities to further deepen financial inclusion after project closure. To bolster overall PO management and governance to address these issues, the project implemented capacity-building initiatives, including FM, business planning, and marketing. Furthermore, to enhance the sustainability of these arrangements, it was agreed with the district-level government authorities that the systems in place would continue to provide oversight over these POs, including through the continuation of capacity-building programs.
- (d) **Risks related to climate change - High.** While susceptibility to climate change and variability—including frequent cyclones and drought—remain high, the project has introduced several interventions that have strong mitigation co-benefits. For example, irrigation schemes and LMI enable communities to engage in climate-smart agriculture practices to diversify beyond rain-fed staples and connect to markets, helping them adapt to the increasing risks.

## V. LESSONS AND RECOMMENDATIONS

60. **The success of the PA approach hinges on targeting the right subset of smallholder farmers—that is, those who are relatively more productive, already mobilizing to aggregate, and have the financial capacity to meet the self-contribution required for matching grants.** By prioritizing farmers who demonstrate readiness for commercialization and a willingness to coinvest, projects like AGCOM foster greater ownership, sustainability, and scalability of outcomes. The coinvestment requirement was key to fostering ownership of the capital assets procured, and promoting sustainability, in addition to increased investment in farming. Also key was the overall mindset change that the project fostered among this subset of entrepreneurial smallholder farmers—partly through investments in awareness and sensitization campaigns—which solidified ownership of assets and ultimately helped amass approximately US\$5 million in smallholder farmer contributions. The PA approach employed through the project demonstrated that this strategic focus ensures that resources are directed toward the subset of entrepreneurial smallholder farmers that can be catalysts in driving agricultural productivity, generating income, and creating jobs when supported with technical and financial assistance to enhance productive capacity, leadership skills, and partnerships with off-takers. Furthermore, empowering commercially oriented smallholders can enable the creation of both on- and off-farm employment due to downstream/multiplier effects—a cornerstone of agricultural transformation. Future engagements and policies should recognize entrepreneurial smallholders as key drivers of rural agricultural growth and economic transformation agenda in Malawi.



61. **Supporting commercially oriented smallholder farmers successfully formalize into PAs requires a comprehensive approach that includes fostering an enabling business and investment environment, to fully unlock their potential** (including through enhanced financial inclusion, land tenure security, and LMI). Improving the business environment through strategic policy and regulatory reforms and systems can accelerate agricultural commercialization by eliminating barriers and creating a conducive environment for investments. The project demonstrated that (a) systems such as those for business registration and investment promotion regulations significantly reduce the time required for setting up businesses; (b) institutional systems/mechanisms (such as PCGs and WRS) to foster financial inclusion by derisking smallholder farmers and increasing their access to agricultural financing is also critical to increasing commercialization prospects; (c) fostering of secure land tenure is a key enabling factor, as it encourages smallholders to invest more confidently in their farming enterprises; and (d) ancillary support for LMI is key in promoting capital investments to drive commercialization and create multiplier effects beyond direct project participants. This sort of comprehensive approach ensures that PAs are better positioned to overcome challenges and achieve sustainable growth.

62. **Targeted interventions are necessary to bridge the gender gap and enhance youth participation in agricultural commercialization.** Deliberate efforts to involve women—ranging from training programs tailored to enhancing women’s skills in agricultural practices and business management, comprehensive gender action plans to promote gender equality, and promoting women’s engagement in value chains—resulted in women constituting 57 percent of the beneficiaries of matching grants and holding over 40 percent of leadership positions in the POs. The project also demonstrated that there is a need for deliberate actions in asset acquisition to align female farmers with their male counterparts. Meanwhile youth accounted for 27 percent of the total project beneficiaries and played active roles in the project, often holding key positions in the POs' executive committees. This was fostered through targeted approaches to involve young people in agricultural activities, such as youth-only calls for grant applications. Special projects geared at promoting youth engagement in high-value agricultural chains, such as coffee, were recommended to attract more youth participation. Linking social media to agriculture and providing a youth platform within the project for sharing experiences and advocating for greater youth engagement were also a few of the targeted interventions.



**ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS**

**A. RESULTS FRAMEWORK**

**PDO Indicators by Outcomes**

Not Categorized								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Increase in sales of producer organizations within productive alliances (Metric tons/year)					15,000.00	May/2024	26,580.60	May/2024
	Comments on achieving targets		Increased productivity resulting from access to modern technologies and good prices especially in dairy and sugarcane led to overachievement of results					
Supplemental sub indicator: Value of sales (Amount(USD))	0.00				10,000,000.00		18,154,594.70	
	Comments on achieving targets		Same as above					
Value chain products with at least 50% increase in commercialization (Number)	0.00	Jul/2017					11.00	May/2024
	Comments on achieving targets		same as above					
Farmers reached with agricultural assets or services (Number)	0.00	Jul/2017			40,000.00	May/2024	72,873	May/2024
	Comments on achieving targets		More Productive Alliances have accessed the grants. The original per capita was at US\$2,500 per farmers but the Project observed access ranged from US\$ 600 -1,500 per farmer hence more resources were available to cover more farmers. The number of farmers has slightly decreased as 7 PA have been transferred to MFSRP due to delays to raise matching contributions					
Farmers reached with agricultural assets or services - Female (Number)								
	Comments on achieving targets		increase in women participation was due to special windows for women and youth					
Beneficiaries of emergency response (Number)								
	Comments on achieving targets		Farmers reached through the CERC					



### Intermediate Indicators by Components

Not Categorized								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Subprojects financed with matching grants (Number)	0.00	Jul/2017			200.00	May/2024	365.00	May/2024
	Comments on achieving targets		More POs reached due to savings due to same reason as above (per capita allocation dropped from US\$2,500 to a range of US\$ 600 to 1,500. As stated above, 7 PAs were moved to MFSRP)					
Youth-based producer organizations accessing matching grants (Number)							19.00	May/2024
	Comments on achieving targets		due to special youth window					
Subproject agreements signed (Number)	0.00				210.00		390.00	
	Comments on achieving targets		As above					
Women-only producer organizations accessing matching grants (Number)	0.00				20.00			
	Comments on achieving targets		Special window for women was opened					
Producer organizations accessing financing supported by the Partial Credit Guarantee Fund (Number)	0.00	Jul/2017					20.00	May/2024
	Comments on achieving targets		PCG uptake is generally slow mostly because Banks are taking long to process loans and sometimes are demanding collateral					
Producer Organizations benefited by last-mile infrastructure subprojects (Number)							56.00	May/2024
	Comments on achieving targets		The number increased due to completion of all LMI projects					
Increase in yield of commodities by supported producer organizations participating in Productive Alliance (Metric tons/year)	0.00	Jul/2017			16,000.00	May/2024	26,580.60	May/2024
	Comments on achieving targets		More POs accessed financing as per reasons provided above					
Project supported Agro-business organizations that obtained one or more certifications (disaggregated by type of certification) (Number)	0.00	Jul/2017			15.00	May/2024	16.00	May/2024
	Comments on achieving targets		As more structures are being completed, more certifications were achieved. In addition, the inclusion of potential SMEs in agriculture has also helped to push the numbers up					
	0.00	Jul/2017			12.00	May/2024	8.00	May/2024



Automatized systems, policies and regulatory instruments implemented to support agriculture business and commercialization (Number)	Comments on achieving targets		The target was revised downwards as some systems selected were being supported by other donors					
Beneficiaries of the warehouse receipt system (Number)					4,100.00	May/2024	2,264.00	May/2024
	Comments on achieving targets		Funds under this subcomponent were re-allocated to other subcomponents as one commodity exchange closed and the other changed its operating mode focusing more now on SMEs and not cooperatives					
Number of smallholder households with secure land tenure (Number)							22,592.00	May/2024
	Comments on achieving targets		More certificates were printed after the LIMs launch in February 2024					
12. Smallholders/farmers/beneficiaries (male and female farmers or businesses) satisfied with services provided by the project (Percentage)	0.00	Jul/2017			80.00	May/2024	97.00	May/2024
	Comments on achieving targets		Figures updated from the Impact Study report					
12.a Female farmers satisfied with services provided by the project, % of all respondents (Percentage)					80.00	May/2024	99.00	May/2024
	Comments on achieving targets		same as above					
Volume of maize delivered to National Food Reserve Agency (Metric ton)					21,000.00	May/2023		
	Comments on achieving targets		An additional 21,000 MT was procured using the GESD CERC, cumulatively 86,000 MT has been procured. This is the maize being used to support households during the lean season that starts October 2023 to March 2024. Numbers of beneficiaries will be updated later					
Area under irrigation through rehabilitated systems (Hectare(Ha))	0.00	Jul/2017			2,000.00	May/2024		
	Comments on achieving targets		This CERC activity was completed					
Distance improved with rehabilitated transport works (Kilometers)					100.00	May/2024		
	Comments on achieving targets		CERC Activity completed					
Volume of inputs delivered to CERC beneficiaries (MT) (Metric ton)	0.00	Jul/2017					2,168.40	May/2024
	Comments on achieving targets		103% achieved. more tons of seed were distributed than the target due to inclusion of OPV seeds					





**B. KEY OUTPUTS**

<b>Objective/Outcome 1: Increased commercialisation of agriculture value chain products selected under the project</b>	
Outcome Indicators	<ol style="list-style-type: none"> <li>1. Increase in sales of producer organizations within PAs</li> <li>2. Value chain products with at least 50% increase in commercialization</li> <li>3. Farmers reached with agricultural assets or services</li> </ol>
Intermediate Results Indicators	<ol style="list-style-type: none"> <li>1. Subprojects financed with matching grants</li> <li>2. Producer organizations accessing financing supported by the PCG</li> <li>3. Producer Organizations benefited by last-mile infrastructure subprojects</li> <li>4. Increase in yield of commodities by supported producer organizations participating in Productive Alliance</li> <li>5. Project supported Agro-business organizations that obtained one or more certifications</li> <li>6. Automatized systems, policies and regulatory instruments implemented to support agriculture business and commercialization</li> <li>7. Beneficiaries of the warehouse receipt system</li> <li>8. Number of smallholder households with secure land tenure</li> </ol>
Key Outputs (linked to achievement of the PDO Outcome 1)	<ul style="list-style-type: none"> <li>• 26,580 MT increase in sales of producer organizations within PAs</li> <li>• 11 value chain products with at least 50% increase in commercialization</li> <li>• 72,873 farmers reached with agricultural assets or services 365 subprojects financed with matching grants</li> <li>• 56 POs benefited by LMI</li> <li>• 26,580 MT increase in yield of commodities by supported POs participating in PAs</li> <li>• 16 project-supported agro-business organizations that obtained one or more certifications</li> <li>• 8 automatized systems, policies and regulatory instruments implemented to support agriculture business and commercialization</li> <li>• 2,264 beneficiaries of the WRSs</li> <li>• 22,592 smallholder households with secure land tenure</li> </ul>
<b>Objective/Outcome 2: Immediate and effective response to an eligible crisis or emergency</b>	
PDO Indicators	<ol style="list-style-type: none"> <li>1. Beneficiaries of emergency response</li> </ol>



Intermediate Results Indicators	<ol style="list-style-type: none"><li>1. Volume of maize delivered to National Food Reserve Agency</li><li>2. Area under irrigation through rehabilitated systems</li><li>3. Distance improved with rehabilitated transport works</li><li>4. Volume of inputs delivered to CERC beneficiaries</li><li>5. Subprojects financed with matching grants</li><li>6. Producer organizations accessing financing supported by the PCG</li><li>7. Producer organizations benefited by last-mile infrastructure subprojects</li><li>8. Increase in yield of commodities by supported POs participating in PAs</li></ol>
Key Outputs (linked to achievement of the PDO Outcome 2)	<ul style="list-style-type: none"><li>• 431,200 beneficiaries of emergency response</li><li>• 65,000 MT of maize delivered to National Food Reserve Agency</li><li>• 2,000 ha under irrigation through rehabilitated systems</li><li>• 100 km improved with rehabilitated transport works</li><li>• 2,168 MT of inputs delivered to CERC beneficiaries</li></ul>



## ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

### A. TASK TEAM MEMBERS

Name	Role
Bobojon Yatimov	Team Leader
Time Hapana Fatch	Team Leader
Efrem Zephnath Chilima	Team Leader
Trust Chamukuwa Chimaliro	Financial Management Specialist
Anthony Aggrey Msendema	Procurement Specialist
Komana Rejoice Lubinda	Procurement Specialist
Mercy Chimpokosera-Mseu	Environmental Specialist
Samantha Germaine Braid	Environmental Specialist
Davies Madalitso Luhanga	Social Specialist
Deliwe Hazel Gama	Procurement Team
Chikondi Nsusa	Team Member
Toshiaki Ono	Team Member
Thokozile Chiwaya Mhone	Team Member
Pierre Olivier Colleye	Team Member
Hawanty Page	Team Member
Jeren Kabayeva	Team Member
Dipti Thapa	Team Member
Valens Mwumvaneza	Team Member
Blessings Botha	Team Member
Asa Giertz	Team Member



**B. STAFF TIME & COST**

Stage of Project Cycle	Staff Time & Cost	
	No. of Staff Weeks	US\$ (including travel and consultant costs)
Preparation		
FY17	65.689	310,826.39
FY18	14.842	46,221.10
FY19	-1.448	-11,339.05
FY20	0.000	2,117.62
<b>Total</b>	<b>79.08</b>	<b>347,826.06</b>
Supervision/ICR		
FY17	2.124	8,130.63
FY18	14.967	98,510.31
FY19	25.715	220,698.94
FY20	42.034	213,838.31
FY21	38.225	167,952.79
FY22	35.666	142,290.65
FY23	23.521	102,276.37
FY24	38.420	159,773.85
FY25	20.446	95,357.16
<b>Total</b>	<b>241.12</b>	<b>1,208,829.01</b>





**ANNEX 3. PROJECT COST BY COMPONENT**

<b>Component</b>	<b>Amount at Approval (US\$, millions)</b>	<b>Actual at Project Closing (US\$, millions)</b>
Component 1: Building Productive Alliances	62.0	48.1
Component 2: Support Investment Enabling Services	23.0	14.9
Component 3: Contingent Emergency Response Component (CERC)	0.0	23.1
Component 4: Project Coordination and Management	10.0	10.8



## ANNEX 4. EFFICIENCY ANALYSIS

1. AGCOM was designed to increase the commercialization of agriculture for targeted farm households and cooperatives in Malawi. The PDO was to improve the agricultural value chains by integrating smallholder farmers into structured markets, enhancing productivity, and fostering a transition to market-oriented farming systems. By addressing systemic inefficiencies in production, marketing, and value addition, the project aimed to promote sustainable economic growth, increase rural incomes, and strengthen resilience to environmental and economic shocks.

2. The project focused on PAs, infrastructure development, and institutional strengthening to create links between smallholders and agribusinesses, enhance market access, and improve the adoption of climate-smart agricultural practices. While the project achieved (and overachieved) most of its physical targets, implementation faced challenges, including delays and external economic shocks, which necessitated a one-year extension to complete critical activities.

### Project Beneficiaries

3. The project primarily targeted smallholder farmers and POs as its key beneficiaries. The project aimed to transform these stakeholders into commercially viable entities capable of engaging effectively with structured markets and agribusinesses. POs were a central focus, with the project supporting their formalization, capacity building, and integration into PAs. The PAs connected POs with off-takers, creating opportunities for mutual benefits through reliable market access, improved production quality, and enhanced competitiveness.

4. Special attention was given to emerging and vulnerable groups, including women and youth, to ensure equitable participation in economic opportunities. The project aimed to reach at least 100,000 farming households, promoting collective action, better governance, and access to finance through mechanisms such as the Partial Credit Guarantee Fund (PCGF). This comprehensive approach was designed to empower smallholder farmers to overcome systemic barriers in the agricultural sector and achieve sustainable commercialization.

### Economic and Financial Analysis at Project Appraisal (2017)

5. At the appraisal stage, the economic and financial analysis projected strong economic viability for the project. The analysis estimated an EIRR of 51 percent and an ENPV of US\$372 million, discounted at a rate of 5 percent. These results were based on optimistic assumptions, including substantial yield increases across key crops, widespread adoption of improved agricultural practices, and full realization of benefits within a six-year period. The BCR was calculated at 4.7, indicating that every dollar invested in the project would generate significant economic returns.

6. The appraisal analysis assumed that yield increases would range from 29 percent to 67 percent for crops such as maize, groundnuts, rice, and soya, driven by the adoption of modern farming technologies, improved irrigation, and enhanced inputs such as certified seeds and fertilizers. A 90 percent adoption rate among targeted beneficiaries was anticipated, reflecting a high level of engagement and uptake. The methodology employed compared 'with-project' and 'without-project' scenarios, with the incremental benefits primarily derived from increased productivity, improved market prices, and reduced post-harvest losses. Sensitivity analysis conducted at the design stage highlighted the project's vulnerability to delays, changes in farmgate prices, and variations in adoption rates, though these were considered manageable risks at the time.



## Economic and Financial Analysis at Completion (2024)

7. The economic and financial analysis at completion followed the same methodological approach as the appraisal-stage analysis, with adjustments to incorporate actual project implementation data and outcomes. The analysis was conducted using a cost-benefit comparison to evaluate incremental benefits generated by project interventions, particularly in improving productivity, market integration, and economic efficiencies across targeted agricultural value chains.

8. To ensure consistency, the completion analysis retained the original assumptions for key variables where applicable. However, actual data from project records, including disbursement schedules, adoption rates, and observed changes in productivity, were used to replace the hypothetical values assumed during the design phase. The analysis quantified net benefits by comparing the 'with-project' and 'without-project' scenarios over the expected life cycle of project investments, applying a 6 percent discount rate in line with World Bank guidelines.

9. Data for the analysis was sourced from the project's M&E system, financial records, and field assessments conducted during implementation. The assessment also accounted for delays in implementation and the one-year project extension, incorporating adjustments for the lag in benefit realization for some components. Sensitivity analysis was performed to assess the robustness of the results under varying assumptions, particularly with respect to changes in adoption rates, farmgate prices, and input costs.

10. The completion analysis also included an examination of unquantifiable benefits, such as institutional strengthening and enhanced resilience to climate shocks, acknowledging their importance despite challenges in monetization. The findings provide a comprehensive evaluation of the project's impact from an economic standpoint, reflecting actual outcomes while maintaining alignment with the original appraisal framework.

## Program Cost and Financing

11. The project was designed with a total budget of US\$95 million, financed entirely through an International Development Association (IDA) credit. In addition, the project anticipated US\$9.6 million in beneficiary contributions to complement the investment costs. These contributions were primarily expected from commercial loans and self-financing by the targeted POs and other value chain actors.

12. The project costs were allocated across four main components. The largest share, US\$65 million, was allocated to Component 1. This component focused on creating sustainable partnerships between smallholder farmers, POs, and agribusinesses, with the aim of improving productivity, market access, and value addition. Component 2 was allocated US\$18 million to address systemic constraints such as access to finance, land tenure, and regulatory bottlenecks. Component 3 was included with a zero initial budget to allow flexibility for reallocation of resources in case of emergencies. Component 4 received US\$9 million to support effective project implementation, monitoring, and evaluation.

13. Although beneficiary contributions were not articulated in other sections of the project documentation, they were estimated and included as part of the economic and financial analysis. These contributions were estimated at 10 percent of total investment costs and were expected to be mobilized through a combination of cash contributions, in-kind inputs, and commercial loans. For instance, matching grants under Component 1 covered up to 70 percent of subproject investment costs, with the remaining 30 percent split between beneficiary contributions and external financing from financial institutions facilitated by the PCGF.



Table 4.1. Project Budget by Components (US\$, millions)

Project Components	Project Cost (US\$ million)
<b>1 Building Productive Alliance</b>	<b>65.00</b>
1.1 <i>Horizontal Alliances (PO Formation)</i>	15.00
1.2 <i>Productive Alliances</i>	32.00
1.3 <i>Last Mile Infrastructure for Productive Alliances</i>	18.00
<b>2 Support Investment Enabling Services</b>	<b>18.00</b>
2.1 <i>Access to Agricultural Financing</i>	7.00
2.2 <i>Access to Land for Commercial Agriculture</i>	6.00
2.3 <i>Support for business enabling services</i>	5.00
<b>3 Contingent Emergency Response Component (CERC)</b>	<b>0.00</b>
<b>4 Project Coordination and Management</b>	<b>9.00</b>
Total project Costs	<b>92.00</b>
Physical Contingencies	<b>1.20</b>
Price Contingencies	<b>1.80</b>
Front End Fees	<b>0.00</b>
<b>Total Financing Required</b>	<b>95.00</b>

14. The project achieved high disbursement rates, utilizing nearly all allocated funds, which demonstrates a very high level of disbursement effectiveness. Table 4.2 presents the actual disbursement details by year, reflecting the project's restructurings and extension, which included budget reallocations between components. These disbursement figures formed the basis for the cost analysis.

Table 4.2. Actual Project Disbursements by Years (US\$)

Component #	Component / Subcomponent Description	DISBURSED							
		July 2018-June 2019	July 2019-June 2020	July 2020-June 2021	July 2021-June 2022	July 2022-June 2023	July 2023-June 2024	July 2024-June 2025	TOTAL
		USD	USD	USD	USD	USD	USD	USD	USD
<b>1</b>	<b>BUILDING PRODUCTIVE ALLIANCES</b>	<b>224,471</b>	<b>896,850</b>	<b>2,145,486</b>	<b>7,468,227</b>	<b>24,918,728</b>	<b>12,933,997</b>	<b>104,982</b>	<b>48,692,741</b>
1.1	Establishment of Producer Organisations and Productive Alliances	193,728	622,541	775,405	2,672,337	3,249,211	2,058,002	3,127	9,574,351
1.2	Consulting Services to Producer Organisations	30,743	274,310	1,256,987	4,345,932	17,074,258	5,655,919	-	28,638,150
1.3	Last Mile Infrastructure Investments	-	-	113,094	449,958	4,595,259	5,220,076	101,855	10,480,241
<b>2</b>	<b>SUPPORT INVESTMENT ENABLING SERVICES</b>	<b>365,363</b>	<b>1,727,842</b>	<b>1,977,610</b>	<b>2,479,002</b>	<b>2,797,566</b>	<b>1,989,977</b>	<b>1,308</b>	<b>11,338,668</b>
2.1	Access to Agricultural Financing	(0)	50,235	398,083	344,287	36,727	66,967	-	896,299
2.2	Access to land for actors in Agriculture Value Chain	302,687	1,329,526	1,258,809	1,206,361	2,021,021	1,363,000	-	7,481,404
2.3	Support for Business Enabling Services for Agribusiness and Farmers	62,676	348,081	320,717	928,355	739,818	560,010	1,308	2,960,966
<b>3</b>	<b>CONTINGENT EMERGENCY RESPONSE</b>	<b>1</b>	<b>8,633,809</b>	<b>10,786,292</b>	<b>131,032</b>	<b>3,292,724</b>	<b>-</b>	<b>-</b>	<b>22,843,857</b>
3.1	Contingent Emergency Response	1	8,633,809	10,786,292	131,032	3,292,724	-	-	22,843,857
<b>4</b>	<b>PROJECT COORDINATION AND MANAGEMENT</b>	<b>639,343</b>	<b>2,306,473</b>	<b>1,678,357</b>	<b>1,953,666</b>	<b>2,786,771</b>	<b>2,326,923</b>	<b>(140)</b>	<b>11,691,393</b>
4.1	Project Management, Activities oversight and Results	595,637	2,207,973	1,567,848	1,770,763	2,557,902	2,181,210	-	10,881,333
4.2	Sectoral and cross Sectoral Coordination with key Sector Agencies	43,706	98,500	110,509	182,902	228,868	145,712	(140)	810,059
	<b>TOTAL PROJECT EXPENDITURES</b>	<b>1,229,177</b>	<b>13,564,974</b>	<b>16,587,745</b>	<b>12,031,927</b>	<b>33,795,788</b>	<b>17,250,897</b>	<b>106,150</b>	<b>94,566,659</b>

## Project Outreach and Physical Achievements

15. The project demonstrated significant progress in achieving its physical targets and delivering on its objectives. As of May 2024, the project achieved or surpassed most of its targets as outlined in the Results Framework.

16. The volume of sales from POs within PAs far exceeded expectations, reaching 26,580.6 MT per year against a target of 15,000.0 MT. Similarly, the value of sales from these POs was reported at US\$18.15 million, surpassing the initial target of US\$10 million. These achievements were attributed to increased productivity, reduced post-harvest losses, and guaranteed market access facilitated by PAs.



17. The number of value chain products that achieved at least a 50 percent increase in commercialization reached 11, significantly surpassing the target of 5. This outcome reflected the project's success in enhancing market integration and value addition across multiple commodities. Farmers directly reached with agricultural assets and services numbered 72,873, well above the target of 40,000, even after a midterm adjustment to the original projection of 100,000 beneficiaries. Matching grants supported 332 subprojects, compared to a target of 200, demonstrating strong engagement from POs and agribusinesses.

18. In terms of infrastructure development, 63 POs benefited from LMI subprojects, exceeding the target of 50. Furthermore, smallholder households with secure land tenure reached 22,592, nearly double the original target of 12,000, as a result of the streamlined adjudication and certification process implemented during the project's final stages.

19. However, some indicators fell short of their targets. For example, the uptake of financing supported by the PCGF was lower than anticipated, with only 20 POs accessing financing against a target of 50. Challenges included delayed implementation, high demands from commercial banks for 100 percent risk coverage despite the project's guarantee of 70 percent, and limited awareness of the fund among stakeholders. Similarly, the WRS indicator was not completed due to systemic issues, including the closure of one commodity exchange and operational challenges faced by the other.

20. **Changes during implementation.** The project underwent two Level 2 restructurings, both closely tied to the activation and management of the CERC. The first restructuring, in February 2021, addressed recommendations from the MTR conducted in September 2020. It included adjustments to the PDO, Results Framework, budget allocation, and disbursement categories. The second restructuring, in January 2023, followed the activation of a second CERC in April 2022 in response to Tropical Storm Ana. This restructuring revised the Results Framework, adjusted component costs and disbursement categories, and extended the project closing date by one year to May 31, 2024, to ensure full achievement of the PDO.

21. Over the course of the project, three CERCs were implemented to assist the Government in disaster response. The first CERC addressed damage from Cyclone Idai through the rehabilitation of irrigation infrastructure and access roads. The second CERC, initiated after Tropical Storm Ana in January 2022, focused on restoring livelihoods by providing maize and fertilizer to affected households. The third CERC, completed by December 2023, procured 100,000 MT of maize to replenish strategic grain reserves, strengthening the Government's capacity to respond to future emergencies.

22. According to the impact study, despite these achievements, the component encountered challenges, including quality issues with the procured maize, which affected the targeted reserves; resistance from local communities to relocating the maize distributed by the Malawi Agricultural Development and Marketing Corporation for emergency responses; delays in payment processes due to the involvement of multiple stakeholders; and fuel shortages that disrupted transportation. Overall, the project spent approximately US\$22.8 million under the CERC.

23. Although the ToC and PDO were revised to include the number of beneficiaries supported through the CERCs, there is limited evidence validating how many of these beneficiaries contributed to the project's primary goal of integrating smallholders into commercialized value chains. This lack of robust beneficiary validation represents a limitation in the impact assessment, which in turn affects the depth and accuracy of the economic and financial analysis at project completion. However, significant progress in increasing sales volumes for POs within PAs suggests that some CERC beneficiaries may have been members of POs. Nevertheless, additionally supported smallholder farmers under CERC were included to the total number of smallholder farm models focused on small-scale staple crop production, such as maize.

24. Overall, the level of satisfaction among beneficiaries with project services reached 97 percent, surpassing the target of 80 percent, with particularly high satisfaction levels reported among women (99 percent). These results underscore the



project’s success in delivering impactful outcomes, despite challenges in a few areas. The project laid a strong foundation for sustainable agricultural commercialization and highlighted areas for improvement in future interventions.

**Table 4.3. Key Physical Achievements of AGCOM Relevant for the Economic and Financial Analysis**

Indicator	End Target	2024 Results
Increase in volume of sales from producer organizations (MT/year)	15,000	26,581
Increase in value of sales from producer organizations (US\$)	10,000,000	18,154,595
Value chain products with 50% increase in commercialization	5	11
Farmers reached with agricultural assets and services	40,000	72,873
Producer organizations benefiting from last-mile infrastructure	50	63
Smallholder households with secure land tenure	12,000	22,592
Producer organizations accessing financing via PCGF	50	20
Beneficiary satisfaction with services (%)	80%	97%

### Methodology and General Assumptions Used in the Analysis

25. The ex post economic and financial analysis followed the same methodology as the appraisal-stage analysis, incorporating adjustments to reflect actual implementation findings and economic conditions during the project period. The analysis included the following methodology and key assumptions:

- Financial analysis aimed to quantify incremental benefits attributable to the project by comparing projections of crop performance with and without the project interventions.
- ‘With-project’ scenarios incorporated realistic estimates of yield increases and modified cropping patterns due to improved access to irrigation, better agricultural inputs, and adoption of best practices. These scenarios reflected the transformative impacts of the project on smallholder farming practices.
- ‘Without-project’ scenarios assumed the continuation of existing cropping patterns and traditional agricultural practices without improvements in infrastructure, market access, or institutional capacity.
- Self-consumption was considered an essential factor, given that most targeted smallholders cultivated between 0.5 and 1.5 ha and often faced food insecurity. The analysis accounted for the significance of self-consumption in household food security, with surpluses sold at different times and prices after harvest. Thanks to the project, the surplus to be sold by the beneficiaries has increased notably.
- All values were expressed in constant 2024 prices, excluding inflation, ensuring an accurate reflection of real economic impacts. Surplus sales were adjusted to reflect market price variations over time.
- Economic values were calculated by applying conversion factors to financial prices. A standard conversion factor of 0.90 was applied, to align financial costs and benefits with their societal value.
- The exchange rate used in the financial and economic analysis is fixed at US\$1 = MWK 1,7433.
- Post-harvest losses were accounted for, with estimates of 5–10 percent for cereals and pulses and up to 30 percent or more for fruits and vegetables. The project’s investments in improved storage and value chain infrastructure were key to mitigating these losses.

<sup>3</sup> The Reserve Bank of Malawi, <https://www.rbm.mw/Statistics/MajorRates>.



- The overall adoption rate of the project was represented by the HCI, which the impact study reported at 82 percent. This high HCI suggests that the project successfully achieved its commercialization objective at the national level.
- Family labor was not considered a financial cost but was assigned an economic value equal to that of hired labor. The analysis assumed that family labor availability was generally sufficient for routine farming operations, with hired labor used only during peak periods.

### Financial Analysis

26. The financial analysis at completion was conducted using the same methodology established at the appraisal stage, with adjustments made to reflect actual findings and data collected during project implementation. The analysis assessed farm-level financial benefits, incorporating changes in yields, gross margins, and cropping patterns observed during the project period.

27. The financial analysis at completion also incorporated findings from the separately conducted project’s impact assessment, which provided clear evidence of productivity and income improvements across key value chains. These results refine the assumptions and projections used at appraisal, ensuring that the completion analysis reflects the actual outcomes achieved by project beneficiaries (see table 4.4).

**Table 4.4. Impact Assessment Results**

Commodity	Productivity (Non-beneficiaries)	Productivity (Beneficiaries)	% Increase	Gross Margin (US\$/unit, Beneficiaries)
Rice	4,397.4 kg/ha	5,081.6 kg/ha	15.6	1,151.87
Soybeans	1,042.0 kg/ha	1,653.8 kg/ha	58.6	635.29
Groundnuts	1,092.0 kg/ha	1,396.0 kg/ha	27.8	752.40
Beans	922.5 kg/ha	1,188.0 kg/ha	28.7	n.a.
Pigeon peas	3,233.0 kg/ha	3,637.0 kg/ha	13.0	681.00
Maize	No significant change	No significant change	n.a.	Marginal improvement
Honey	286 kg/year	1,249.7 kg/year	336.9	404.10
Poultry (Broilers)	646 birds owned	880.8 birds owned	36.4	947.00
Dairy	8.4 liters/cow/day	13.7 liters/cow/day	63.1	408.90

28. **Crop productivity and yields.** Project beneficiaries demonstrated significant yield increases across multiple value chains, driven by improved inputs, better farming practices, and access to infrastructure and markets. For rice, beneficiaries achieved yields of 5,081.6 kg/ha compared to 4,397.4 kg/ha for non-beneficiaries, marking a 15.6 percent increase. Soybean yields saw a substantial improvement of 58.6 percent, rising from a baseline of 1,042 kg/ha to 1,653.8 kg/ha for beneficiaries. Similarly, groundnuts recorded a 27.8 percent yield increase, while beans showed a 28.7 percent increase, with beneficiaries achieving 1,188 kg/ha compared to non-beneficiaries’ 922.5 kg/ha. For pigeon peas, yields rose by 13 percent, from 3,233 kg/ha for non-beneficiaries to 3,637 kg/ha for beneficiaries. However, maize exhibited no significant yield differences due to challenges such as high input costs and climatic variability.

29. Gross margins improved significantly across all major value chains, reflecting the financial benefits of project interventions. For rice, beneficiaries earned US\$1,151.87/ha compared to non-beneficiaries’ US\$712.35/ha, while soybean growers nearly doubled their gross margins to US\$635.29/ha. Groundnut farmers recorded gross margins of US\$752.4/ha versus US\$346.34/ha for non-beneficiaries, a 117 percent increase. Pigeon pea margins rose by 32 percent, from



US\$516/ha to US\$681/ha. For tomatoes, improved storage and market access facilitated notable financial gains, although specific yield data was less emphasized in the assessment. Maize showed marginal financial improvements primarily driven by market access enhancements rather than yield changes.

30. **Livestock and dairy.** For dairy farmers, milk yields increased significantly, with beneficiaries achieving 13.7 litres per cow per day compared to non-beneficiaries' 8.4 litres. Gross margins for dairy farming were US\$408.9 per farm compared to US\$278.1 for non-beneficiaries, representing a 47 percent improvement. Beef production also benefited, with enhanced feeding and health practices contributing to income growth.

31. **Aggregated financial benefits.** At the aggregated level, financial benefits were calculated for the 72,873 farmers reached by the project, including 16,165 smallholder farms, 53,000 market-oriented farms, and a smaller cohort of livestock farmers. Total gross margins reflected improvements across the board, driven by productivity gains, reduced post-harvest losses, and better market links.

32. The analysis also captured the dynamic adjustments in cropping patterns driven by demand and supply conditions. Smallholder farmers transitioned from low-value staples such as maize to high-value crops such as legumes and rice, reflecting the project's influence in promoting commercialization.

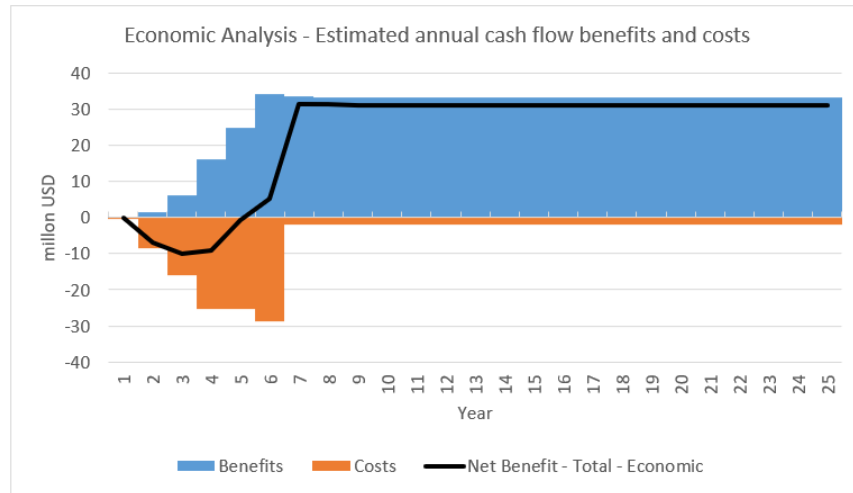
### Economic Analysis

33. The economic analysis aims to assess project impact from the country's stand view and includes the following three steps: (a) converting financial prices into economic values (using the conversion factors and removing the value added tax of 16.5 percent) to assess the real costs and benefits from the social (country) point of view, (b) undertaking economic analysis of the overall project by aggregating all costs and benefits, (c) introducing additional benefits streams (for example, employment creation), and (d) performing a sensitivity analysis.

34. **Jobs created.** While the design stage economic analysis did not explicitly include jobs as a quantifiable component, in the current analysis, they were incorporated into the benefit stream by estimating the incremental income generated for beneficiaries through employment. The project created a total of 16,652 new jobs, comprising 13,769 temporary positions and 2,883 permanent positions, distributed across POs and off-takers. This represents a 97 percent increase in permanent jobs and a 63 percent rise in temporary jobs compared to baseline figures. Temporary positions, particularly those in agricultural production and value chain activities, contributed significantly to household incomes. Permanent jobs provided sustained income and economic stability for beneficiaries, particularly in roles linked to value chain development and PO management. By monetizing the incremental income generated from these jobs, the analysis captured a critical component of the project's economic impact, highlighting its contribution to rural employment generation and improved livelihoods.

35. The ex post economic analysis demonstrated an overall EIRR of 42.6 percent, an ENPV of US\$226.2 million, and a BCR of 3.3, reaffirming the project's economic viability. Sensitivity analysis further highlighted the robustness of economic returns, with the EIRR remaining above the discount rate even under adverse scenarios. Table 4.5 provides additional details on the sensitivity analysis outcomes.

Figure 4.1. Annual Cash Flow (US\$, millions)



Source: Project Economic Analysis, December 2024

Table 4.5. Sensitivity Analysis

Sensitivity Analysis ( 25-year period)	Base case	Costs Increase			Increase of Benefits		Decrease of Benefits			Delay of Benefits	
		+10%	+20%	+50%	+10%	+20%	-10%	-20%	-30%	1 year	2 years
EIRR (%)	42.6	37.4	33.1	24.4	48.8	55.2	36.8	31.3	26.1	29.7	23.6
ENPV (US\$, millions)	226.2	216.5	206.8	177.8	258.5	290.8	193.9	161.6	129.3	200.6	176.5

36. **Unquantifiable benefits.** The project demonstrated a positive impact on nutrition within the project area, with evidence of spillover effects to neighbouring regions. By supporting nutrition interventions aligned with the Malawi National Nutrition Plan, it contributed to improved household food and nutrition security. These outcomes were achieved through diversification of crop and livestock production, validation and dissemination of nutrition-dense crop and livestock technologies, enhanced storage and food processing practices, and increased household-level awareness of nutritional issues. Increases in farm surpluses enabled producers to retain more produce for home consumption, leading to better nutrition levels and reducing reliance on coping mechanisms such as lowering food intake to save cash. However, the lack of comprehensive baseline and endline data on food security and nutrition limited the quantification of these benefits. Further analysis would be required to determine the dietary impacts and their link to changes in agricultural production resulting from the project’s interventions.

37. The benefits of improved access to land, business-enabling services, institutional strengthening, and capacity building were indirectly realized. Capacity-building efforts among direct beneficiaries, along with institutional strengthening supported by the project, enhanced the skill levels of public institutions, enabling them to deliver essential and improved public goods and services more effectively. These institutional benefits were instrumental in ensuring broader project outcomes, including the establishment of PAs with improved access to agricultural financing, land, and other enabling services. While these benefits were not quantified in the economic and financial analysis, they are considered critical to sustaining the project’s long-term impacts and ensuring the effectiveness of commercialization efforts.



## Discussion and Conclusion

38. The slightly lower EIRR and ENPV observed in the ex post (completion) analysis compared to the ex ante (design stage) results can be primarily attributed to several factors. These include the project's one-year extension, from June 2023 to June 2024, a slightly lower actual adoption rate (82 percent compared to the design assumption of 90 percent), marginally lower yields than originally estimated, underachievement in the PCGF component, and delays in implementation.

39. The macro-fiscal conditions during this period also influenced both the costs of inputs and the outputs of the project. Key factors affecting the project's implementation included inflation rates, currency depreciation, and access to finance, which collectively shaped the operational landscape for farmers and stakeholders involved in the project.

40. Although project financing was in US dollars, many agricultural inputs necessary for project implementation—such as seeds, fertilizers, and equipment—are sourced locally and priced in Malawian kwacha. High inflation rates, which peaked at around 22.8 percent in 2022,<sup>4</sup> led to increased local prices for these inputs. This inflation could strain farmers' budgets, potentially reducing their ability to invest in essential resources for production. The costs associated with implementing the project, including salaries for local staff and logistics, are incurred in local currency. The depreciation of the Malawian kwacha further exacerbated these operational costs. For instance, the kwacha experienced a 44 percent devaluation on November 9, 2023, following a prior 25 percent devaluation in May 2022.<sup>5</sup> As of early December 2023, the exchange rate reached approximately MWK 1,750 per US dollar, compared to MWK 1,059 in mid-2023.<sup>6</sup> Such drastic changes complicate financial planning and can lead to budget overruns or reduced effectiveness in executing project activities.

41. Access to finance also posed significant challenges for the project. The fiscal constraints faced by the Government—characterized by high public debt and budget deficits—limited its capacity to support agricultural financing initiatives. Moreover, the project encountered difficulties in securing substantial commitment from commercial banks regarding access to the PCGF. Many banks required farmers to provide collateral for the remaining 30 percent contribution upfront, making it difficult for them to access necessary financing. This situation significantly affected farmers' ability to purchase inputs and invest in their operations.

42. Despite these challenges related to inflation and input costs, the project aimed to improve productivity through various components such as enhancing access to markets and providing matching grants for productive investments. These efforts were designed to increase output levels by facilitating better access to modern agricultural technologies and practices. The project also emphasized building strong market links between POs and buyers. Successful establishment of these links could lead to higher incomes for farmers; however, market volatility due to external economic conditions could pose risks. Additionally, the project focused on promoting sustainable agricultural practices that are crucial in a context where climate change poses significant risks. By enhancing resilience through improved agricultural techniques and resource management, the project aimed not only at immediate outputs but also at long-term sustainability of agricultural production in Malawi. The value for money of the project demonstrated high efficiency. Due to an overachieved number of beneficiaries, the cost per beneficiary improved from US\$215 to US\$200 at completion.

43. Overall, the macro-fiscal landscape of Malawi from 2018 to 2024 played an important role in shaping the project's outcomes. While high inflation and local currency depreciation increased input costs and posed challenges for farmers, ongoing fiscal constraints may continue to limit the effectiveness of such initiatives unless addressed through improved

<sup>4</sup> Inflation, GDP deflator (annual %) - Malawi, World Bank data. <https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=MW>.

<sup>5</sup> FAO (Food and Agriculture Organization). 2023. *Malawi: Economic Overview*.

<https://openknowledge.fao.org/server/api/core/bitstreams/1fc6527-d70a-423c-8483-a741bb1c3794/content/referencing.html>.

<sup>6</sup> The Reserve Bank of Malawi, <https://www.rbm.mw/Statistics/MajorRates>.



governance and FM strategies. Furthermore, barriers related to access to finance—particularly concerning collateral requirements from commercial banks—further complicated farmers’ ability to benefit from the project’s initiatives. Overall, while project financing is secured in US dollars, local economic conditions still influenced its implementation. Nevertheless, overachievement in most physical targets and significant job creation helped maintain a high level of efficiency for the project.



ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

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23<sup>rd</sup> January, 2025

Mr. Firas Raad  
Country Manager,  
World Bank Country Office,  
P.O. Box 30557  
Capital City,  
Lilongwe, MALAWI

Dear Mr. Raad,

**Subject: Government of Malawi Feedback on World Bank Agricultural Commercialization Project (P158434) Implementation Completion Report**

On behalf of the Government of Malawi, I would like to express my appreciation for sharing the comprehensive Implementation Completion and Results Report (ICRR) on the Agricultural Commercialization Project (P158434) for review and feedback. The report provides an insightful and detailed analysis of the project's progress, achievements, and challenges, offering valuable perspectives on the overall impact of the project.

We are pleased to acknowledge that the project has been **highly successful** in achieving its core objectives, particularly in the areas of enhancing agricultural productivity, improving market access, and supporting smallholder farmers transition from subsistence to commercial



farming. The following key successes are particularly noteworthy which are accurately captured in the report:

- 1. Increased Agricultural Productivity:** The project has effectively contributed to the adoption of modern farming practices, resulting in improved yields and higher incomes for smallholder farmers. For example, in 2023 agricultural season the project achieved a 26.5 metric ton increase in annual sales volume and USD 18.1 million dollars in value of sales.
- 2. Market Access and Commercialization:** The strengthening of value chains and better market linkages for agricultural products has created new opportunities for farmers to access markets and secure better prices. It financed 365 producer organizations in matching grants with a total of USD 26.2 million to support acquisition of capital assets. Farmers utilized part of these funds to acquire 260 warehouses, 127 factory houses, 107 tractors and accessories, over 5,000 dairy cows, and various other equipment and machinery, enhancing their business operations and contributing to economic growth. This has led to increased income generation and greater economic stability for smallholders.
- 3. Capacity Building and Institutional Strengthening:** The project's focus on building local capacity, through training and strengthening institutions at both local and national levels, has played a crucial role in ensuring the sustainability of its outcomes. The support provided to farmer organizations has helped improve their ability to engage in collective marketing and advocacy. A total of 390 producer organizations were capacitated with various skills

We also appreciate the clear summary of issues and challenges encountered during the project's implementation, including:



1. **Limited Access to finance for working capital** due to underutilization of the Partial Credit Guarantee Fund (PGCF) component. In addition to late start and limited sensitisation of the PCG, the commercial banks' insistence for farmers to provide collateral for the remaining 30% not covered by the PCG (PCG only guaranteed 70% of the loan default value), created another huddle for the smallholder farmers. Failure to adequately utilise the PCG negatively impacted the farmers' ability to purchase inputs and manage other operational costs.
2. **Devaluation and subsequent depreciation of the local currency (Malawi Kwacha)**, prevailing high inflation over the project period (2018-2024) and scarcity of forex created more pressure on the economy including price escalation that increased cost of production and construction materials.
3. **Sustainability Concerns:** While the project has kick-started and achieved significant strides in commercialising smallholder agriculture in Malawi and building the necessary national capacities and strategic investments in mindset change; resilience-related infrastructure such as irrigation, roads and bridges need to still be prioritised in order to consolidate and sustain the gains over the long-term. Strong private sector participation also needs to be encouraged and supported.

**One key lesson**, that needs to be highlighted and sustained is project's contribution to **Mind-Set change** among smallholder farmers. This is very much in line with MW2063. The farmers were required to make a 10 percent cash contribution of the total sub-project budget. This aimed to strengthen groups' ownership of assets. Farmer contribution concept faced some resistance in Malawi, especially that smallholder farmers are quite used to handouts. With much investment in awareness and sensitisation campaigns, including showcasing smallholder groups that



were early adopters, the project managed to achieve a mindset change. Despite such resistance at the start of the project, it is exciting to report that smallholder farmers managed to contribute approximately US\$5m to co-finance the sub-projects. The good news is that most of subsequent commercialisation projects in Malawi, including the Malawi Food Systems and Resilience Program (MFSRP), are now building on this mindset change and, therefore, demanding farmer contribution.

We are confident that the insights provided in the ICR will also serve as a valuable foundation for designing and implementing similar agricultural programmes aimed at fostering long-term agricultural development and economic growth in Malawi and beyond

Once again, we would like to thank the World Bank for providing not only the financial but also, strategic technical support which has ensured that the project delivers its intended objectives and goals.

We look forward to continued cooperation and the successful implementation of the current Malawi Food Systems Resilience Program and other similar interventions.

Yours sincerely,

Engineer Geoffrey Mamba

**For: SECRETARY FOR AGRICULTURE**

Copy: The Secretary to the Treasury

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## ANNEX 6. SUPPORTING DOCUMENTS

- **AGCOM Media Links:**
  - <https://www.agcom.gov.mw/>
  - <https://www.youtube.com/@agcomproject6838/videos>
  - <https://www.facebook.com/people/Malawi-Agricultural-Commercialisation-AGCOM-Project/100063860865065/>
- **Samples of Media Coverage:**
  - <https://mwnation.com/agcom-project-transforms-peoples-economic-livelihoods/>
  - <https://mwnation.com/youth-organisation-in-job-creation-drive/>
  - [https://www.nyasatimes.com/agcom-cerc-project-turns-balaka-into-food-basket-district/#google\\_vignette](https://www.nyasatimes.com/agcom-cerc-project-turns-balaka-into-food-basket-district/#google_vignette)
  - [https://www.nyasatimes.com/malawis-remarkable-progress-in-driving-sustainable-development-highlights-from-agenda-2063/#google\\_vignette](https://www.nyasatimes.com/malawis-remarkable-progress-in-driving-sustainable-development-highlights-from-agenda-2063/#google_vignette)
- **Blogs and Feature Stories:**
  - <https://blogs.worldbank.org/en/nasikiliza/commercial-smallholder-farmers-malawi-challenge-conventional-thinking-about-agriculture>
  - <https://blogs.worldbank.org/en/africacan/amid-global-food-crisis-commercial-small-farmers-offer-hope-malawi>
  - <https://blogs.worldbank.org/en/nasikiliza/investing-women-can-accelerate-progress-malawis-resilient-food-systems-afe-0324>
  - <https://blogs.worldbank.org/en/youth-transforming-africa/achieving-gender-and-youth-inclusivity-malawi-through-productive>
  - <https://blogs.worldbank.org/en/nasikiliza/new-pathways-commercialize-agriculture-malawi>
  - <https://www.worldbank.org/en/news/feature/2022/12/14/malawi-s-agricultural-commercialization-for-rural-economic-growth-and-job-creation>
  - <https://www.worldbank.org/en/news/immersive-story/2022/10/17/putting-africans-at-the-heart-of-food-security-and-climate-resilience>
  - <https://www.worldbank.org/en/news/feature/2022/05/02/in-malawi-young-farmers-soar-with-agricultural-commercialization-matching-grants>
- **Other referenced material:**
  - AGCOM Impact Assessment Report, January 2024
  - AGCOM Midterm Evaluation Report, September 2020
  - AGCOM Baseline Report, October 2020
  - AGCOM Baseline Report on Land Reform, August 2021
  - AGCOM Beneficiary Satisfaction Survey Reports, January 2024
  - AGCOM Completion Report by the Ministry of Agriculture, July 2024
  - AGCOM Project Appraisal Document, May 2017
  - AGCOM Restructuring Papers



- AGCOM Project Progress Reports
- World Bank Aide Memoires and Implementation Review and Support Missions, 2018–2024
- World Bank AGP2 Implementation Status and Results Reports (ISRs), 2018–2024
- AGCOM: Success Stories Compilation (YouTube videos, newspaper articles, and so on)