



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 21-Apr-2017 | Report No: PIDISDSA20938



BASIC INFORMATION

A. Basic Project Data

Country Malawi	Project ID P158434	Project Name Malawi Agricultural Commercialization Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 13-Mar-2017	Estimated Board Date 23-May-2017	Practice Area (Lead) Agriculture
Lending Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Economic Planning and Development	Implementing Agency Ministry of Agriculture, Irrigation and Water Development, Ministry of Industry, Trade and Tourism	

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Proposed Development Objective(s)

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

Components

- COMPONENT 1: BUILDING PRODUCTIVE ALLIANCES
- COMPONENT 2: SUPPORT INVESTMENT ENABLING SERVICES
- COMPONENT 3: CONTINGENT EMERGENCY RESPONSE COMPONENT (CERC)
- COMPONENT 4: PROJECT COORDINATION AND MANAGEMENT

Financing (in USD Million)

Financing Source	Amount
International Development Association (IDA)	95.00
Total Project Cost	95.00

Environmental Assessment Category

B - Partial Assessment

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

No



Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Malawi is a landlocked country bordering Tanzania, Zambia and Mozambique. With a land area of 118,484 square kilometers and a population of slightly more than 17.6 million in 2016, Malawi is one of Southern Africa's most densely populated countries. The country's population growth rate averages 2.8 percent per annum, and the country's young and growing population are expected to reach 20 million by 2025. Malawi is a low income and agro-based economy with 85 percent of its population living in rural areas with economic activity revolving around primary agriculture commodities. The majority of the people of the country engage in smallholder, rain-fed agriculture production. Agriculture accounted for 30 percent of Malawi's GDP as well as 80 percent of export earnings (mainly from tobacco) in 2015.

The high-level subsistence farming is a key factor behind poverty in Malawi. According to the third Integrated Household Survey, absolute poverty at national level declined only marginally from 52.4 per cent to 50.7 between 2005 and 2011. Although poverty in urban areas reduced from 25.4 to 17.3 percent, this was counterbalanced by a worsening rural poverty from 55.9 to 56.6 percent and an increase in the rural-urban divide. Malawi's Gross National Income (GNI) per capita (constant 2010 US\$) was estimated at US\$476.6 in 2015. The Human Development Index was estimated at 0.445 in 2014, positioning the country at 173 of the 188 countries. The World Economic Forum's Global Gender Gap Index 2016 places Malawi with index 0.7 at 67 of the 144 countries.

Real per capita Gross Domestic Product (GDP) has seen minimal improvements over the years. In 2015, the country's GDP per capita stood at US\$493.7. Growth outcomes have been characterized by episodic spells and recurring volatility with little significant dent on poverty outcomes. The country's annual real GDP growth averaged 7.0 percent between 2006 and 2010. This robust growth was largely supported by sound economic policies. However, the growth slowed down to 1.9 per cent in 2012 because of persistent external imbalances compounded by the reduced donor inflows, fuel shortages, low tobacco proceeds together with other supply-side bottlenecks. Public finance management irregularities led to the suspension of Official Development Assistance (ODA) budget support to Malawi in October 2013.

In 2015, Malawi recorded GDP growth rate of only 2.8 per cent largely due to flooding in southern districts followed by a countrywide drought resulting in a contraction to agricultural production. An uncertain macroeconomic outlook and a strengthening US dollar resulted in the sharp depreciation of the Kwacha, by more than 30 percent during the second half of 2015. This placed pressure on inflation and by November 2016, the average annual headline inflation rate stood at 19.9 percent. The country has experienced of over 20 percent inflation for four straight years.



Sectoral and Institutional Context

Agriculture sector is the backbone of Malawi's economy. It accounts for 30 percent of Gross Domestic Product (GDP) and generates over 80 percent of national export earnings. Between 2005 and 2011, over 80 percent of the country's total exports were agricultural commodities, primarily tobacco, sugar and tea. Tobacco represents about 60 percent of Malawi's total exports. Agriculture employs 64.1 percent of the country's workforce comprising mostly the smallholder subsistence farmers. Agriculture also significantly contributes to the national and household food security and nutrition.

Malawi's agriculture sector is dualistic, comprising of smallholder and the estate sub-sectors. More than 99 percent of households are involved in smallholder subsectors, contributing 80 percent of overall production and 70 percent of agricultural GDP. The smallholder cultivates 6.5 million ha of land that constitutes 85 percent of the total land. Smallholder farmers mostly grow food crops such as maize, rice, and legumes and cash crops such as tea, tobacco, sugarcane and coffee.

The estate subsector in Malawi mainly focuses on the production of cash crops such as tobacco and tea. The estate subsector is run by less than 1 percent of households (30,000 households), but contributes 20 percent of the agricultural production in Malawi. The estate subsector cultivates 1.2 million ha of land, which constitutes 15 percent of the total land under cultivation. The estate subsector faces pressing challenges of underutilization of land and expiry of registered land titles; 90 percent of estate land titles in Malawi has expired. Considering this situation, Ministry of Lands, Housing and Urban Development is making efforts to release valuable but underutilized estate land for new commercial agricultural investment and productive use of the land.

Between 2005 and 2015, land under medium-scale holdings has increased by 49.1 percent, and now constitute slightly more than 10 percent of the total land area under cultivation in Malawi. This is truly remarkable in a country where the majority of rural people face acute land scarcity and where household poverty is highly correlated with small farm size. The medium scale farmers tend to live in urban areas, are relatively well educated, and are mostly current or former government employees, who have financed their land acquisitions from non-farm income. The medium farmers have been found to cultivate only 40 percent of their land compared to almost 100 percent for farms in the 0-5 hectare category. These farmers have been responsible for an increased share of marketed surplus in Malawi.

Agriculture production and productivity has generally been below the country's potential and not sufficient to match growing domestic demand and export markets. Maize yields – the country's dominant crop in terms of land use and food security – are below yield potentials of between five and ten MT per ha (a yield gap of three to eight MT per ha). In the case of oilseeds, average yields are approximately one MT per ha compared to a potential of about two MT per ha. The low yields are a result of climatic and systematic constraints, among other factors. Most of the areas of the country have been exposed to frequent climatic shocks of floods and prolonged dry spells. In addition, the systematic factors such as low adoption of agricultural technologies, low access to farm inputs, low mechanization, low technical labor skills, limited access to finance, weak linkages to markets, and limited irrigation among smallholder farmers have been responsible for the low productivity. Land for agriculture in Malawi is limited. Smallholder farmers cultivate small and fragmented land holdings of less than one hectare (on average 0.61 ha) and produce lower crop yields than those in the estate subsector.

Malawi has a single cropping cycle. Only 4 percent of the cropland is under irrigation or 104,000 ha (2014). Of this, about 46 percent is estate land and 54 percent is smallholder land. About 56,600 smallholder households or 3.3 percent of rural households have access to irrigation schemes. The contribution of irrigation to agriculture GDP is between 7



percent and 12 percent and to the economy as a whole of between 2 percent and 4 percent. The smallholder irrigation is of particular significance to food and nutrition security, rural income generation and rural poverty reduction.

Agricultural commercialization is constrained by poor market systems and unorganized farmers. Agricultural markets in Malawi are undeveloped, especially in rural areas. There are inadequate infrastructure for efficient agricultural marketing, limited access to and poor quality of marketing service provision, and policy incoherencies that negatively affect marketing. Farmers' organizations are still nascent. Only 18 percent of the 4.2 million smallholder farmers in Malawi belong to some form of functional farmer organizations.

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

There has been a steady but slow increase in private sector investments and opportunities for structured trade. Limited public and private investments in transport, storage, electricity, financial products, and quality standards have overtime inhibited farmers' efficiency and competitiveness in both local and international markets. Trade warehousing and commodity exchange platforms operating in the country offer improved trade opportunities for farmers. Using these platforms, farmers and traders sell their produce through a network of certified warehouses, and gain access to financing through a warehouse receipt system.

Malawi trade is highly concentrated to agricultural commodities. Tobacco, sugar, and tea are the dominant export products. Malawi Trade is concentrated on few destinations/origins, channeled through few sea route ports of Dar-Es-Salaam in Tanzania, Nacala and Beira in Mozambique and Durban in South Africa. The largest trading partner remains South Africa. Trade of agricultural commodities is dominated by a very small number of large firms with transportation of these commodities through the road network system.

High value and processed products have been emerged both on the domestic market and in exports products. Processed legumes (e.g. dhal) and livestock products (e.g. dairy) are the focus sectors under the agro-processing area in the NES. In addition, the increasing domestic demand of the various products is making horticultural production popular among farmers. Supermarkets in Malawi are capacitating farmers for horticulture production, and there is potential for substituting some of the horticulture produce that the country has an added advantage.

However, value addition in agricultural sector is constrained by a weak business and investment climate. In 2014, the annual average capacity utilization of enterprises in Malawi was 69 percent and annual labor productivity was equally low. Malawi continues to register slow progress in critical areas of economic recovery and competitiveness such as trading across borders, access to electricity, starting a business, and others. Even though the country has shown



improvement in the 2017 Malawi Doing Business Report compared to previous year, it is still lowly ranked at 133 of the 190 economies ranked countries. Improvements to the business environment can be made in areas of getting electricity, getting credit and starting business.

Access to finance comes out as the top most business obstacle in Malawi. Despite the reduction of average inflation rate for the country from 38 percent in 2013, to 22.6 percent in 2016, interest rates are still very high at around 40 percent per annum in the commercial banks and ranging between 50 and 80 percent per annum in the microfinance and informal banking systems. As a result, few firms have lines of credit, and use banks to finance investments. The financial sector is relatively small and focuses on a narrow range of products.

Access to land and security of tenure is another challenge to commercialized agriculture. Around 15 percent of the land in Malawi is either private or public, and around 85 percent is customary. Malawi Land laws had not provided for customary land registration until 2016. Though customary land is the main support to agricultural activities, lack of a proper regulatory framework and increased tenure insecurity has highly deterred agricultural investments. However, Malawi has made efforts to improve access to land through signing for the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) and the Principles for Responsible Investment in Agriculture and Food Systems (RIA). Malawi has also developed Customary land law and reviewed all other land related laws to improve land tenure security.

Malawi's national electrification rate stands at less than 10 percent with electrification in the rural areas being much lower at 2 percent. The main source of power is from hydropower generated predominantly from the Shire River. The Electricity Supply Commission of Malawi (ESCOM) has an installed generation capacity of 365 MW against forecasted demand of about 440 MW. Due to the effects of climate change, the country has experienced prolonged drought over the last two years, and water levels in Lake Malawi and the Shire River have significantly dropped, leading to much lower generation than the installed capacity. The cost of the electric power in Malawi is 8 cents/ unit, which is significantly lower than the Sub - Saharan Africa average of 15 cents/ unit.

Weak institutional and regulatory framework poses a challenge to agricultural enterprise development. Regulatory barriers, high transaction costs and non-transparent procedures hamper new entrants. Bribes and bureaucracy in getting services such as operating license, construction permit, or getting connected to electricity grid or water are a challenge. In addition, theft and vandalism are frequent risks for enterprises. Malawi generally face high costs of trade, coming from high tariffs and non-tariff barriers, regulatory costs, border challenges as well as high transportation costs.

There are significant gender gaps in the agriculture sector in Malawi. Women produce 25 percent less (in terms of gross value of output) per hectare than from plots managed by men. In total, these differences amount to \$100 million annually. Women use lower levels of agricultural inputs such as improved seeds, inorganic fertilizer and extension services compared with men. This disparity accounts for more than 82 percent of Malawi's gender gap in agricultural productivity. Differences in the quality of these inputs and the returns they yield drive the remainder of the gap. The remaining 18 percent of the gender gap is driven by differences in returns to the use of household adult male labor, and the application of inorganic fertilizer.

The National Youth Policy states that the youth in Malawi are increasingly completing their education with very little prospect of securing a job, or engaging in entrepreneurial activities, in particular in rural areas where under-employment and poverty is more prominent. One of the reasons for unemployment and poverty among the youth is lack of skills training. The youth unemployment rate rose from 13 percent in 2005 to 15 per cent in 2011. These youth unemployment rates were higher than those for the rest of the population.



Malawi Demographic and Health Survey (DHS, 2016) showed very low rates of stunting, underweight and wasting, at 37 percent, 12 percent and 3 percent, respectively. The Malawi National Nutrition Policy (2016 - 2020) aims at addressing the nutrition problem in the country, including taking into account the multi-sectoral and multi-dimensional nature of nutrition and the linkages among key implementing sectors, such as agriculture.

Malawi is susceptible to climate change and variability. Observed changes in climate include a shift in the rainfall pattern, with later onset and cessation of rains, as well as increases in the length of the dry season and reductions in the length of the growing season. Over the past two decades, drought and flood events have increased in frequency, intensity, and magnitude with negative consequences for food and water security, water quality, and energy.

Climate-related production risks have significant implications on stakeholders, investments, and development in the agriculture sector in Malawi. The government has launched a National Resilience Master Plan, which would support: the focus on developing new irrigation schemes, diversifying agricultural production, promoting integration of smallholder farmers into agricultural value chains and promoting small scale agro – processing. Climate-smart agriculture (CSA) practices, addressing food security and productivity, resilience and adaptation, and GHG emission reduction and removal, where possible, are some of the priority investment areas in the National Climate Change Investment Plan (NCCIP). An agricultural risk management strategy is under development and expected to be in effect in the second half of 2017.

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C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

The following indicators will be used to measure progress towards achieving the PDO

- 1) Increase in yield of selected commodities selected by producer organizations participating in productive alliances (crops, livestock and fisheries)
- 2) Selected agriculture value chain products linked to markets
 - Producer groups that meet market specifications defined by off-takers (% of members women)
- 3) Increased value of gross sales from agriculture value chain products supported by the Project of producer groups

D. Project Description

The project will comprise three main components; (a) Building Productive Alliance; (b) Support Investments Enabling Services; (c) Project Coordination and Management and d) a Contingent Emergency Response Component (CERC).

COMPONENT 1: BUILDING PRODUCTIVE ALLIANCE (US\$65 MILLION)



The objective of this component is to support small-scale, emerging farmers integrate into value chains by improving their capacity to finance and execute productivity-enhancing investments and respond to the requirements of the end-markets and buyers. To do so, it will implement the high impact 'Productive Alliances' (PAs) model, Project support to PAs will be complemented by 'last mile' infrastructure investments in targeted areas.

Component 1 will finance the following: (a) organization of and capacity building in Producer Organisations (POs) and PAs (approximately US\$15 million); (b) matching grant investments in Productive Organizations (POs) (approximately US\$29 million); (c) partial credit guarantee fund (approximately US\$3 million); and (d) last mile public good infrastructure to facilitate the selected POs and PAs (approximately US\$18 million).

It will address the following constraints: (a) inefficiencies along value chains due to inadequate integration of actors, information asymmetries, and coordination failures among stakeholders; (b) unreliable access to quality raw material; (c) poor rural access roads to connect producers to markets; and (d) limited access to finance in agricultural value chains. Addressing these through PAs has the proven potential to increase incomes, productivity and commercial viability, prospects for employment generation, and integration of youth and women.

Sub-component 1.1 Horizontal Alliances (PO Formation, US\$15 million)

The objective of the sub-component is to organize smallholder producers into formal organizations and to strengthen the governance capacities of these newly formed farmer organizations for the purpose of them being able to effectively enter PAs with off takers. Special attention will be given to emerging women and youth POs to participate in PAs. This will be done by carrying out an effective communication and dissemination campaign and strengthening the capacity of these new farmer organizations in their ability to coordinate their business activities and manage funds. The communication and dissemination will support of PO formation, but will also advertise PA opportunity to market-ready POs.

Communication and dissemination: This subcomponent will finance the implementation of a communication and dissemination campaign to inform potential stakeholders about the scope and rules of the Project through local workshops and mass-media outlets. It will ensure that small producers, potential buyers, and providers of goods and services become aware of the opportunities presented by the Project. Several campaigns will be held, accompanying the calls for proposals. The campaign will help clarify the rules of the game and assist in ensuring that potential beneficiaries apply with realistic expectations. Dissemination will take place through local workshops and mass media outlets, including radio spots, and will be delivered in both English and the principal local languages in each Project region to ensure that information reaches both local groups and women. A further effort will be placed on reaching women and the youth by disseminating information at weekly markets and ensuring that radio spots are broadcast at times when women and youth will be more likely to be listening.

Capacity Building Support: Following the communication campaign, interested groups of farmers that meet the criteria will be selected to participate in a farmer organization formation process. Similarly, for interested farmers that are already part of informal farmer groups and meet the criteria, the project will support in the formalization process. For organizing the farmers into new farmer organizations, training and capacity building would be provided based on a needs assessment through a structured approach. As the farmer producer organizations will be new, a demand-driven needs based exercise will be conducted in order to find gaps in the assets and skills, which will be assessed and considered under the project. The specific needs of women and youth for effective participation in economic activities and the organizational structure will also be assessed. The capacity building and training financed by this subcomponent will include basic accounting and financial management; corporate governance; business plan management; leadership



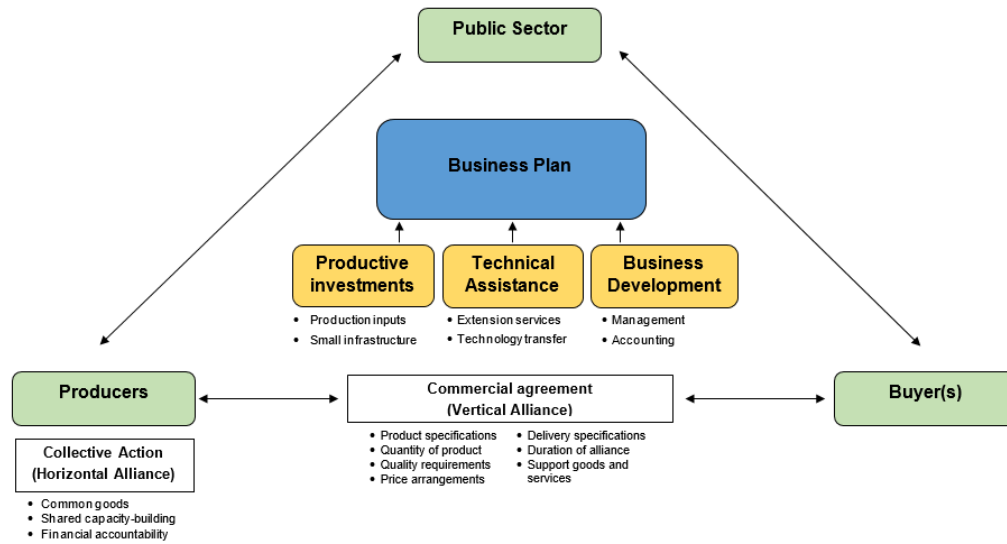
trainings for the management committee; and procurement. This assistance should help to develop the capacities of producers and their organizations to manage their businesses, and improve marketing skills in a manner that they can effectively enter into productive alliances. Special training and assistance will also be provided to design, negotiate, manage and execute their productive alliance business plans to improve their probability of accessing the Matching Grants (MGs) in subcomponent 1.2. Culturally-appropriate techniques for institutional strengthening of local farmer producer organizations will be utilized. Key outputs of the subcomponent will be the formation of, formal producer organizations that effectively enter PAs.

Subcomponent 1.2 Productive Alliances (US\$32 million)

The objective of the subcomponent is to implement Productive Alliances (PA) in Malawi by financing the business proposals of the PAs that are successfully selected through the calls for proposals outlined in Component 1.1. A PA is based on a commercial agreement between a project supported PO and a commercial off-taker.

Through the combination of grant financing and provision of technical support, the project will facilitate the evolution of productive partnerships between aggregated farmers and off-takers. Better integration of relationships between producers and off-takers will be mutually beneficial. POs will receive TA to improve production and management of their organizations, grant funding to invest in technical and infrastructure enhancements, and support to access commercial loan finance. Off-takers will benefit from improved and consistent volumes and quality of supplies received. The PAs will assist in improving economic benefits derived from crop yields, rural accessibility and post-harvest gains, processing facilities, better organized value chains, and access to new markets. In addition, the project will establish a Partial Credit Guarantee Fund in order to reduce risk exposure of the financial institutions in financing producer organizations. These improvements will directly help farmers to secure their incomes and manage the production risks from climate change and climate variability (CC&CV), especially concerning droughts and flooding as demonstrated in the climate risk screening carried out by the team. Better organized value chains and access to new markets are beneficial to climate change adaptation through all stages of value chain, as they build farmers' assets and institutional linkages, and increase efficiency, and deliver higher profitability to farmers and small businesses in the value chain. These efficiency gains also generate mitigation co-benefits.

Figure 1. Stakeholders in Productive Alliances



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The project will finance the costs related to the subprojects of the PAs. The TAs are fully financed by the project while inputs and other working capital will need to be financed by the POs and financial institutions facilitated through the Partial Credit Guarantee (PCG) fund. MGs will be available to cover up to 70 percent of the total investment costs. The rest will be self-financed through cash or/and in kind and the difference through financial institutions, if any. The involvement of the financial institutions should happen from the beginning of the formulation of the productive alliance so that they can gain deeper knowledge on the producer organizations and appraise sub-projects. The project will place a strong preference on the sub-projects with external financing; however, it is not a prerequisite for the PAs. The business plans will be evaluated and selected by an independent group and based on their technical and financial feasibility, in line with the terms and conditions further detailed in the Project Implementation Manual (PIM). The business plans will include identification of key risks associated with each value chain, including weather and climate related risks, and measures to mitigate these risks. The project will also look for opportunities to support new income generating value chains utilizing agriculture products and practices better adapted to climate risks, such as more drought-resistant varieties and wider adoption of climate-smart farming systems.

The Government’s financial incentives to POs are capped at US\$2,500 per producer household, based on the typical costs a subproject will incur and the current income per capita in Malawi. Any partnership is expected to include at least 20 emerging farmer households, and at least 80 percent of these need to fulfill the requirements of an emerging (market orientation and with capacity to produce beyond subsistence), poor farmer definition of the project, which will be based on hectares under cultivation (or amount of livestock), total assets, and annual income where available. The POs will be allowed to include one or a few medium-scale farmers as leaders/organizers where appropriate, in line with best practice in Latin America. The operational manual will specify more details of the incentive mechanism. The financial incentive will be used for investment expenditures, operational costs, TA, and certifications. The objective is to have over 300 PA partnerships in operation by Year 5, having reached approximately 100,000 farmer households. Special attention will be given to youth and women based POs.

A PCG will be established in order to reduce risk exposure of financial institutions in financing producer organizations, with an allocation of US\$3 million. The sub-projects of the PAs will require productive inputs (e.g. seeds and fertilizers) for agricultural production, which may require external finance if the POs’ own funds are not sufficient. Although



financial institutions are already providing seasonal loans, their current coverage is rather limited in terms of geographic locations and commodities and therefore, may not fit in with the project target beneficiaries. A competitively selected third party entity will manage the PCG on behalf of the PIU. The PCG will provide guarantees to selected financial institutions for their loans to the project beneficiaries. The PCG fees will be priced to cover the operational costs so that it will remain sustainable even after the project. In this scenario, the PCG will compensate the risks involved in reaching new borrowers and commodities. The guarantee will be offered on a first-come, first-served basis and cover up to 70 percent of the risk pari-passu for loans to smallholder borrowers, including project supported POs. The guarantee will cover all administration costs and risks involved. The project will provide tailored technical assistance support to the financial institutions in order to ensure high utilization of the PCG. The support will cover value chain financing in general and more specifically, various technical areas including risk analysis, product development and delivery, and coordination with other value chain actors.

The sub-component will have a special window focusing on youth POs and PAs. Within this window, the project will also support M-hub and similar business incubator institutions to innovate and develop successful youth business entrepreneurship. Special attention will be given to training, skills development and mentorship in business entrepreneurship, facilitation of negotiations with the industry, targeting agribusiness and horticulture value chains.

Sub-component 1.3 Last Mile Infrastructure for Productive Alliances (US\$18 million)

The subcomponent aims to provide an infrastructure envelope that will invest in 'last mile' public good infrastructure to enable the creation of more PAs (separate from the direct investments in PAs through MGs). This investment envelope will focus on infrastructure whose cost will be prohibitively high for PAs, whose benefits will exceed those to the PAs and reach broader surrounding rural communities, and finally, those that push otherwise unfeasible PAs over the sustainability and profitability line—as such this subcomponent is aimed as an enabler to the PAs but will be managed separately. The infrastructure investments will also help POs to manage the risks, especially drought-related risks, and hence reduce the vulnerability of participating farmers. In addition, these infrastructure investments will be built to ensure sustainability in the face of potential future climate hazards (e.g. extreme precipitation and droughts as expressed in the climate risk screening tool) to make sure farmers do not lose access to economic activities. The activities of this sub-component will be (i) develop/rehabilitate small scale irrigation infrastructure benefiting Producer Organizations (POs) in productive alliances to accelerate the pace of diversification, intensification and commercialization of agricultural production; (ii) Construct/rehabilitate feeder roads to access to the productions areas; (iii) improve the access to electricity in project areas; and (iv) provide access to clean water for value addition where required.

Irrigation

This sub-component will include 'last mile' irrigation infrastructure to allow for small-scale access to water as an enabler for highly productive PAs and POs. Interventions will include small-scale rehabilitation of existing but non-functional irrigation systems, spot improvement works for small irrigation pumps or provision of new small-scale systems and drainage structures using labor-intensive methods to benefit the productive alliances. Schemes will be selected in accordance with selection criteria, including (i) business orientation of investment and activities associated; (ii) readiness for investment, (ii) stakeholder interest and commitment, (iii) proximity to market and/ or potential to enter into a PA (iv) technical, environmental and social sustainability, and (v) economic rate of return. This will include capacity strengthening for farmers to incorporate climate risks.

Feeder Roads



This sub-component will include 'last mile' rural road infrastructure to be able to get their products to their clients. Interventions will include small-scale rehabilitation and spot improvement works for short links including drainage structures using labor-intensive methods to benefit the poor. This activity will be implemented by the PIU in close liaison with the Ministry of Transport and Public Works and the Ministry of Local Government and Rural Development through District Councils. The selection criteria will be developed in the PIM. The beneficiary PO will have primary maintenance responsibility and its members will establish maintenance clubs together with rest of the community members and will be trained by the project.

Electricity Access

Investments will be capped at US\$200,000 (although the average investment is expected to be in the US\$10,000 to US\$20,000 range) per subproject, and will need to fall under the pre-defined list of investments options disclosed a priori by the project's safeguards. The selection will be based on their alignment with existing PAs and their economic rate of return (ERR), and the details of the selection criteria, procurement arrangements, and monitoring and evaluation (M&E) will be included in the PIM. For POs that are constrained by lack of electricity, the project will finance drop down transformers and extension low voltage line for a distance not exceeding 2 km and not exceeding 20,000U\$, and will be done on condition that all other alternatives have been exhausted. The project shall also look at other off grid solutions that can serve the purpose.

Water Access

This sub-component will support POs and PAs that are constrained by access to a good source of clean water. The investment will focus on connecting processing facility to portable water (clean water) sources. In the event that connecting to portable water sources is not possible, then the support will be towards provision of a borehole and all other connecting accessories such as submersible pumps, solar panels, tanks etc. The project will carry out an environmental and social impact assessment (ESIA) and develop an ESMP for the site. This activity will be implemented by the PIU for selected beneficiaries in close liaison with the Department of Water Development and the Department of Environmental Affairs.

The project will assess the feasibility of the last mile infrastructure interventions. This assessment would include an evidence-based justification for public investment (e.g. market failure), and describe clearly, the sustainability of the interventions. In addition, care will be taken so that the proposals would include a detailed plan for how facilities and equipment would be operated, managed and maintained.

In order to ensure sustainability of the last mile infrastructure, the project will consider the following: (i) engage beneficiaries in the determination of the infrastructure and form community maintenance clubs; (ii) monitor quality of the interventions through the Project Implementation Unit and required technical assistance; (iii) work with Government and key stakeholders to put in place the maintenance strategy for the last mile infrastructure. The project will enter into active agreements with PO and Government in order to ensure that the infrastructure is of good quality, meet the intended objectives and are well maintained in a sustainable manner.

COMPONENT 2: SUPPORT INVESTMENT ENABLING SERVICES: (US\$18 MILLION)

The objective of the component is to support business enabling services by addressing some of the systemic gaps and challenges that constrain investment and trade in the agribusiness sector. Unless addressed, these constraints may



impede the formation of POs and prevent PAs from operating optimally. These include access to agricultural finance; access to land for commercial agriculture, policy dialogue on agribusiness; and removing some of the barriers to trade for agriculture business such as on standards and certification. The component will address processes in efficient access to finances, land and regulatory and operational business enabling services.

Sub Component 2.1: Access to Agricultural Financing (US\$7 million).

The access to agricultural finance is one of the critical bottlenecks to agriculture commercialization in Malawi. This project will address this challenge by strengthening the warehouse receipt financing system. Warehouse receipt financing has been growing, but still limited in terms of amount of loans and number of participating financial institutions. The limited capacity of banks on agricultural commodities and warehouse receipts is one of the biggest obstacles. The participating banks are exposed to various risks related to handling and storage of the crops. This risk exposure is translated into higher interest rates limiting farmers from utilizing warehouse receipt financing. A mitigation mechanism such as insurance or/and indemnity fund is required to assume the risks related to possible mismanagement of stored crops in certified warehouses. Limited capacity of smallholder farmers also prevents active participation in the system, and the benefits of storing crops in warehouses are not fully materialized.

Risk mitigation measures will be introduced in order to upgrade the credibility of the warehouse receipt system in Malawi. International experience indicates that insurance and/or indemnity fund are useful tools to protect the value of the stored crops from various risks including the deterioration of quality and loss of crops. The project will provide technical assistance to analyze the existing structure in the country, gather international experiences and recommend suitable risk mitigation mechanisms that would strengthen the Malawi warehouse receipt system. Key considerations include an appropriate incentive structure to enhance the trust of the various players; developing a common mechanism to cover commodity exchanges in the country; and sustainability beyond the project. The project will facilitate the consensus-building among the stakeholders and continue to support the implementation which includes technical assistance and contribution to the indemnity fund as a seed capital.

The project will provide technical assistance and capacity building to POs, organized farmer organizations and PAs to participate in warehouse receipt system. It will also provide grant contribution for building and rehabilitation of rural warehouses through PPP arrangements with farmer organizations. This will be implemented with some collaboration with ACE, AHCX, and agri-business companies in Malawi. The location of the rural warehouses will be selected by the agribusiness companies to ensure their strong commitment and a commercially-directed investment framework. Technical Assistance will be provided to the farmer organizations and SMEs. The project funds will be leveraged by contributions from other donor agencies and private sector players to achieve a larger impact. Progress of the PPP formulation will be closely monitored and supported to reduce coordination failures among key stakeholders.

Sub Component 2.2: Access to Land for Commercial Agriculture: (US\$6 million)

Access to land is one of the main factors of production. Due to tenure insecurity in Malawi, investing on land is a risk. Taking advantage of the current policy framework the country has put in place, this project seeks to pilot some of the land laws (Customary Land 2016, Registered Land 2017, and Acquisition Land 2017 etc) and other international land principles to increase agricultural investment for improved agricultural production and industry. More also, knowing that the project advocates for matching grants, farmers need to have secured tenure as their contribution to accessing financial support. This sub-component is therefore very important to setting the pace for production and investment activities.

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The objective of the sub-component is to support the policy and regulatory environment aimed at increasing access to land and tenure security for commercially oriented smallholder and commercial farmers, and other actors in the agriculture value chains. Under the subcomponent, this project will:

Strengthen the capacity of stakeholders (Ministry of Lands, Ministry of Trade, MITC, Ministry of Agriculture and Private Sector Institutions) as regards to the implementation of the new land bills within the context of PA. Within this capacity building support, the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) and the Principles for Responsible Investment in Agriculture and Food Systems (RIA) will be duly integrated. TA will be hired.

In line with the new land bills, the project will support the registration of land processes and equipment to the selected POs (based on need) in order to ensure land tenure security. The project will work closely with the Ministry of Lands to register the land pieces and provide title deeds to respective POs. The project will cover the costs related to all processes to ensure that this happens. Land rights for women and youth will be particularly protected and strengthened.

Support Malawi Investment and Trade Center (MITC) in its mandate to avail land for commercial investments in the agriculture sector, in line with the new land bills. MITC will be connected to Land Information System. Ministry of Lands is conducting a performance study on estates and the results will identify land for possible reallocations. The project will strengthen multi sectoral linkages and operationalization of Land Information and Management System by provision of technical assistance and equipment to MITC and the Ministry of Lands.

Sub Component 2.3: Support for business enabling services (US\$5 million)

The project will support the improvement of regulatory environment for agriculture businesses in order to improve agriculture related commerce. The sub-component will focus on support for dialogue between the public and private sector on a number of key challenges faced by agriculture businesses. Activities in this subcomponent will be enhanced through complementary World Bank Group technical assistance, typically using IFC administered trust funds that will provide hands-on consultation on policy reform and regulatory drafting providing of targeted institutional capacity building and analytical work supporting agreed development objectives. Activities are also complemented by World Bank lending programs.

The project will strengthen Public-Private and inter-ministerial dialogue on key policy issues around agribusiness. Key challenges to effective PPD work are ineffective representation of the small, micro and informal enterprises and inadequate capacity to research, analyze and frame issues in a way that enables presentation of compelling cases for reform. This project will support economy-wide PPD forum and create an agribusiness specific taskforce that will address issues of commercialization, prioritize key challenges and identify international good practice that can be adopted to the Malawi context. The project shall also support the Trade and Industry Sector Wide Approach (TIP-SWAp) and ASWAp technical working groups (TWGs), in order to improve dialogue on agriculture commercialization challenges and policy reform and implementation. The TWGs will promote sector inter-ministerial coordination on key business issues. This project will provide funds to the Ministries of Industry, Trade and Tourism (MoITT), and Agriculture, Irrigation and Water Development (MoAIWD) to facilitate activities of the PPD and TP-SWAP/ASWAP Secretariats to enable this dialogue translate into reforms in agriculture production and agriculture business.

The project shall support improvements in services (operations and regulations) to agribusiness related to standards and certification provided by Malawi Bureau of Standards (MBS). It will address inefficiencies in product certification that affect agriculture businesses and those that make the agriculture products less competitive on the domestic and



international markets, such as:- a) lack of capacity by the bureau to execute its responsibilities in a timely manner; b) overlaps between MBS technical regulations and some of the country's laws, and duplications on of inspection responsibilities with MoAIWD, especially those related to food safety; and c) unnecessary or high inspection fees. The project will support a) the introduction of risk assessment, improved market surveillance, and incentives for more compliance responsibilities to agribusiness, b) improved efficiencies to testing and certification, c) strengthening, coordinating and improving the implementation of technical regulations in the Malawi Bureau of Standards (MBS) and other relevant ministries or agencies, and d) introduction of automation to the certification processes. The sub-component will provide finance directly to MBS to undertake these activities. The project will also provide financing for the Bureau to facilitate POs, organized farmers and PAs to obtain certification standards such as a) sanitary and phytosanitary standards (SPS) certification; b) global gap; c) rain forest; d) halaal certification; e) fair trade certification and f) Hazard Analysis and Critical Control Point (HACCP) certification. It will also provide finance to at least three Malawian manufacturing firms with horizontal links to POs or organized farmers to obtain ISO certification. This work will be complemented by World Bank Group advisory services. It will be analyzed if standards and certifications pose different constraints for men and women, and restrictive standards and practices will be addressed.

The project will build on activities by the Southern Africa Trade and Transport Facilitation Program (P145566), which supports investment in hardware and software of modern trade systems in Malawi, and build on IFC Advisory project on Trade Facilitation. It will address some of the key prevailing limitations, such as low capacity in the MoITT, and cumbersome trade procedures that discourage agriculture businesses and trade. The sub-component will also focus on supporting the simplification and modernization of international trade practices affecting agriculture products; the removal of challenges on cross border trade for agriculture products, and capacity building. These activities will be implemented by the MoITT.

The project will provide TA support to MITC to review regulatory and technical issues underpinning the attractiveness of the country's investment for domestic and foreign investors, especially in agribusiness. It will finance an investor survey and demand assessment. It will support a review of legal regulatory and institutional framework for the operation of EPZ in Malawi. The project shall provide capacity building to MITC and MoITT on Agri-spatial solutions. The project will utilize the guidelines for identification and design of agri-spatial solutions by the joint Agriculture/Trade and Competitiveness GP product offering on agri-spatial solutions, to support Government to identify agri-based spatial solutions including undertaking market demand assessment, and commercial site feasibility.

COMPONENT 3: CONTINGENT EMERGENCY RESPONSE COMPONENT (CERC): (US\$0 MILLION)

This contingent emergency response component is included under the project in accordance with OP/BP 10.00, paragraphs 12 and 13, for situations of urgent need of assistance. This will allow for rapid reallocation of project proceeds in the event of future natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact during the life of the project. This component will not have funding allocation initially. In the event of a future emergency, it can be used to draw resources from the unallocated expenditure category and/or allow the government to request the Bank to re-categorize and reallocate financing from other project components to cover emergency response and recovery costs, if approved by the Bank.

COMPONENT 4: PROJECT COORDINATION AND MANAGEMENT (US\$9 MILLION)



This component will finance activities of the PIU. The PIU will oversee the implementation of project activities, ensure sound fiduciary management in the project (both procurement and financial management), carry out monitoring and evaluation (M&E), ensure social and environmental safeguards compliance, and engage in communication and reporting. A main responsibility of the PIU will be to comply with the World Bank's fiduciary reporting requirements. This includes submitting a project implementation progress report on a semi-annual basis. In addition, the PIU would be responsible for implementing the calls for proposals and administrating the grants component under Component 1.1 and 1.2. Additional support will be provided under this component to support relevant research and analysis that can inform implementation of the project, as well as provide an opportunity for learning and informing future operations. An example would be specific focus will be on researching for SMEs support through SME diagnostic tools.

Given the multi-sectoral nature of the project, a PIU will be established to coordinate and manage the project. The PIU is justified based on complexity of the project which involves multiple stakeholders and government Ministries. Staff of the PIU will be recruited competitively to manage the project on behalf of government. Detailed activities and staffing of the PIU are provided under. It will be ensured that project's decision-making bodies at all levels include both men and women.

Cross-cutting issues: The project would support the mainstreaming of cross-cutting issues (gender, nutrition, and CSA & resilience) throughout the above components as follows:

- a) **Gender:** The project will contribute in closing gender gaps in productivity and women's access to agriculture inputs and services. It will also seek innovative ways to reduce women's work burden e.g. through labor-saving technologies and child care arrangements. The activities targeting women will be demand led and based on analysis of women's and men's constraints and opportunities under each component. The project will ensure that both men and women are enabled and encouraged to participate in and benefit from project activities. The result framework will include indicators to monitor outcomes of the gender actions. The results of gender actions will be monitored and corrective actions taken, if needed.
- b) **Nutrition:** The project will support nutrition interventions in line with the Malawi National Nutrition Plan (MNNP), through the diversification of crop and livestock production including under irrigation, the identification, validation and dissemination of nutrition dense crop and livestock technologies, increased attention to storage and processing of foods, and awareness of nutritional issues at household level.
- c) **CSA and resilience:** The project will support the adoption of climate-smart and environmentally friendly practices in the agro-food sector with the main purpose of minimizing the impacts of weather-related risks and of strengthening the resilience of the investments. Through the support provided to farmer organizations, the focus will be on sustainable intensification to increase the yields and productivity, and in improving the resilience of the farmers and farming practices. Adoption of practices such as conservation agriculture, agroforestry and sustainable intensification will also bring mitigation co-benefits through reduced GHG emissions and improved soil carbon sequestration. The project will systematically ensure that all activities and investments financed include climate-smart and good environmental management practices, and that the technical support and financial incentives provided by the project facilitate the wide adoption of such practices. Climate-smart practices for the purpose of minimizing production risks and enhancing resilience of the proposed business plans will also be part of the selection criteria under the Competitive Grants Program.



E. Implementation

Institutional and Implementation Arrangements

Project Implementation Arrangements

Project Implementation and Coordination: The project will be jointly implemented by Ministry of Agriculture, Irrigation and Water Development and Ministry of Industry, Trade and Tourism. An independent Project Implementation Unit (PIU) will be established to oversee day to day project implementation, monitor progress and coordinate and account for utilization of project funds. The PIU will be headed by the Project Coordinator, and include the following key professionals: Procurement Specialists, Financial Management Specialist, Monitoring and Evaluation Specialist, Agribusiness Specialist, Institutional Development Specialist, Irrigation/Civil Engineer, and an Environmental/Social Development Specialist. All the PIU staff will comprise of experienced professionals to be recruited through a competitive process.

Project Steering Committee (PSC) will be established to provide overall strategic guidance and comprise of Ministry of Agriculture, Irrigation and Water Development (MoAIWD), Ministry of Industry, Trade and Tourism (MoITT), Malawi Investment and Trade Centre (MITC), Ministry of Lands, Housing and Urban Development (MoLHUD) and Ministry of Finance, Economic Planning and Development (MoFEPD), all at PS level or delegated, and representatives from private sector and farmers. The PSC will be chaired by the PS for MoAIWD, and co-chaired by PS for MoITT. The PSC will be the highest oversight body responsible for providing general policy guidance to the project. The Project Coordinator will serve as secretary to the PSC, which will meet bi-annually.

Project Technical Committee (PTC), will be established under the PSC, and comprise of implementing agencies of the project (private sector, financial institutions, producer organizations representatives, directors of relevant implementing Ministries and government departments, brokers and relevant productive alliance service providers). The PTC will provide technical oversight of project implementation. This structure will be chaired by the Director of Planning in the MoAIWD and co-chaired by Director of Planning in MoITT. The PIU will function as the secretariat for both the PSC and the PTC. The PTC will meet on a quarterly basis in the initial years, but bi-annually later.

The project will utilize existing policy dialogue forums to improve dialogue and coordination. Such platforms include Joint Sector Reviews (under ASWAp), Technical Working Groups (Commercial Agriculture and Market Development of ASWAp, and other relevant TWGs under NES). The project will also utilize the existing PPD forum and other relevant commodity platforms.

As the project has adopted Productive Alliance Model, there will be various players involved, such as producers, off takers, brokers, technical assistance and business services providers, independent evaluators and financial institutions. The PIU will facilitate the contracting of competent stakeholders (on a competitive basis) through MOUs with clear roles and responsibilities to be detailed in the PIM. For instance, the service brokers will support the producer organizations to develop sensible business plans that will have to be evaluated by an independent evaluator group. Other service actors will be contracted to provide various roles as stipulated in the business plan of the productive alliance e.g. productive investments, technical assistance and business development, while also strengthening the horizontal and



vertical alliance as applicable to the existing productive alliance model. The service providers will undergo a competitive tender managed by the PIU who will award the service providers. The project will also support other investments in form of “last mile infrastructure” which will be reviewed by an independent evaluation team, in line with the value chains of respective business plans of the producer organizations.

Partnership Arrangements: The project will be implemented in collaboration with IFC and other development partners. IFC will provide advisory services on operations of agribusiness work, and required tools for ensuring an effective linkage between off takers and producer organizations. The World Bank and Government of Malawi will undertake joint implementation support missions on a bi-annual basis to provide guidance to project implementation teams.

Project Institutional Arrangements

The key institutions responsible for implementation of Agricultural Commercialization Project in Malawi are: (a) the Ministry of Agriculture, Irrigation and Water Development (MOAIWD); (b) Ministry of Industry, Trade and Tourism (MoITT); (c) Ministry of Lands, Housing and Urban Development (MoLHUD); (d) Malawi Investments and Trade Centre (MITC); and (e) Productive Alliance Stakeholders.

MOAIWD will have overall responsibility for implementation of the project. It will work hand in hand with its respective government departments in order to coordinate specific activities of the project. The Land Resources and Conservation Department will be responsible for ensuring integration of climate smart agriculture, while Department of Agricultural Extension will ensure strong integration of gender within the project. The Trade and Marketing Unit which sits in the Department of Planning of Ministry of Agriculture will be responsible for supporting marketing environment of the agricultural commodities while working closely with MoITT. At the implementation level, the project will work with respective District Councils and work closely with respective POs.

MoITT will co-lead the implementation of the project, and be responsible for promotion of trade and private sector development, particularly championing to create a conducive environment for marketing and trade of commodities. It will work closely with its department for private sector development in promoting efforts by off takers to strengthen linkages between POs and off takers. On the latter, the cooperative unit of MoITT will support strengthening horizontal linkages to make sure that various producer organizations in form of cooperatives are properly registered and conform to the expected standards. The Ministry will participate and Co-chair the PSC meetings (PS level) and PTC (at Director level).

MITC, as a trade and inward investment promotion agency, will provide specialized support to investors in all prioritized sectors for industrializing Malawi and promoting and facilitating export products and services of Malawi. Within the context of recently enacted land bills, the agency has been given the mandate to avail land for commercial investments in the agriculture sector. The agency will therefore work closely with MoLHUD to unveil the access to land bottlenecks in order to promote agricultural commercialization. As a one stop center, the MITC will also facilitate in linking foreign buyers and investors to Malawian products. MoLHUD will create a conducive environment to promote access to land as well as tenure security. As part of operationalizing the new land bills, particular focus will be made to strengthen land tenure security particularly to vulnerable women and youth, while also ensuring efficiency and utilization of idle estates.



Productive Alliance Stakeholders: Producers will be an organized group of smallholder farmers involved in production of particular value chains for commercialization. They will be the key hub towards production of the commodities, which will be linked and sold to respective buyers (off takers). Their prime role is therefore to generate the products for commercialization, based on market demands. The off takers will be buyers of the products from the producer organizations, and can be linked with them either formally or informally. The off takers will determine the requirements of the products in terms of volume, quality and pricing. The Brokers will be involved to facilitate and strengthen the linkages between producer organizations and off takers, and will be key in working with POs to have sensible and competitive business plans, while ensuring that expected capacity is in place. Other service providers will offer technical assistance, access to finance, facilitators to producer organizations, off takers and offer services to ensure an effective productive alliance. Once the business plans are developed competitively by the POs, an independent evaluator (panel of experts) will be engaged to assess the business plans and shortlist sensible ones that can be supported by the project.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

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

G. Environmental and Social Safeguards Specialists on the Team

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

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The safeguards policy on Environmental Assessment



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is triggered. The project is likely to involve some infrastructure works to build or upgrade small markets, small processing or post harvest units, last mile rural road or rehabilitate very small irrigation scheme in selected agro economic areas across Malawi under component 1.3 and 2.1. The TA will focus on promoting a business enabling environment for agribusinesses and investment and facilitating national and regional trade.

An ESMF has been prepared as a prerequisite for appraisal providing adequate guidance for use during implementation. The ESMP will guide on the best practices for waste management and any other safeguards concerns that will be identified.

Natural Habitats OP/BP 4.04

No

The Bank policy on Natural habitats is not triggered as the proposed activities will have a small footprint and will not have significant ecological impacts on any natural habitats. Quite on the contrary the CSA approach will improve the green cover and positively contribute to GHG balance.

Forests OP/BP 4.36

No

The policy on forests is not triggered as the proposed activities of producer organizations will happen on their current cultivated lands and no new infrastructure are likely to be constructed with a high footprint and the possible forest cover or vegetation losses will be negligible. Quite on the contrary the CSA approach promoted by the project will improve the green cover and positively contribute to GHG balance.

Pest Management OP 4.09

Yes

The policy on Pest Management is triggered as the Project is likely to involve investment activities that will require the procurement of farming inputs such as fertilizers, pesticides and fungicides to support the new market oriented production systems and adherence to good Integrated Pest Management Plan. The Client has developed a good PMP and ESMF detailing measures to be followed.

Physical Cultural Resources OP/BP 4.11

No

The policy on Physical Culture Resources (PCR) is not triggered as the Project activities will cover a small footprints and the unearthing of PCR is highly unlikely. Precautionary, the ESMF has addressed how to manage chance finds.

Indigenous Peoples OP/BP 4.10

No

The policy is not triggered as the geographical areas covered in Malawi are not likely to have indigenous people as defined by the Bank policy.



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Involuntary Resettlement OP/BP 4.12	Yes	Sub-Component 1.3 and 2.1 of the project includes investments in small scale infrastructure and common use infrastructure. While the exact sites are not known at this time, such investment activities may require land acquisition or require temporary relocation of traders currently occupying the sites while new infrastructure of rehabilitation is taking place are built. An RPF has been prepared to address any involuntary resettlement on the project. Site-specific abbreviated RAPs will be prepared during implementation for applicable beneficially areas.
Safety of Dams OP/BP 4.37	No	The policy is not triggered as it will not involve the construction or maintenance of dams whether large or small as defined by the Bank policy.
Projects on International Waterways OP/BP 7.50	No	The policy is not triggered as it will not involve financing activates or subprojects lying within riparian areas of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The policy is not triggered as it will not finance any activities in disputed areas or territories.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

There will be no potential large scale, significant and/or irreversible impacts under the proposed project. Potential environmental impacts are related to improvement of existing facilities such as last mile rural road, or very small scale rehabilitated irrigation scheme and associated structures in the agribusiness value chain. An assessment and mitigation of potential impacts have been addressed through the screening and safety procedures detailed in the ESMF. While there is no anticipated resettlement should any occur a comprehensive RPF has been prepared and provided procedures to follow to ensure any potential PAPs are not negatively affected by the Project.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: While the specific project sites are unknown, no indirect and/or long-term impacts due to anticipated future activities are foreseen.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. The design of proposed approaches in sub-projects the project should avoid or minimize adverse impacts. Sub-projects with identified adverse impacts will either have to identify an alternative approach or not be considered for sub-project funding.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.



The borrower plans to hire for the life of the project safeguard consultant under the project implementation unit (PIU) who will provide expert advice on proposed sub-projects to oversee the implementation of the ESMF, RPF and PMP. It is expected, that should ESMPs or RAPs be required, that the PIU will hire additional consultants to undertake the work, while the safeguards consultant will monitor implementation of such Plans. Where works contracts are involved, the Contractor will have contractual responsibilities in regards to any related safeguards. Should any labor influx occur on project sites, the prepared safeguards documents have provided an adequate framework for developing an labor influx plan with clear monitoring parameters.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Given the small size of the sub-project grants there is no over all stakeholder engagement plan. Stakeholder engagement will take place in regards to announcement of grant application processes, and at the subproject locations which will be supported. The site-specific stakeholder engagement will ensure that there are no unforeseen adverse impacts and ensure that communities are fully appraised of project conditions.

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B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission to InfoShop	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
27-Feb-2017	16-Mar-2017	

"In country" Disclosure

Malawi
16-Mar-2017

Comments

Disclosed at the following website
<http://www.moit.gov.mw/downloads/quick/Malawi%20Agriculture%20Commercialization%20Project%20P%20158434%20Environmental%20and%20Social%20Management%20Framework.pdf>

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission to InfoShop
27-Feb-2017	16-Mar-2017

"In country" Disclosure

Malawi
16-Mar-2017

Comments

disclosed at the following link:



<http://www.moit.gov.mw/downloads/quick/Resettlement%20Policy%20Framework%20for%20the%20Malawi%20Agriculture%20Commercialization%20Project.pdf>

Pest Management Plan

Was the document disclosed prior to appraisal?

Yes

Date of receipt by the Bank

27-Feb-2017

Date of submission to InfoShop

16-Mar-2017

"In country" Disclosure

Malawi

16-Mar-2017

Comments

disclosed at the following website:

<http://www.moit.gov.mw/downloads/quick/Malawi%20Agricultural%20Commercialization%20Project%20P158434%20Pest%20Management%20Plan%20Final%20Report.pdf>

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

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C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

No

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

NA

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

NA

Is a separate PMP required?



NA

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

NA

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

No

Is physical displacement/relocation expected?

TBD

Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)

TBD

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

No

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

No

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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Approved By

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Practice Manager/Manager:	Guo Li	20-Mar-2017
Country Director:	Preeti Arora	21-Mar-2017

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