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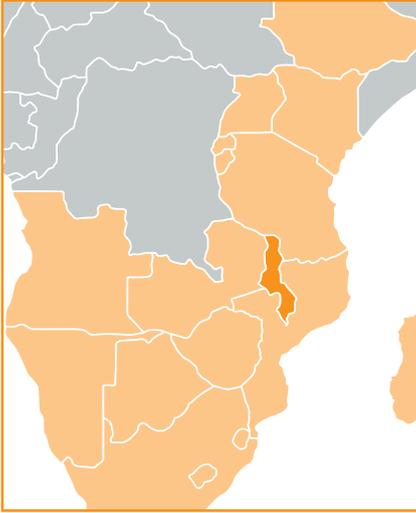
Investing in rural people in **Malawi**

Malawi, a least developed country (LDC), ranked 174th out of 182 countries in the 2014 Human Development Index. Gross national income per capita fell from US\$370 in 2011 to US\$250 in 2015, mainly due to lower earnings from export crops.

Access to services, education and economic opportunities is profoundly unequal. Almost 30 per cent of poor children do not start primary school, which is free in Malawi. There are enrolment fees for secondary and higher education, which restricts access for the poor. Poor rural people tend to live in remote areas with few roads and means of transport, which limits their economic opportunities. Access to financial services is severely restricted, especially for smallholder farmers. Only 12 per cent of households have access to credit.

Poor rural people are unable to diversify out of agriculture and tend to remain underemployed for part of the year. Other income sources tend to be limited to poorly paid agricultural labour. However, the marked seasonality of rainfed agriculture leads to labour shortages during the critical phases of harvesting.

The recurrence of external shocks also frustrates attempts to escape rural poverty. The most common shocks are weather-related, and are leading to crop failures and increases in food prices. Illness or injury are also very common, as are shocks associated with family deaths, often provoked by the HIV/AIDS epidemic, which



has affected 9.1 per cent of the population. Poor households have to adopt costly coping strategies, such as selling assets, withdrawing children from school and reducing food consumption.

Agriculture is the most important sector of the economy. Eighty-five per cent of the population (about 11 million people) lives in rural areas and almost all engage in crop and livestock production. Landholdings average 0.8 hectares, with maize being the dominant crop (66 per cent) for smallholders, followed by pigeon pea and groundnuts (16 per cent each) and tobacco (8 per cent).

Eradicating rural poverty in Malawi

The Malawi Vision 2020 plan aims to make the country “secure, democratically mature, environmentally sustainable, self-reliant, with equal opportunities for and active participation by all”. It provides the framework for national development goals and the policies and strategies to achieve them.

The National Agriculture Policy (2016-2020) outlines eight priority areas: agricultural production and productivity; irrigation development; mechanization of agriculture; agriculture market development, agroprocessing and value addition; food and nutrition security; agricultural risk management; youth and women’s empowerment in agriculture; and institutional development, coordination and capacity-strengthening.

Malawi’s National Export Strategy (2013-2018) pursues growth through oilseed and sugarcane products, and through the processing of dairy, maize, wheat, horticulture and pulses.

The ongoing Farm Input Subsidy Programme (FISP) aims to boost production and diversification. Since its inception in 2005, FISP has reached 50 per cent of Malawi’s smallholders, but it consumes 80 per cent of the agricultural budget. It also affects outreach of extension services and lacks incentives to boost productivity. The Malawi Agriculture Sector Wide Approach Support Project (ASWAp-SP) aims to coordinate interventions, with a target of 6 per cent annual growth in the agriculture sector. It is currently being reviewed to address challenges encountered.

IFAD’s strategy in Malawi

IFAD began operations in Malawi in 1981 and has provided US\$224.9 million in financing for 12 programmes and projects. These have benefited 1,452,950 households at a cost of US\$441.4 million. A country strategic opportunities programme (COSOP), approved in December 2016, sets out a framework for the partnership between IFAD and the Government of Malawi to 2022. It builds on lessons from the four programmes included in the previous COSOP 2010-2015.

IFAD has a comparative advantage in transforming smallholder agriculture by linking improved service delivery to community organizations. Its approach in Malawi is to:

- Work with and strengthen district-level government services; and
- Deliver those services via community organizations to smallholder farmers.

This combines technological innovations in smallholder farming with social innovations in the relationships between smallholders and agricultural services. The latter take place at both ends – i.e. in the communities and in the service delivery system – and help establish relationships that continue beyond project completion.

Malawi's rural poverty and food and nutrition insecurity provide a context within which IFAD's comparative advantage can be applied. The country addresses this situation by creating economic opportunities for smallholders and by enhancing their resilience to external shocks. Resilience and commercialization form the twin strategic objectives of the IFAD programme 2016-2022. These are:

- To make smallholder households resilient to natural shocks and enhance food and nutrition security;
- To ensure smallholder households have access to remunerative markets and services.

Moreover, IFAD will prioritize the strengthening of its participation in policy dialogue with other donors and with the Government.

Ongoing operations

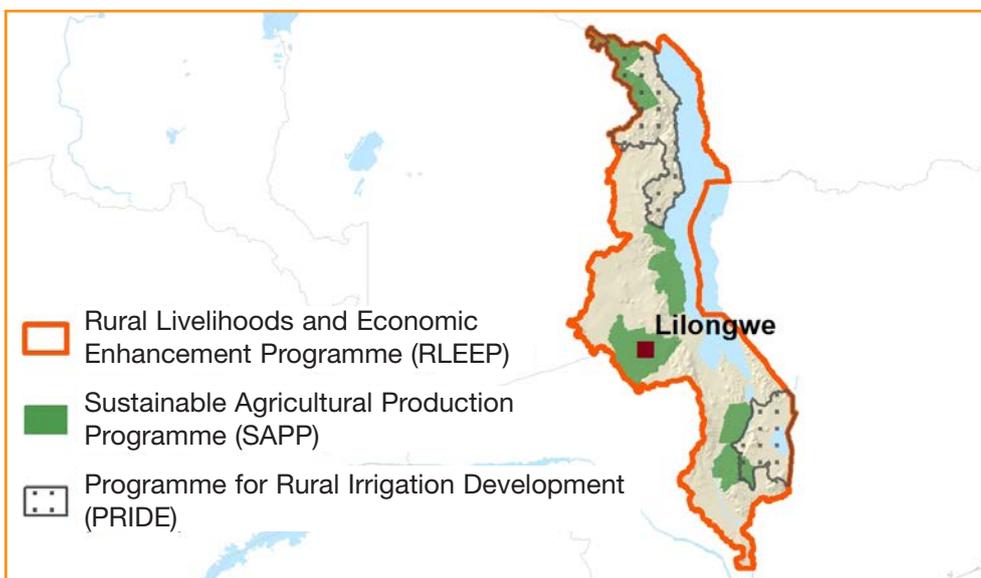
Rural Livelihoods and Economic Enhancement Programme

Malawi is currently undergoing economic liberalization, with the Government restructuring parastatal marketing institutions and market interventions to access the global market economy. The main objective of the Rural Livelihoods and Economic Enhancement Programme is to ensure that poor rural households engaged in agriculture, livestock and fish production have a role in the increasingly competitive, liberalized economy. Activities focus on supporting poor rural producers so they can benefit from efficient markets and added value for their agricultural products. The total cost of the project is \$19.2 million. It will directly benefit 24,000 households.

The programme works with the private sector to support the inclusion of small-scale farmers in value chains. It seeks to strengthen farmers' participation in the market by improving production, transport, storage, processing and marketing systems for commodities, such as groundnuts and Irish potatoes. The goal is to sustainably improve the incomes of economically active poor rural households. IFAD is providing total financing of US\$16.7 million through an US\$8.4 million loan and an US\$8.4 million grant. The Government of Malawi is providing cofinancing of US\$0.39 million, the beneficiaries US\$2.04 million and the Netherlands US\$US0.1 million.

Sustainable Agricultural Production Programme

This programme, which will directly benefit 200,000 households, concentrates on enhancing agricultural productivity and improving rural food security through simple, affordable technologies to help smallholder farmers bridge the wide gap between actual and possible crop yields.



The 2011-2020 programme targets:

- Smallholder farmers who could potentially achieve household food security but have difficulty producing a surplus for market;
- Small-scale commercial farmers, who are influential in farmers' groups and can facilitate early adoption of good agricultural practices;
- The poorest rural households, which have few assets and rely mainly on low-paid seasonal labour for income.

A research component of the US\$51.7 million programme aims to further refine and adapt agricultural techniques to conditions in Malawi. To raise awareness and understanding of these practices, the programme also makes enhanced agricultural extension services accessible to households in the target groups. The programme is supported by a US\$23.1 million IFAD loan and a grant, also for US\$23.1 million.

Programme for Rural Irrigation Development

The US\$84.0 million Programme for Rural Irrigation Development (PRIDE) aims to enhance the resilience of rural communities to food insecurity and the adverse effects of climate change in the northern and the southern regions of Malawi.

It will directly benefit 17,000 households.

PRIDE will develop climate-smart land and water management systems for smallholder farmers engaged in rainfed agriculture or cultivating on irrigated land. It will establish and strengthen the capacity of the Water Users' Association to manage, operate and maintain irrigation schemes for appropriate land and water governance. It will also build the capacity of smallholder producers through farmer business schools so they can take advantage of market opportunities.

It will promote market linkages through value-chain analysis to identify suitable crops and commodity platforms to bring together all actors. Total IFAD financing amounts to US\$60.1 million – a loan for US\$26.5 million, a DSF grant for the same amount and US\$7.1 million under IFAD's Adaptation for Smallholder Agriculture Programme (ASAP). The programme, which runs 2015-2022, is cofinanced by the United Kingdom's Department for International Cooperation with US\$0.5 million.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$18.4 billion in grants and low-interest loans to projects that have reached about 464 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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For further information on rural poverty in Malawi, visit the Rural Poverty Portal: <http://www.ruralpovertyportal.org>



Investing in rural people

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January 2017