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Investing in rural people in **Malawi**

Malawi, a least developed country, is ranked 169th out of 191 countries in the 2021 Human Development Index. It was estimated that GDP growth declined from 2.9 per cent in 2021 to 0.9 per cent in 2022. This decline constitutes a per capita GDP contraction of 1.8 per cent given an annual average population growth of 2.7 per cent.

Access to services, education and economic opportunities is profoundly unequal. Despite a primary school enrolment rate of 90 per cent, the quality of education in Malawi remains poor. There are enrolment fees for secondary and higher education, which restrict access to education for poor people. 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 small-scale farmers. Only 10 per cent of Malawi's population has access to formal financial services.

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. Malawi has been affected by a series of climate-related shocks in the past few years, including a prolonged dry spell and an armyworm infestation in 2018; floods from heavy rainfall induced by tropical cyclone Idai in 2019; dry spells in the southern regions and localized floods in the northern region in 2020; and flooding in all regions from heavy rainfall caused by tropical cyclones Ana and Gombe in 2022.



It is estimated that the increased impacts of climate change could reduce GDP by up to 9 per cent by 2030. At the current rate, they would also push another 2 million people into poverty by 2030 and 4 million by 2050.

Malawi's economy is predominantly agriculture-based. The agriculture sector accounts for 30 per cent of GDP and generates over 80 per cent of export earnings. The sector also employs 64 per cent of the country's workforce and contributes to food and nutrition security. The agriculture sector continues to operate below its capacity, facing multiple challenges including vulnerability to weather shocks; poor management of land, water and soils; low adoption of agricultural technologies; low access to finance facilities and farm inputs; low mechanization and technical labour skills; a limited irrigation system; and weak linkages to markets.

Eradicating rural poverty in Malawi

To move the agenda on poverty eradication, the government launched the Malawi 2063 Vision (MW2063), a long-term development blueprint for Malawi succeeding the Vision 2020 plan. The Vision 2063 is anchored on three key pillars: agriculture productivity and commercialization, industrialization, and urbanization. The vision will be operationalized by the first 10-year implementation plan (MIP-1) to be implemented from 2021 to 2030.

The National Agriculture Investment Plan (NAIP) was launched in June 2018 to provide a framework for guiding investments in the sector and ensuring coherence with overall and sectoral policy and investment frameworks. The NAIP adapts the goals of the National Adaptation Plan of achieving sustainable agricultural transformation intended for significant growth of the agriculture sector, expanded incomes for farm households, improved food and nutrition security for Malawians and increased agricultural exports.

With the agriculture sector generating 80 per cent of export earnings, the launch of the Malawi National Export Strategy II (2021-2026) (NES II) was significant. The vision of NES II is to "make Malawi a competitive, compliant, diversified and sustainable sourcing destination for goods and services for the regional and global marketplace, and to increase exports as a percentage of GDP from 14.6 per cent to 20 per cent." The target for NES II is to increase exports of "made in Malawi" products and services by 22 per cent in the next five years through export promotion, development and facilitation, and organizational efficiency and effectiveness. The focus is on high-value strategic products in the four export sectors, namely agriculture, manufacturing, services and mining.

IFAD's strategy in Malawi

IFAD began operations in Malawi in 1981 and has provided US\$731.96 million in financing (including partner cofinancing) for 14 programmes and projects benefiting more than 2 million households. The goal of the IFAD country strategic opportunities programme (COSOP) 2023-2030 is to contribute to rural poverty reduction through the empowered participation of poor rural women, men and youth in the sustainable transformation of agriculture.

Two complementary strategic objectives support the overall approach:

- Increase agricultural productivity and climate resilience of small-scale farmers to improve food and nutrition security; and
- Improve access to remunerative agricultural markets and services for rural women and youth.

Malawi's rural poverty and food and nutrition insecurity provide a context within which IFAD's comparative advantage can be applied. IFAD promotes the creation of economic opportunities for small-scale farmers and enhances their resilience to external shocks. IFAD-supported investment projects advance an explicit approach for addressing chronic food insecurity and malnutrition through the promotion of diversified and sustainable production systems. Resilience and commercialization form the twin strategic objectives of the IFAD programme 2016-2022.

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

Ongoing operations

Sustainable Agricultural Production Programme

The US\$73.22 million programme, which will directly benefit 200,000 households, concentrates on enhancing agricultural productivity and improving rural food security through simple, affordable technologies to help small-scale farmers bridge the gap between actual and possible crop yields.

The 2011-2023 programme targets:

- Small-scale 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 could facilitate early adoption of good agricultural practices; and
- The poorest rural households, which have few assets and rely mainly on low-paid seasonal labour for income.

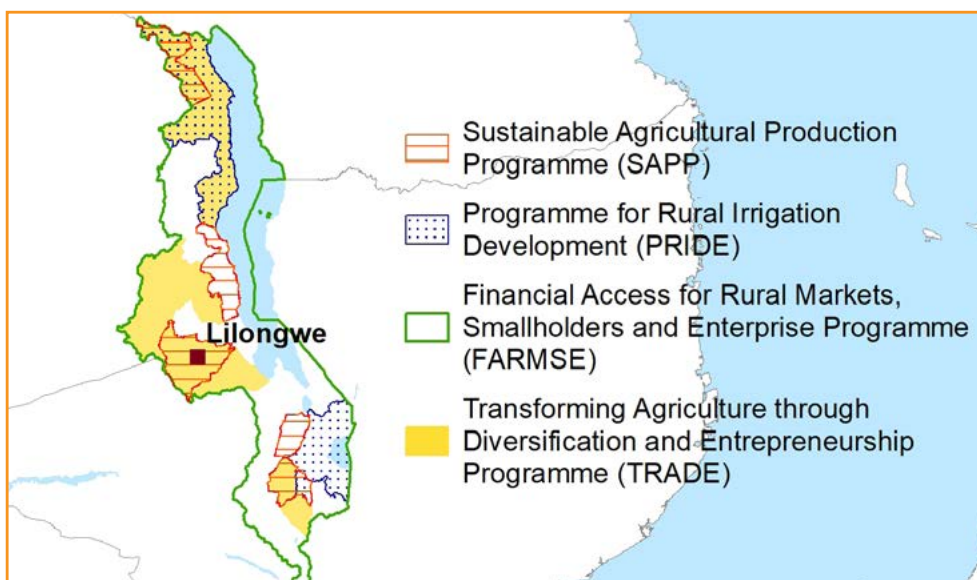
A research component of the programme aims to further refine and adapt agricultural techniques to conditions in Malawi. To raise awareness and understanding of these practices, the programme also makes enhanced agricultural extension services accessible to households in the target groups. The programme is supported by a US\$33.18 million IFAD loan and a grant for US\$26.85 million. In addition, the programme is cofinanced domestically and internationally with US\$11.82 million and US\$1.37 million, respectively.

Programme for Rural Irrigation Development

The US\$125.88 million programme 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. The programme will run from 2015 to 2024 and benefit 19,500 households.

PRIDE developed climate-smart land and water management systems for small-scale farmers engaged in rainfed agriculture or cultivating on irrigated land. It has established and strengthened the capacity of water users' associations to manage, operate and maintain sustainable irrigation schemes for appropriate land and water governance. It also built the capacity of small-scale producers through farmer business schools to take advantage of market opportunities.

The programme promotes market linkages through value chain analysis to identify suitable crops and commodity platforms to bring together all actors. Total IFAD



financing amounts to US\$87.79 million: a loan for US\$54.18 million, a Debt Sustainability Framework (DSF) grant for US\$26.54 million and a grant for US\$7.1 million under IFAD's Adaptation for Smallholder Agriculture Programme (ASAP). The programme is cofinanced domestically with US\$30.59 million. The programme is also cofinanced internationally by ASAP+ and the United Kingdom's Department for International Development with US\$7 million and US\$0.5 million, respectively.

Financial Access for Rural Markets, Smallholders and Enterprise Programme

The Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) is a US\$102.73 million nationwide programme that supports household economic development through access to financial services that are appropriate to each socio-economic level of poverty. This includes social payment graduation programmes, community-based financial organizations, financial cooperatives, microfinance institutions and commercial banks. The programme will benefit some 1,504,622 households, with an estimated 30 per cent women and at least 20 per cent young people.

The programme runs from 2017 to 2025, with total IFAD financing of US\$72 million: a US\$51 million loan and a DSF grant for US\$21 million. It is cofinanced domestically with US\$27.3 million and internationally by the Green Climate Fund and the Norwegian Agency for Development Cooperation with US\$3 million and US\$0.44 million, respectively.

Transforming Agriculture through Diversification and Entrepreneurship Programme

The US\$125.35 million programme aims to increase productivity and strengthen market access for about 300,000 vulnerable Malawian families. Its overall goal is to contribute to improving the sustainable livelihoods of rural people in Malawi. The programme's development objective is to increase value chain commercialization and the resilience of rural poor and smallholder producers. This objective will be achieved by supporting climate-smart interventions; access to commodity markets, improved rural financial services, and market and business development services; and enhanced private sector partnerships.

Funding includes a US\$51.1 million loan and US\$18.9 million grant from IFAD and US\$20 million in cofinancing from the OPEC Fund for International Development. In addition, US\$35.34 million is from domestic cofinancing through government, beneficiaries and the private sector, both in kind and in cash.



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IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$24 billion in grants and low-interest loans to fund projects in developing countries.

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