

## A. Sector Analysis

### 1. Current situation and major challenges of the sector:

The economy of Malawi is predominantly agriculture based. Agriculture accounts for 30% of GDP and generates over 80% of national export earnings. The agriculture sector employs 64% of the country's workforce and contributes to food and nutrition security<sup>1</sup>. Although there is potential for better production and productivity, the agriculture sector operates below its capacity. Agriculture relies mainly on rain-fed crop production whereas production and consumption of animal products are very low. As a result, the country continuously faces food shortages at national and household levels. Malawi has also been hit by fall armyworm attack in recent past and this has significantly affected production of maize. For instance, hectareage attacked by fall armyworm increased from over 227,000 ha in the 2019/20 season to about 296,000 ha in 2020/21 season. This hectareage of fall armyworm infestations are way above the NAIP baseline mark and target of 5,300 ha and 0 ha respectively<sup>2</sup>. Some of the challenges the sector faces include 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 labor skills; a limited irrigation system and weak linkages to markets.

In order to promote linkage to markets, there have been efforts to develop agricultural markets which include increased liberalization, development of rural marketing infrastructure and agricultural market information systems, and the establishment of commodity exchanges. Despite these efforts, agricultural marketing systems are still rudimentary, and in some cases, missing markets persist, especially in rural areas. Most farmers continue to have limited information on prevailing market price. As a result, traders take advantage of this and purchase from the farmers at a lower price far much below the set farm gate price by the government.

Irrigation potential in the country remains under-exploited despite being one of the priority areas in the national agricultural policy. Out of the estimated potential of about 407,862 ha only about 116,249 ha (29% of the potential area) have been developed for irrigation purposes as of 2017/18. This challenge has a negative impact on agricultural growth, exports as well as food and nutrition security. Thus, it is necessary to prioritize irrigation schemes to be developed with a clear time frame and budget allocation. In addition, medium scale irrigation schemes are also crucial for people to practice agriculture with little water management skills. Such schemes can easily be maintained by the farmers unlike the large scale schemes which are expensive to maintain. Therefore, the central government together with local councils are expected to develop a clear roadmap for development of medium scale irrigation sites.

The 2021/22 rainy season attests to the fact that Malawi is vulnerable to weather shocks. Malawi was hit by floods emanating from cyclone Ana. On 26<sup>th</sup> January 2022, a state of disaster was declared due to Cyclone Ana. According to flash appeal 2022, more than 71,700 ha of cropped area belonging to more than 91,000 households were severely affected through either complete wash away or submersion. Initial estimates showed significant damage to crops. Nsanje and Chikwawa were the hardest hit, with rough estimates pointing towards one-third of all crops being lost. On livestock the update indicates that 36,803 combined livestock species owned by 12,655 livestock keepers were either killed or injured by the floods. On 11th March 2022, Malawi was hit again by another cyclone Gombe, and total of 9 districts and 2 cities were affected. A report by the Department of Disaster Management Affairs indicate that at least 47,261 farming families were affected in Mulanje, Phalombe and Mangochi. The 13,190 ha of both staple and cash crops were

<sup>1</sup> National Agriculture Policy, September 2016

<sup>2</sup> Agriculture Sector Performance Report (July 2020 - June 2021): November 2021

washed away or submerged, and the livestock affected were: 114 cattle, 855 Goats, 701 pigs, 8,867 poultry. It is, therefore, logical to conclude that the national crop productivity for 2021/22 season will be negatively affected by the cyclones.

## **2. Sector policy, strategic plan, priority areas:**

The sector is driven by several policies and strategies which among others include;

### a) The Malawi 2063 (MW2063)

MW2063, which was launched in January 2021, is a long-term development blue-print for Malawi succeeding the Vision 2020. MW2063 is anchored on three key pillars, Agriculture Productivity and Commercialization; Industrialization; and Urbanization. MW2063 is operationalized by the first 10-year implementation Plan (MIP-1) which is for the period 2021 to 2030. The MIP-1 has identified priority areas under the key pillars which will set Malawi on a path to actualize MW2063. Under Pillar1: Agriculture Productivity and Commercialization, whose objective is to have an optimally productive and commercialized agriculture sector, the following areas will be focused; (a) Agriculture Diversification, (b) Irrigation Development, (c) Anchor farms, (d) Agriculture Inputs, (e) Agriculture mechanization, (f) Structured Markets, (g) Agriculture Research, Innovation and Dissemination.

### b) The National Agriculture Policy (NAP) (2016-2021)

Currently under review, its purpose is to provide clear and comprehensive policy guidance in the agriculture sector. The specific objective of the NAP is to guide Malawi in transforming the agriculture sector. The NAP has eight policy priority areas of which four are in line with JICA's cooperation policy: (a) Sustainable Agricultural Production and Productivity, (b) Sustainable Irrigation Development, (c) Agricultural Market Development, Agro-processing and Value Addition, (d) Food and Nutrition Security.

### c) The National Agricultural Investment Plan (NAIP) (2017-2022)

Launched in June 2018, the NAIP provides a framework for guiding investments in the sector ensuring coherence with overall and sectorial policy and investment frameworks. The NAIP adapts the goal of the NAP of achieving sustainable agricultural transformation intended for significant growth of the agricultural sector, expanded incomes for farm households, improved food and nutrition security for Malawians and increased agricultural exports.

### d) The National Irrigation Policy (NIP) (2016-2022)

The NIP was launched in November 2016. The NIP aims at addressing critical issues affecting the irrigation sector. These issues include spatial and temporal water shortages; customary land tenure disputes; and, poor operation and maintenance of infrastructure. It intends to address these challenges by focusing on three priority areas: (a) Sustainable Irrigation Development, (b) Sustainable Irrigation Management, and (c) Capacity Development.

### e) The National Irrigation Master Plan and Investment Framework (2015-2035)

The objectives of the Irrigation Master Plan include accelerating economic growth, reducing rural poverty, improving food security and increasing exports. The master plan consists of four mutually supporting components, namely: (a) New Irrigation Development, (b) Sustainable Irrigation Management, (c) Capacity Building, and (d) Coordination and Management.

## **3. Donor activities and commitments:**

There are a number of activities being implemented by various development partners for the development of the sector. These include:

- **World Bank and African Development Bank** has joined hands and are co-financing the Shire Valley Transformation Program. This is the biggest investment in the irrigation subsector and will see the development of irrigation facilities for 43,370 ha in Nsanje and Chikwawa. The cost of the program for phase 1 is about US\$ 234.6 million.
- **World Bank** is implementing the Agriculture Commercialization Project (2018-2023) which aims at increasing commercialization of agriculture value chain products. The total budget for the project is US\$ 95 million.
- **African Development Bank** is implementing the Malawi Agricultural Infrastructure and Youth in Agribusiness Project (2016-2022), and total funding for the project is U.A 16 million equivalent to US\$ 21.8 million. The objectives are to support the development of irrigation infrastructure in order to facilitate the development of high value food-crop production, agricultural value chains along with agribusiness skills, and capacity building for youths.
- **European Union** is implementing a Euro 100 million (approximately US\$ 113.5 million) Kulima project in Chitipa, Karonga, Mzimba, NKhatabay, Kasungu, Nkhotakota, Salima, Chiradzulu, Thyolo and Mulanje districts. The project supports extension services through Farmer Field Schools, agricultural research, access to finance through blending with European Investment Bank, and value chains.
- **FAO** prioritizes four thematic areas in the Malawi's 2020-2023 Country Programming Framework; Strengthened conducive agricultural policy and investment environment; Improved food and nutrition security and livelihoods; Improved governance of natural resources, environment and ecosystems; Enhanced resilience of the agriculture sector and the food systems. Under policy, FAO supported the government of Malawi in the development of National Agriculture Investment Plan. FAO has also been on the forefront in the fight against Fall Army Worm attack which has been a concern in recent years.
- **IFAD** is implementing the Programme for Rural Irrigation Development which aims at enhancing rural Malawian communities' resilience to food insecurity and the adverse effects of climate change, also Transforming Agriculture through Diversification and Entrepreneurship Programme.
- Several other donors have channeled their financial and technical commitments towards climate change adaptation, resilience activities and nutrition security.

#### 4. Budget situation:

Government has allocated quite substantial amount of funds to the agriculture sector in the 2022/23 national budget. The sector has been allocated MK 447.6 billion (approximately US\$ 547.9 million) of the total MK 2.84 trillion (approximately US\$ 3,476.1 million). This is an enormous increase from the proposed estimates of the 2021/22 financial year<sup>3</sup> which was pegged at MK 284.4 billion (approximately US\$ 348.1 million) representing a 57.41% increase. The 2022/23 allocation which represents 15.8% of the total budget is in line with the recommended 10% budget allocation as per the 2003 Maputo declaration on agriculture and food security. These resources will cater for wages and salaries, operations, including Affordable Inputs Programme, and development projects in the Ministries of Agriculture; Natural Resources and Climate Change; and Water and Sanitation<sup>4</sup>. The allocation to the Ministry of Agriculture is pegged at MK 272.14 billion (approximately US\$ 333.1 million). The development budget (agriculture projects) is pegged at MK 134.78 billion (approximately US\$ 165.0 million). The status quo remains that, a bigger percentage of the

<sup>3</sup> The 2021/22 budget was only for 9 months as the Malawi government was in the process of changing its financial year from July-June to April-March.

<sup>4</sup> The 2022/2023 Budget Statement, February 2022.

Note: 1\$=MK817.00 (as of 1<sup>st</sup> April 2022, Standard bank Malawi)

development budget about 95.8% continues to be financed by the donors with the government contributing less. Concerns still remain that the distribution of the budget is unbalanced with regards to alignment to the National Agriculture Investment Plan priority pillars.

### 5. Dialogue structure of the sector:

Development partners (DPs) active in the sector have their own dialogue structure, Donor Committee on Agriculture and Food Security (DCAFS). The DCAFS was formed with a purpose of deepening dialogue, coordination and cooperation among DPs, and between the DPs and the Government with regards to Agriculture and Food Security. The ministry organizes Joint Sector Review meetings which are conducted annually to discuss the performance of the sector. Participants include government representatives, DPs, leading farmer organizations, civil society and representatives of the private sector. Following the launch of MW2063 and MIP-1, pillar and enabler coordination groups have been formed. The agriculture productivity and commercialization coordination group is amongst them and will foster dialogue of various stakeholders in the sector.

## B. JICA's Position

### 1) History of JICA's cooperation:

JICA has been assisting the Agriculture Sector in Malawi in the areas shown below.

#### 【Policy】

- (Expert) Monitoring and Evaluation in Agriculture Policy (2013 Oct - 2016 Oct)

#### 【Irrigation】

- (GA) The Project for the Rehabilitation of the Bwanje Valley Irrigation System (2006 Jun signed)
- (GA) The Project for the Rehabilitation of the Bwanje Valley Irrigation System (Phase2) (2008 Jun signed)
- (Expert) Technical Expert in Irrigation Policy Monitoring and Evaluation (2008 Aug - 2013 Mar)
- (TC) The Project for Development of Medium Scale Irrigation Scheme (2011 Jun - 2014 May)
- (Grassroots) The Project for Community Based Irrigation Management (2011 Dec - 2014 Mar)
- (Grassroots) The Project for Community Based Irrigation Capacity Development in Dedza District (2014 Mar - 2017 Mar)
- (Grassroots) Irrigation Engineer Capacity Building Project for Sustainably Utilizing Agriculture Water Management Technologies (2017 Mar - 2020 Mar)
- (TC) The Project for Enhancing Capacity for Medium Scale Irrigation Scheme Development, Operation and Maintenance (2015 Mar - 2020 Mar)
- (Expert) Rice Development Program Planning and Implementation (2021 Oct - 2022 Jul)

#### 【Production and Marketing】

- (TC) The Project for Market-Oriented Smallholder Horticulture Empowerment and Promotion (2017 Apr - 2023 Apr)
- (Grassroots) The Project for Improvement of income in agriculture by using underutilized resources for smallholders in Mzimba district (2021 Oct - 2024 Oct)

#### 【Cooperative & Private Sector】

- (TC) The Project for Institutional and Human Resource Development for One Village One Product Program (2005 Oct - 2010 Sep)

- (TC) The Project for Strengthening the Capacity of OVOP Programme for Delivering Services to OVOP Group in Malawi (Phase 2) (2011 Apr - 2017 Apr)
- (Study) Date Collection Survey for Identification of Potential Industries in Malawi (2013 Mar - 2013 Aug)
- (Expert) Private Sector Development Policy Advisor (2020 Feb - 2022 Dec)

#### 【Land management】

- (TC)<sup>5</sup> The Project for Sustainable Land Management Promotion (2011 Nov - 2015 Nov)

#### 2) Major outcomes:

- **The Bwanje Valley Irrigation Development Project** (GA: 2006 Jun and 2008 Jun signed) is relatively one of the biggest irrigation schemes in Malawi. It has had a positive impact on rice production. At the time of the project's ex-post evaluation (in 2013) it was reported that rice production had increased by 3.5 times.
- **The Enhancing Capacity for Medium Scale Irrigation Scheme Development, Operation and Maintenance** (TC: 2015 Mar to 2020 Mar) has had a great impact on the capacity development of irrigation officers both at district and headquarters level. Through this project 9 irrigation engineers were accredited as Professional irrigation engineers by the board of engineers by the end of the project in 2020.
- **The Project for Market-oriented Smallholder Horticulture Empowerment and Promotion (MA-SHEP)** (TC: 2017 Apr to 2023 Apr) has so far changed the attitude of farmers in the implementing districts to “grow to sell” and not “grow and sell”. The targeted farmers understand the importance of gathering market information before they venture into production. The project has equally imparted extension officers with relevant knowledge in agribusiness through the various trainings that are conducted from time to time.

#### 3) Lessons learned:

Positive lessons can be drawn from the previous assistance as follows: (a) Capacity building of relevant officers. For example, through the Project for Enhancing Capacity for Medium Scale Irrigation Scheme Development, Operation and Maintenance (MIDP-2) project irrigation officers went through a series of trainings ranging from designing of schemes to operation and maintenance which enabled them to construct canals using local labor force. (b) Promotion of effective collaboration between different departments. MIDP-2 project also enhanced a working relationship between the Department of Irrigation and the Department of Agriculture Extension Service which enabled trained extension officers to work hand in hand with irrigation officers in supervising the construction of canals. The involvement of extension officers ensured proper and sustainable use of the schemes.

#### 4) Cooperation assets:

The 800 ha Bwanje Valley Irrigation Scheme stands out as one of the biggest investments JICA has made in Malawi in the agriculture sector. The Department of Aquaculture at the Lilongwe University of Agriculture and Natural Resources (LUANAR) also stands as a major cooperation asset. JICA supported the university through the construction of office blocks, classrooms as well as fish ponds at the department. In addition, JICA handed-over assorted equipment to the department. JICA has also over the years handed-over office equipment and vehicles to different departments such as irrigation, agriculture planning services and land resource conservation.

<sup>5</sup> (Expert) Expert , (GA) Grant Aid Project, (Grassroot) Grassroots Technical Support Project, (Study) Technical Cooperation for Development Planning, Private Sector Partnership, Data Collection Survey, (TC) Technical Cooperation Project

**5) Comparative advantage of JICA:**

JICA has a rich history in the irrigation sub-sector and is considered by the government as a key partner in this area. The grant aid project by JICA at Bwanje Valley Irrigation Scheme is among the schemes covering large hectares in Malawi. The technical cooperation projects in this irrigation sub-sector have also capacitated government irrigation officers with the necessary knowledge which is vital in irrigation development, operation as well as management of small-scale irrigation schemes.

**6) TICAD process:**

At the Tokyo International Conference for African Development (TICAD) 7 in Yokohama (August 2019) a joint declaration for achieving better lives for one million small scale farmers through SHEP approach was made. Also, the Coalition for African Rice Development (CARD) phase 2 was officially launched.

In line with the TICAD process and Sustainable development Goals (SDGs), JICA Malawi is implementing the MA-SHEP project. The overall goal of this project is to improve the livelihood of smallholder farmers. Specifically, the project purpose is to increase the income of the targeted farmers.

**7) Possible areas of future cooperation:**

In line with MW2063 as well as seeking SDGs, Japan considers the agriculture sector as a driver for Malawi's economic growth. Therefore, Japan strives to assist in diversification, market orientation and commercialization of agriculture as well as nurturing entrepreneurship among stakeholders.

Under diversification, Malawi joined phase 2 of the CARD in 2018 and JICA is working with the government of Malawi towards achieving the goal of CARD. To this end a Technical Advisor on Rice Development Program (planning and implementation) has been dispatched to Malawi in phases since October 2021. The advisor has been collecting information around the rice value chain so as to come up with a clear picture of rice production in Malawi at the moment. The information will be used in developing programs and project concept notes which will be made available to all stakeholders willing to come up with interventions in the rice sub-sector.

On the MA-SHEP project which was supposed to close in 2022, has been extended by a year and will close in 2023. This extension covers the inactive period when the project activities were suspended due to COVID-19 pandemic. Looking at the success stories from MA-SHEP beneficiaries, there is a consideration for another phase subject to a proposal from the Ministry of Agriculture. Support for infrastructure development including irrigation and logistics might be considered as foundation for agricultural transformation.

JICA will also continue with capacity building through the Knowledge Co-Creation Programme (KCCP), short and long-term. Under this programme JICA sends officials from the Ministry of Agriculture to various JICA training Centers in Japan where they attend various short and long term courses in the field of agriculture. In addition, JICA will continue implementing a scholarship program specific for agriculture called "Agriculture Studies Networks for Food Security (Agri-Net)". This is a long-term training program resulting to the awarding of either Masters or PhD from Japanese Universities.