



This action is funded by the European Union

## ANNEX 1

of the Commission Decision on the Annual Action Programme 2016 in favour of the Republic of Malawi to be financed from the 11<sup>th</sup> European Development Fund

### Action Document for 'KULIMA' – Promoting Farming in Malawi

#### INFORMATION FOR POTENTIAL GRANT APPLICANTS WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF in accordance with Article 37 of the Annex to Regulation (EU) 2015/323 in the following sections concerning calls for proposals: 5.4.1.

<b>1. Title/basic act/ CRIS number</b>	<b>Kulima</b> – Promoting farming in Malawi CRIS number: MW/2016/038-578 financed under European Development Fund including a contribution to the Africa Investment Facility in support of the agriculture sector	
<b>2. Zone benefiting from the action/location</b>	MALAWI The action shall be carried out at the following location: potentially all districts of Malawi	
<b>3. Programming document</b>	Malawi, European Union, National Indicative Programme 2014–2020	
<b>4. Sector of concentration/ thematic area</b>	Agriculture, food security, agri-business	DEV. Aid: YES <sup>1</sup>
<b>5. Amounts concerned</b>	Total estimated cost: EUR 111 000 000 Total amount of EDF contribution: EUR 100 000 000 This action is in joint co-financing by <ul style="list-style-type: none"> <li>• The Food and Agriculture Organization of the United Nations (FAO) for an amount of EUR 2 000 000</li> <li>• German Cooperation for an amount of up to EUR 8 250 000</li> </ul> This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 750 000.	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct management – grants – call for proposals, procurement of services. Indirect management with FAO and Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) Indirect management with the Government of Malawi Contribution to the Africa Investment Facility This action shall be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Africa Investment Facility's project selection procedure.	

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

<b>7. a) DAC code(s)</b>	31110 agricultural policy and administrative management (5%), 31161 food crop production (14%), 31162 industrial crops, export crops (8%), 31166 agricultural extension (28%), 31182 agricultural research (9%), 31192 plant- and post-harvest protection and pest control (3%), 31193 agricultural financial services (14%), 31194 agricultural cooperatives (6%), 32161 agro-industries (4%)			
<b>b) Main Delivery Channel</b>	FAO – 41301; International and/or developing country based non-governmental organisations (NGOs) – 21000 and/or 23000; Recipient Government – 12000; German Cooperation/GiZ – 13000			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development (good governance)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Flagship 1 GCCA+ (sustainable land use/climate change adaptation); Flagship 2 Biodiversity for Life Initiative; Flagship 3 Switch to Green; Flagship 7 Trade Integration for green and inclusive growth and Flagship 11 Rights-based development for the working poor.		
<b>10. Sustainable Development Goals (SDGs)</b>	Main SDG Goal(s) on the basis of section 4.1: SDG 2 and 8 Secondary SDG Goal(s) on the basis of section 4.1: SDG 5, 15 and 17			

**SUMMARY**

KULIMA stands for **Kutukula Ulimi m’Malawi** meaning in the main local language, Chichewa, "promoting farming in Malawi". This action aims to contribute to increased growth and an expanded commercial agriculture base while also tackling the long term aspects related to improved food and nutrition security. It will have three main components: (1) increase in agricultural productivity and diversification through mainly upscaling climate-smart agriculture technologies; (2) agriculture value chain and business development; (3) support to improved governance in the agriculture sector. The 1<sup>st</sup> component aims at a sustainable increase of productivity and diversification of smallholder farmers based on market demand while the 2<sup>nd</sup> one aims at increasing income generated by farmer enterprises, including smallholders, and at creating jobs through developing local value addition of agriculture products. The 3<sup>rd</sup> component aims at stimulating better information supply to the general public and Parliament on agricultural policy and its outcomes. The main areas of action will be cropping systems development (including agroforestry), strengthening of extension, research and governance, and agri-business development. The Farmer Field School (FFS) approach will be used for capacity building and empowering farmers to increase household production, incomes, resilience and food security. FFS capacity building of farmers will be combined with provision of a package of inputs supplied for two seasons that will give FFS farmers a self-sustaining productive “boost”. The combination is aimed at strengthening smallholder's position vis-a-vis government and traders, jointly with fostering organization and adopting business principles and practices. Improved access to finance, also to support irrigation in value chain approach, and targeted technical assistance in the form of capacity building and business advice will be used to implement the 2<sup>nd</sup> component. Smallholder farmers who wish to move towards farming as a business will be integrated into value chains. Cooperatives and agricultural enterprises will be enabled to contribute to growth in the sector, whereas support to value addition will increase off-farm employment opportunities for youth, women and other vulnerable groups. Improved analytical skills and a

more informed knowledge on sector issues by media and Parliament is expected to increase effective sector governance.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

In July 2015, Malawi was rated by the World Bank (**WB**) as the poorest country in the world with a gross income per capita (GNI) of USD 250. Limited progress was registered in poverty reduction, which in 2011 stands at 50,7% compared to 52,4% in 2005, and which has been stagnating or slightly increasing over the last 6 years. Last Integrated Household Survey reports that urban poverty has decreased, deepening the urban/rural divide and that extreme poverty has increased in rural areas. Malawi is the 8<sup>th</sup> most densely populated country in Africa and the population growth rate is 2.8% per annum.

#### 1.1.1 Public Policy Assessment and EU Policy Framework

Agriculture and food security are among the 9 key priority areas in the Malawi Growth Development Strategy (2011-16). The challenge to increase climate smart food and cash crops production is to ensure that average yields are increased and crop diversification is enhanced to reduce dependence on maize and tobacco. To achieve these objectives and with the ambition to align to the African Union's Comprehensive Africa Agriculture Development Programme launched in 2004 and re-confirmed in the recently signed Malabo Declaration, the Government of Malawi, with support from its development partners (**DPs**), developed an Investment Framework for the agriculture sector called **ASWAp** (Agriculture Sector Wide Approach). ASWAp aims by 2016 (1) to increase agricultural productivity, (2) to improve food security, (3) to diversify food production as well as improving nutrition at household level and (4) to increase agricultural income. The new National Agriculture Policy (2016-20) will guide the revision of ASWAp from mid-2016. It recognises the important contribution of the Farmers Field School methodology to successfully increase productivity and enhance sustainable agriculture.

Similarly the Government launched in 2015 the **National Irrigation Master Plan** which aims at accelerating economic growth, reducing rural poverty, improving food security and increasing exports. The multi-functional nature of irrigation investment is recognized in the Master Plan.

Complementary to ASWAp the Government also committed itself to address the high rate of malnutrition (in excess of 40%) in the country. This is done through the Scaling Up Nutrition 1000 days Initiative aiming at improving availability and accessibility of highly nutritious food products. The agriculture sector's contribution lies in a reinforced focus on promotion of diversification of agriculture production and support to value chain development.

In addition, the Government of Malawi has also developed the ambitious National Export Strategy (**NES** 2013-18) which identified development of Malawi's **productive base** as a key area for ensuring the purpose of (i) driving the country's export capacity and (ii) economically empowering different categories of actors (youth, women, small-holder farmers, job seekers, micro and small businesses etc.). It constitutes the national strategy towards diversifying the country's export base including prioritised export crops, namely oil seeds (e.g. groundnuts, soya, sunflower, etc.) and sugar. Similarly, the value addition process is seen as an opportunity and thus promotion of agriculture related manufacturing is considered a priority.

By agreeing to join the New Alliance (**NA**) for Food Security and Nutrition in 2013, the Government committed to support increased investment in agriculture by implementing 15 policy commitments to respond to private sector needs, namely access to financing, access to land and water and a harmonised seed market. In this context, support is needed to strengthen outgrower schemes which link smallholder farmers to businesses.

The Government commitments fit very well the EU's Agenda for Change (2011) which emphasises growth creation in developing countries through investing in drivers for inclusive and sustainable economic growth. In this context EU commitments related to (1) stimulating trade with a view to promote sustainable development, (2) driving transformative change through science, technology and innovation and, (3) mobilising the domestic and international private sector to contribute to inclusive, sustainable, responsible and climate smart agriculture development will be an integral part of this programme.

In addition, the proposed action will move forward the EU Global Public Goods and Challenges Agenda particularly in the areas of climate change, food and nutrition security and sustainable agriculture with private sector engagement and will stimulate the implementation of the Principles of Responsible Investment in Agriculture and Food Systems. These principles provide a framework which guides investments in agriculture and food systems to favour those that need it most.

Based on these various EU and Government of Malawi objectives and policy commitments, and given the fact that the agriculture sector has been EU's focal sector for many years and that the EU is maintaining its involvement in the 11<sup>th</sup> EDF, it is relevant to develop an intervention that creates conditions, skills and knowledge of farmers and agri-businesses to allow them to contribute to sustainable climate smart agriculture growth, leading to improved food, nutrition and income security.

## **1.1.2 Stakeholder analysis**

### **1.1.2.1 Drivers of development**

#### **Farmers**

The success of the programme depends on active involvement of farmers in changing their own lives, particularly smallholder women and young farmers. Almost 85% of Malawian households are engaged in agricultural activities while more than 90% of farmers are smallholders facing several challenges such as (i) lack of access to appropriate technology, (ii) lack of skills and knowledge, in particular in dealing with deteriorated and deteriorating soils, (iii) lack of basic business skills, and (iv) lack of access to finance. The problems are enhanced by a shortage of government extension workers. Support has traditionally been top-down failing to respond to needs on the ground. Farmers are generally not organised in groups. They would get more benefits from targeted support which stimulates working in groups to maximise their potentials.

#### **Private sector and financial institutions**

The private sector can be an engine of inclusive agricultural growth by generating decent and green jobs, contributing to public revenue and providing affordable goods and services. If it invests in innovation and inclusive business models, it can also improve poor peoples' lives by boosting their productive activities and income generation. The five largest business enterprises account for 62% of Malawian total exports. The vast majority of Malawian exporters are small, with more than 65% of firms exporting goods to a value of less than USD 50 000 per year. Thus, there is a "missing middle" with very few medium sized firms in between the large and the small. Of the 11 commercial banks operating in Malawi, the financial sector is dominated by 2 privately owned banks. The great majority of banking services only target high net worth individuals.

### **1.1.2.2 Actors supporting the enabling environment**

#### **Government structures**

Sustainable increase of productivity and diversification are prioritised among the **Ministry of Agriculture, Irrigation and Water Development (MoAIWD)** objectives. Extension and research to farmers are provided by the Departments of Agriculture Extension services (**DAES**) and of Agriculture Research Services (**DARS**), but these institutions are understaffed and under-resourced. At decentralised levels district councils, particularly extension, nutrition and agri-business staff, will be involved. **Other Government entities** will have complementary roles on the proposed actions: (1) The Ministry for Natural Resources; (2) The **Ministry for Industry and Trade**, (3) the **Malawi Investment and Trade Centre** and (4) the **Malawi Bureau of Standards** which is mandated to control quality and standards, including international standards, and which issues the necessary certificates to government entities and private companies. The need for such standards, across all companies is increasing.

#### **Stakeholders in view of strengthening democratic governance in the sector**

The media and parliament are two key players in view of providing checks and balances in the agriculture and related sectors. Their voices are critical in moving policy reforms forward and ensuring domestic accountability.

#### **Non-Government support structures**

**Farmers' representative structures:** the two main farmers' organisations (**FUM** and **NASFAM**) support their members by provision of advice and training and linking them up to value chains and market opportunities. They also represent them in different policy forums.

**Civil society organisations (CSOs) and non-governmental organisations (NGOs):** The country has well-established local and international CSOs and NGOs who are involved (including through their umbrella network "CISANET") in policy development debate, provision of extension services and promotion of agri-business and agro-processing.

### 1.1.2.3 Actors which provide critical services in view of innovation and quality assurance

**Local Academic institutions** (Lilongwe University of Agriculture-LUANAR, Natural Resources College-NRC): Researchers within the academic institutions and students conducting their researches in the communities are key contributors in the process of participatory learning.

**Consultative Group on International Agricultural Research (CGIAR) international centres located in Malawi** (Center for Tropical Agriculture (CIAT), the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Bioversity International and the International Potato Center (CIP), the International Institute of Tropical Agriculture (IITA), the World Agroforestry Centre (ICRAF),) have developed innovations to address various agronomic and research needs (e.g. drought tolerant crops). Their respective experiences and innovations will be used to develop adapted packages to provide to farmers and private sector.

#### 1.1.3 Priority areas for support/problem analysis

Farming activities generate 35-40% of GDP and over 90% of export earnings **making agriculture the largest contributor to Gross domestic product (GDP) growth**. Malawi agriculture comprises (1) small-scale farmers and (2) estates. Smallholder farmers number an estimated 2 million families cultivating about 4.5 million ha of land. Smallholder production has low input and output levels. Of smallholders 25% use less than 0.5 ha; only 14% cultivate more than 2.0 ha. However, smallholders still produce about 80% of Malawi's food.

The estate subsector, under leasehold or freehold land, is the nation's principal foreign exchange earner providing over 80% of agricultural exports while contributing only about 20% of the total national agricultural production. The agriculture sector received an allocation of 15,1% of the total national budget in the fiscal year 2015-2016. However 75% of expenditure goes to the Farm Input Subsidy Programme (FISP) for the centralised purchase of subsidized fertilizer and seed (mostly maize). As a result of Government's policy priorities and limited fiscal space, other support catering to core functions such as research, extension, and land resources received very limited resources. Analysis of the Government Agriculture Budget 2015/2016 reveals that 97% of the development budget for the sector is covered through DP funding.

Malawian agriculture is hampered by lack of diversification, with maize and tobacco as the dominant domestic and export crops. Sustainability of production is low whereas inappropriate agronomic practices, pests and diseases, declining soil fertility, environmental degradation and erosion, adverse weather conditions and use of poor quality seed/planting materials lead to low productivity. Currently, farmers have limited access to extension with 80% of Malawian farmers being visited by an extension worker less than once a month while research and extension are working in isolation. In addition, technology adoption rate is generally low and variable according to the type of innovation. The existing linear model of technology dissemination (Research-Extension-Farmers) has failed to generate the impacts envisioned.

Challenges remain for smallholder farmers to have access to land and obtain solid ownership of land, mainly due to outdated legal frameworks and weak land governance structures.

The subsistence culture among farmers has further inhibited impact and agriculture growth. Farmers need to turn away from subsistence farming with low productivity, poor quality control, weak links to the market and lack of information on market and prices. The promotion of farmers' organisations (cooperatives, associations, groups, clubs, etc.) may bring about this change. In fact, cooperatives assist in tackling rural poverty through increased productivity and higher opportunities to be linked up to value chain actors interested to buy their products. Through cooperatives smallholder farmers can also negotiate better prices for seeds, fertilizer, transport and storage. Formal integration into value chains also links farmers to local and international market opportunities whilst providing them with a chance to sell their excess produce and to migrate out of poverty. Similarly, the value addition process is an opportunity to escape from poverty and thus agriculture related manufacturing is considered a priority by the Government.

Further stumbling blocks for agriculture growth are access to financing and the poor enabling environment that does not stimulate investment. There is reluctance by commercial banks to provide agriculture-related loans because these are considered too high risk. Moreover, demand is limited due to high interest rates (over 40%) that make it virtually impossible for agriculture investments to make a profit. The overwhelming part of the credit to the agriculture sector is short term (less than three months) and is mostly for farm inputs. Longer-term funding for equipment or infrastructure is rare.

While Civil Society has a voice through its umbrella network CISANET, other stakeholders are still weak in their capacity for conducting policy analysis and in engaging policy makers to effect positive change for the

sector. The media and parliamentary committees are two key players that need to be strengthened to drive the demand for a better functioning sector.

Malawi has been experiencing droughts with increased frequency since the 1980s<sup>2</sup>. Promoting climate-resilient agricultural practices and irrigation farming can mitigate agriculture sector vulnerability to droughts; in line with this the Government of Malawi has launched the National Irrigation Master Plan to define irrigation development and financing. Of the potentially irrigable land of 400 000 ha only 104 000 ha have been developed.

Malawian agriculture is marked by gender inequalities. About 70% of full time farmers are women who produce 80% of food for home consumption. Female farmers are constrained by limited access to and control of agricultural resources such as land, credit, extension services and access to markets.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Key policy measures and reforms pledged not implemented by the Government of Malawi.	M	<ol style="list-style-type: none"> <li>1. Continuation of collective engagement of DPs and Government of Malawi in dialogue on agriculture policy issues.</li> <li>2. Government of Malawi has adhered to different international commitments and progressively reports on the achieved progress.</li> <li>3. EU is co-leading the New Alliance for Food Security and Nutrition in Malawi and can thereby support the Government in fulfilling its policy commitments.</li> <li>4. Support to the Parliament and the media envisaged in the programme should allow for better monitoring of existing sector policies, reforms and budget and increase accountability of the Government.</li> </ol>
Limited cooperation and coordination and limited funding for extension and research leads to limited implementation and absorptive capacities (central government and local levels).	H	<ol style="list-style-type: none"> <li>1. Continuation of ASWAp implementation both at central and local levels.</li> <li>2. More engagement of Non State Actors in implementation of activities, in close coordination with local authorities.</li> <li>3. Support for extension and research development by different DPs.</li> <li>4. Regular dialogue on budget allocation in the agriculture sector between Government and DPs.</li> <li>5. FFS approach will be encouraging the formation of cooperatives (medium to long term) who will be self-sustainable in service provision.</li> </ol>
Reduced agriculture production due to inclement weather conditions [climatic variability and hazards] and/or environmental mismanagement.	H	KULIMA will promote climate resilient agronomic practices and soil fertility management among smallholder farmers. Consistent screening of interventions for environmental impact and climate change risk will be undertaken.
Commercial Banks continue to be reluctant in giving more affordable loans to agriculture initiatives.	M	KULIMA will support mobilization of funds and cooperation with the European Investment Bank (EIB) to develop mechanisms mitigating the risks for the banks providing loans to agricultural projects.

<sup>2</sup> The Intended Nationally Determined Contribution to United Nations Framework Convention on Climate Change, UNFCCC underlines that the agricultural sector is the most vulnerable to climate change.

Risks	Risk level (H/M/L)	Mitigating measures
Activities implemented through implementing partners are not achieving their outcomes.	M	KULIMA foresees regular monitoring from the Government, the EU and puts in place a supporting Monitoring and Evaluation system.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>– Government will be able to maintain minimum levels of investment on the priorities identified in the National Agriculture Policy so as to sustain provision of national research and extension services.</li> <li>– Overall enabling environment for business does not deteriorate</li> <li>– Development of cooperative organizations will be supported by Government.</li> <li>– Private sector will be pro-active to develop non-traditional value chains.</li> <li>– Willingness of private sector to invest in the sector despite the challenging investment climate.</li> <li>– Parliament institutionalises the KULIMA capacity building into its systems.</li> </ul>		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

In 2011 the EU country-level evaluation for Malawi advocated for continued EU support to institutional capacity and governance. On agriculture, it was concluded that sustainability prospects are better for interventions at 'grass roots' levels where beneficiaries have a more immediate and personal appreciation of the benefits. Affordability and sustainability of the Government of Malawi **Farm Input Subsidy Programme-FISP (launched in 2005-06)** was questioned. However, EU contribution to FISP was seen as a tool allowing participation in the sector dialogue. The evaluation recommended adopting programme (real) implementation periods of at least 5 years for more impact and sustainable results in agriculture.

Implementation of ASWAp has been hampered by inadequate financial management and the consequent inconsistent flow of funds, and by the fact that most expenditures remain focused on FISP. For a successful diversification, a recent 2015 field mission recommended to invest in increased capacity building both for extension workers and lead farmers to stimulate the promotion of the various technologies.

According to a 2014 study by International Food Policy Research Institute, the lack of investments in soil, water and pest management hampers productivity. Adopting a holistic approach on education and integrated management for both crop diversification and soil management practices, including agroforestry, is recommended.

In extension, the '**Lead farmer**' approach has been tried in Malawi in the last 2 decades and is still used by 19 organizations involved in agriculture development. Lead farmers are elected from their communities who provide training to their fellow farmers around demonstration plots. However, the lead farmers lacked technical and facilitation skills and were trained to disseminate only a few technologies, insufficient to address the diversity of smallholder challenges.

In the 1990s, some pilot small-scale Farmer Field School (**FFS**) projects were implemented, contributing to increased adoption rates and farmer knowledge. However, the approach failed to be sustainable after project phasing out, and foreign master trainers used curricula not adapted to Malawian conditions. Different recent FFS based initiatives in Malawi [FAO-Flanders (2011-15), FAO-African Solidarity Trust (2014-16), FAO-EU (2015-19)] are generating interesting results on productivity increase, technology adoption and cross-cutting topics to the point that fellow farmers are now eager to become beneficiaries of the approach. To complement the FFS approaches, an additional educational concept named Farmer Business School (**FBS**) has been developed by the FAO. FBS build farmers' capacity in entrepreneurial and management skills through the learning by doing approach.

A final evaluation of the EU STABEX funded programmes in Malawi shows major problems in smallholder operated agro-processing facilities. Many programmes have therefore aimed at linking smallholders to private sector run processing facilities, which increases impact and sustainability. A 2012 evaluation of the EDF 9&10 Farm Income Diversification Programme concluded that lack of private sector involvement negatively impacted sustainability, leading to limited results despite heavy investment over the years.

Agro-based cooperatives have been actively promoted in Malawi, but performance and sustainability has been questionable due to problems of cooperatives having been imposed rather than grown out of farmer initiatives, problems in market access, and lack of managerial skills. Access to finance remains limited for micro-, small and medium sized enterprises [**MSMEs**]. Many initiatives to improve access to finance in rural areas have

focussed primarily on short-term supply, resulting in modest achievements. Development of targeted longer-term finance for MSMEs and farmers is thus essential. Encouraging investments of productive actors will reduce risk of over-indebtedness and will lead to higher production. Productive actors generally have better entrepreneurial and farming skills and are better able to judge and assess business risks. They also possess some limited assets which could potentially act as guarantee for a loan.

### **3.2 Complementarity, synergy and donor coordination**

#### ***Complementarity and synergy with other Development Partners (DPs)***

Several **DPs** (African Development Bank, Department for International Development, EU, Flanders-Belgium, Germany, IrishAid, Japan International Cooperation Agency, Norway, U.S. Agency for International Development, World Bank, Food and Agriculture Organization, International Fund for Agricultural Development and World Food Programme) are active in agriculture and to a lesser extent trade and private sector development, where they align with Government's priorities. There is increasing support for private sector agriculture and value chain development. Close coordination and harmonisation of donor-funded activities is assured through the Donor Committee on Agriculture and Food Security, Donor Committee on Nutrition Security and Donor Group on Private Sector Development. The EU takes the chair of these different groups on a rotating basis.

**USAID** is designing a new agriculture programme [Strengthening Agriculture and Nutrition Extension Services Activity (SANESA)] which integrates agricultural diversification with supporting agri-business and links to nutrition. It focuses on 3 value chains (groundnuts, soy, orange fleshed sweet potato) but is open to other value chains. They are also planning to strengthen capacity building and policy making of key Government institutions and advocacy through Civil Society's voice in the sector. KULIMA will avoid geographical overlap and will ensure synergy with this USAID's programme.

The **German Cooperation** is focusing on employment in rural areas of Malawi and Innovation Centres for the Agriculture and Food Sector through GiZ and support to rural infrastructure through Kreditanstalt für Wiederaufbau (KfW). Cassava and oil seed value chain development is prioritized. GIZ is envisaged as the implementing partner for KULIMA component 2, value chain development, under which new value chains will be targeted.

The **French Agency for Development** and the **European Investment Bank (EIB)** may support Warehouse receipt systems for smallholder and other farmers from 2016-17. The EIB also aims to improve access to financing for cooperatives and MSMEs.

The **Flanders** Government (Belgium) supports extension (through FAO) using the FFS and FBS approaches. Research and initiatives through the Farmers Union of Malawi (FUM), the Agriculture Commodity Exchange and agro-forestry are also supported. KULIMA will upscale what the FFS and agro-forestry approaches financed so far by Flanders in two districts have achieved.

**IrishAid** supports farmer resilience and agriculture diversification with a focus on legume and other non-maize seed production. Support is given to CGIAR centres for promoting smallholder access to improved legume, orange fleshed sweet potato and Irish potato seed. Macadamia research was also supported. KULIMA will upscale activities financed by IrishAid related to seed development system through the CGIAR centres.

#### ***Internal EU synergy***

KULIMA will be complementary of following EU funded programmes in Malawi:

- **EDF11 AFIKEPO** (to start at the same time as KULIMA): KULIMA component 1 and AFIKEPO will be implemented in the same districts following a community outreach approach. A comprehensive practical skills development will be adopted for both programmes to deal with the various issues to be addressed at the community level. Service provision will be assured by **community based facilitators** selected from lead farmers for KULIMA and from care group volunteers for AFIKEPO. The participatory learning process will result into simple and realistic good practices for agricultural production and for nutrition. Farmers progressively skilled in production through participation in FFS groups organized by FFS facilitators under KULIMA will positively impact AFIKEPO beneficiaries through increased and diversified food availability.

- **EDF10 Farm Income Diversification Programme II (FIDP II to end in 2019)**: FIDP II aims at integrating farmers into value chains and promoting nutrition awareness at household level through 6 grants. It will also provide support for the rehabilitation of a few residential training centres. KULIMA will build on the results of these activities and extend the rehabilitation efforts.

- **EDF10 support to irrigation [Green Belt Initiative (GBI)] to end in 2018**: Strengthened extension addressing different constraints will be beneficial for the farmers exploiting irrigation infrastructures. KULIMA intends to support Government in leveraging extra investment for irrigation development.
- **EDF10 support to ASWAp-Multi-Donor Trust Fund (MDTF to end in 2017)**: the ASWAp-MDTF is mainly implemented through the District Agricultural Extension Services System system and lead farmers, with demonstration plots and field days. KULIMA will work closely with the DAESS system to implement the FFS component, with selected DAESS staff serving as Master Trainers and facilitators. Lead farmers will be trained as community FFS facilitators.
- **DCI-FOOD Land Governance Programme for Malawi (to end in 2019)**: The aim of this programme is to assist the Government mainly with registration of customary land, recognising particular challenges related to gender. The pilot customary land registration will take place in 3 of the KULIMA component 1 districts, hence potentially benefitting KULIMA farmers.
- **DCI-ENV Global Climate Change Alliance Programme for Malawi (GCCA to end in 2019)**: Through FAO, this programme is already implementing FFS approach in 4 districts to promote climate-smart agriculture and resilience activities. KULIMA will build on this experience to upscale similar activities in other districts.
- **EDF11 Rural Roads Improvement Programme (RRIMP to end in 2020)**: Access to markets is one of the selection criteria for rural roads rehabilitation; hence the rural roads improved under RRIMP will be beneficial for the KULIMA beneficiaries as this will facilitate market access and lower transport costs and time.
- **EDF10 support to the Malawi Bureau of Standards (MBS to end in 2018)**: The MBS plays a vital role in accreditation, metrology and quality assurance. KULIMA beneficiaries needing accreditation and certification will benefit from improved MBS services, particularly on food safety standards for export.
- **EDF9&10 COMESA "Malawi Enterprise Productivity Enhancement Programme"**: KULIMA will build on the agro-processing and value addition results of this programme which trains cooperatives to produce products that can be traded internationally.
- **EDF9&10 SADC "Trade Related Facility"**: a component of this facility aims to achieve quick wins for the oil seeds value chain in terms of regulation and harmonisation of oil seeds in the region. This may be of benefit to the KULIMA programme which can build on its results.
- **EDF11 support to the Governance sector (Chilungamo to start in 2017)**: KULIMA support to the media and the Parliament on Agriculture, will provide complementarity to the Chilungamo's work on accountability.

### 3.3. Cross-cutting issues

**Good Governance:** Direct support to media and to relevant Parliamentary Committees will contribute to create pro-active consultation, advocacy opportunities and increased accountability in the sector.

**Environment and climate change:** Land and forest degradation worsens the impact of climate change, leading to high vulnerability for natural disasters, in particular floods, and droughts. Climate-smart agriculture practices including **agroforestry**, addressing soil fertility and land degradation will be focal areas for KULIMA.

**HIV/AIDS:** HIV/AIDS awareness programs are already in place; organized KULIMA farmer groups will be used for dissemination of HIV/AIDS good practices. The importance of a good diet and care of the vulnerable will be a cross cutting issue of the action, with EDF11's AFIKEPO nutrition programme.

**Gender:** Access to resources, services (including extension and training), empowerment and female participation in leadership and decision making will be key KULIMA issues. Female participation in FFS will lead to more decision making capacity, participation, group formation, and improved resource access.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

This programme is relevant for the 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Sustainable Development Goals (SDGs) 2 and 8 but also promotes progress towards goals 5, 15 and 17. This does not imply a commitment by the country benefiting from this programme.

**The overall objective is 'Sustainable agricultural growth promoted to increase incomes, employment and food security in Malawi in the context of a changing climate'**

***Specific objective 1: Agricultural productivity increased and production diversified in a participatory, sustainable and climate-change resilient manner.***

Result 1.1: Improved organization and delivery of **national research and extension services**.

Result 1.2: Supply system of appropriate inputs and related technologies set up and meeting the needs to ensure increased, diversified and sustainable production.

Result 1.3: Farmers mobilised and supported to boost their agricultural production.

Result 1.4.: Government efficiently supported to increase investment for irrigation development.

***Specific objective 2: Agricultural value chains developed or established and related income and employment opportunities created***

Result 2.1: Affordable loans made available to private sector managed demand-driven agricultural investments and used by value chain actors for expanding operations, including smallholders operations.

Result 2.2: Value chain development plans for selected crops and other commodities developed and implemented, leading to increased, sustainable and environmentally-friendly growth in primary production, value adding, and viable enterprises in the value chain.

***Specific objective 3: Agriculture sector governance is strengthened***

Result 3.1: The wider public is better informed and consulted on key issues in agriculture.

Result 3.2: Strengthened accountability role of the Malawian Parliament on agriculture and agriculture related issues.

## **4.2 Main activities**

### ***Activities linked to result 1.1:***

Activity 1.1.1: Identifying **innovations/technologies** available and adapted for each agro-ecological zone of Malawi.

Activity 1.1.2: Training of extension workers and lead farmers with the FFS approach to improve quality and accessibility of the national extension system

Activity 1.1.3: Large scale delivery of research and extension services to producers using the FFS, FBS and complementary messages in selected districts.

Activity 1.1.4: Supporting basic and applied research in view of addressing the needs identified through FFS based participatory research.

Activity 1.1.5: Rehabilitation of extension infrastructures (residential training centres and housing for extension workers, research institutes).

Activity 1.1.6: Providing supplies to the national research system to improve its innovative capacity.

Activity 1.1.7: Improving agriculture communication electronically, in printed form and through mass media.

### ***Activities linked to result 1.2:***

Activity 1.2.1: Development of a sustainable system for production and distribution of quality planting material to producers.

Activity 1.2.2: Development and implementation of a sustainable national system for soil analysis in areas of intervention.

Activity 1.2.3: Developing affordable, environmentally-friendly systems for production and/or access to various inputs for restoration of soil fertility and land resources (agroforestry, compost, animal manure, green manure, liming etc.).

Activity 1.2.4: Integrating soil fertility and land restoration practices including agroforestry into the packages extended to farmers' groups

### ***Activities linked to result 1.3:***

Activity 1.3.1: Assist FFS groups' farmers to access and use the appropriate inputs and technologies to boost production at group level.

Activity 1.3.2: Support scaling up adoption of appropriate inputs and integrated technologies [such as conservation and use of genetic diversity, integrated soil fertility management (ISFM), agroforestry practices, integrated pest management (IPM), crop rotation and intercropping practices, etc.] by FFS members in their own individual plots and expanding to non-FFS farmers.

Activity 1.3.3: Progressive creation of new groups of farmers to increase FFS outreach and geographical coverage using ecosystem based farming practices

Activity 1.3.4: Organizing community mobilization campaigns led by the community based facilitators to address specific constraints by implementing simple and appropriate practices by critical masses of farmers (FFS and non-FFS farmers)

**Activities linked to result 1.4:**

Activity 1.4.1: Provision of technical expertise for leveraging funding for large irrigation schemes in priority sites of the National irrigation Master Plan.

Activity 1.4.2: Designing strategies to mobilize investment for developing new climate smart irrigation schemes.

**Activities linked to result 2.1:**

Activity 2.1.1: Provision of loans and business advice to value chain actors, including smallholder farmers, through implementation of a blended (loan/grants) programme.

**Activities linked to result 2.2:**

Activity 2.2.1: Design and implementation of inclusive value-chain development plans for agricultural crops and other commodities with high potential in terms of markets and inclusion of smallholder farmers.

Activity 2.2.2: Strengthening of farmer associations, cooperatives and MSMEs operating in the selected value chains.

**Activities linked to result 3.1:**

Activity 3.1.1: Stimulate a deeper understanding among journalists of sector issues, and promotion of media coverage on such issues through the different media.

Activity 3.1.2: Stimulate the voice of the rural masses and participation in sector governance through community radios and radio listening clubs.

Activity 3.1.3: Sensitisation of opinion makers on agricultural and agriculture-related policy issues – in Malawi and in sub-Saharan Africa (peer to peer approach), if relevant.

**Activities related to result 3.2:**

Activity 3.2.1: Provision of technical expertise to strengthen the capacity of Parliament to appraise agriculture budgets, track related public expenditure and critically assess agriculture, food security and nutrition related policies, Bills and Acts.

**For the programme as a whole**

The programme includes a provision for unallocated Technical Assistance (4 to 6 contracts) to allow a flexible response to needs for studies or other types of support that appear during implementation of the programme (for example in the context of the Government's implementation of the New Alliance commitments). This allocation will be managed by the Commission on behalf of the Government of Malawi.

### **4.3 Intervention logic**

The main objective of KULIMA will be the promotion of **sustainable agricultural growth and incomes** in Malawi. The sustainable development of agriculture sector is expected to bring economic growth, improved livelihoods, decent jobs and food and nutrition security, whilst reducing vulnerability to climate change and natural disasters. **Key issues** for fostering agricultural development and growth while also increasing food security in Malawi include 1) **increasing agricultural productivity and diversification**, and ensuring that the additional produce is used to improve nutrition in rural households, but also 2) to ensure that **surpluses are marketed with smallholders as well as commercial farmers receiving fair prices**. In turn, using the surplus produce in value chains serving national and international markets will improve employment opportunities and enhance economic growth.

The issue of agricultural productivity and diversification is to be addressed under specific objective 1, through a combination of a) farmer capacity building and empowerment using the FFS approach, and b) providing smallholders for two years with a “take-off” package of inputs and practices (initial set of inputs and good practices allowing farmers to adopt and expand the positive experiences acquired from the study plots) to improve practical skills of farmers and to sustainably increase their productivity. The choice of the crop to be promoted through KULIMA objective 1 depends on the choice of the farmer and is based on the local soil, land and weather conditions as well as nutrition and market access opportunities. The FFS approach, will be

complementary and strengthen the 11<sup>th</sup> EDF nutrition programme, AFIKEPO. In fact, nutrition messages will be mainstreamed and increased production of nutritious crops will make access to nutritious food available. It is expected that through FFS an increasing number of farmers will appreciate the benefits to implement improved management of agriculture production systems. In addition farmers will be operating as groups which will improve their capacity to operate in the market.

For the more entrepreneurial farmers, the NES has identified prioritised export crops. Existing private sector agriculture investments in value chains such as macadamia, stevia, paprika, baobab, sesame seeds or other crops may also provide a stimulus for farmers to diversify their production and to enter into the realm of agri-business. The issue of linking smallholder farmers up to fair and decent market opportunities is tackled under specific objective 2. This objective will incorporate smallholders in agricultural value chains as outgrowers of the commodities involved. KULIMA will support private sector in reaching out to smallholder farmers in combination with support, in the form of advice and easing access to loans, for improving and expanding the business and making it more inclusive. Smallholder and medium scale entrepreneurial farmers will be made aware of market systems and will be strengthened in their capacity to negotiate fair prices. In line with the NES which prioritises value addition as an opportunity to promote agriculture related manufacturing, this programme supports agro-processing based initiatives at cooperative or farmer association levels and stimulates value addition to create employment away from the fields. Specific objective 3 fosters increased understanding for changes needed in the policy environment to make it conducive to achieve the objectives of specific objectives 1 and 2.

The FFS and “take-off” approaches used to achieve the objective under component 1 have each proved to be effective if certain conditions are met, namely a rigorous selection of facilitators, a high quality curriculum and sufficient resources for facilitators to reach out to communities. The combination of the FFS approach with the value chain approach is expected to lead to successful results. In particular the entry point for objective 2, that is private sector managed demand driven investments that already have successfully accessed markets with products that meet international standards, offers proven potential to draw in smallholder farmers and MSMEs in the further development of their business.

As regards the choice of districts for FFS implementation, KULIMA component 1 will cover the same districts as those selected for the AFIKEPO programme. Any potential selection of additional districts will take account of similar interventions supported by other DPs. For specific objective 2 support will be based on viable private sector managed investments which could potentially be in any of the districts of Malawi.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

### **5.3 Implementation of the budget support component**

N/A

### **5.4 Implementation modalities**

#### **5.4.1 Grants: call for proposals "Outreach of the Farmer Field School (FFS) implementation throughout the selected KULIMA districts" (direct management)**

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The objective of the call is to ensure large scale adoption of sustainable farming practices in view of increasing productivity and diversification of agriculture production in Malawi. The implementing entity is required to use the FFS methodology. The activities will contribute to achieve results 1.1, 1.2 and 1.3 (activities 1.1.3, 1.2.4, and 1.3.1 to 1.3.4). The grantee(s) will work in close coordination with the national extension system (DAESS) and will strengthen them so as to avoid the creation of a parallel system.

(b) Eligibility conditions

Potential applicants should have good hands on experience in agriculture development programmes at local level in Malawi, with proven strong linkages on the ground. Any organisation eligible under Annex IV of the ACP-EU Partnership Agreement is considered eligible. The following types of potential applicants are eligible: legal persons, natural persons, international organisations, NGOs, farmers' organisations, economic operators.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant(s) is between EUR 4 000 000 and EUR 14 000 000 and the grant(s) may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant(s) (its implementation period) is **60 months**.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 95%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call: First trimester 2017.

**5.4.2 Procurement (direct management)**

<b>Subject in generic terms, if possible</b>	<b>Type (works, supplies, services)</b>	<b>Indicative number of contracts</b>	<b>Indicative trimester of launch of the procedure</b>
Technical assistance and support to relevant media (activities 3.1.1 to 3.1.3) and parliamentary committees (activity 3.2.1)	Services	1	first trimester 2017
unallocated TA	Services	4 to 6 contracts	2 <sup>nd</sup> trimester 2018
Mid-term and ex-post evaluation (in support of point 5.9 of this Annex)	Services	2	Mid Term Evaluation 3 <sup>rd</sup> trimester 2019 ex-post Evaluation 4 <sup>th</sup> trimester 2022
Support to Monitoring & Evaluation	Services	1	1 <sup>st</sup> trimester 2017
Audits of PE (in support of 5.10 of this Annex)	Services	3	1 <sup>st</sup> trimester 2017, 1 <sup>st</sup> trimester 2019, 1 <sup>st</sup> trimester 2021
Communication/visibility (in support of 5.11 of this Annex)	Services	1	1 <sup>st</sup> trimester 2017

**5.4.3. Indirect management with the Food and Agricultural Organization of the United Nations (FAO).**

A part of this action may be implemented in indirect management with the Food and Agricultural Organization of the United Nations (FAO) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails activities that lead to achieve results 1.1 and 1.2 (activities 1.1.1, 1.1.2 and part of activity 1.2.3). This implementation is justified because FAO has ample expertise and experience in implementing the Farmer Field School (FFS) approach in a range of countries, including Malawi. FAO has been implementing different projects in Malawi using the FFS approach with financing from the Flanders Government as well as through the EU-GCCA and the African Solidarity Trust Funds projects. In the interest of coordination and harmonization of the various initiatives KULIMA intends to build on and significantly scale up these activities.

The entrusted entity would carry out the following budget-implementation tasks: contracting of supplies and services including but not limited to long and short term experts, contracting studies, venues and trainers for the results specified above.

#### ***5.4.4 Indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GiZ) GmbH – Component 1***

A part of this action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (**GiZ**) GmbH in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails activities that lead to achieve results 1.1 and 1.2 (part of activity 1.1.4, activity 1.2.1 and part of activity 1.2.3). This implementation is justified because GiZ is already implementing the Green Innovation Centres programme which has the same aim as KULIMA as regards the promotion of research innovation from the international research centres in Malawi.

The entrusted entity would carry out the following budget-implementation tasks: contracting of supplies and services including but not limited to seeds and related technologies, technical expertise in support of various trainings, studies and other needs in the context of KULIMA activities.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 September 2016 since the GiZ programme activities relevant for KULIMA will have already started by this date but the delegation agreement will not be yet signed (as the present financing decision will only be adopted in November 2016 at the earliest). Kulima, propose and involve several actions. Due to the mix of different implementation modalities ensuring an holistic sector approach, negotiation of the action has taken more time than initially envisaged. The part to be implemented by GiZ is a component which makes sense only if considered in the overall architecture of the wider programme. However, it would still be important to exceptionally finance the GIZ component from the beginning of the action. The fact that the EU funding will allow scaling up the existing GIZ programmes provides an additional justification to the need to ensure that activities are financed from the beginning.

#### ***5.4.5 Indirect management with GiZ GmbH – Component 2***

A part of this action may be implemented in indirect management with GiZ GmbH in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails activities that lead to achieve result 2.2. This implementation is justified because GiZ is already implementing the "More Income and Employment in Rural Areas" programme which shows promising results, has the same aim as KULIMA as regards the development of private sector led value chains and could benefit from scaling up and broadening of scope of its activities.

The entrusted entity would carry out the following budget-implementation tasks: awarding of grants and contracting of supplies, services and works including but not limited to long and short term experts, contracting studies, venues and trainers for the results specified above.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 September 2016, for the reasons explained in section 5.4.4.

#### ***5.4.6 Contribution to the Africa Investment Facility***

This contribution may be implemented under indirect management with the entities, called Lead Financial Institutions, and for amounts identified in the appendix of this action document, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of the Regulation (EU) 2015/323. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments linked to activities leading to achieve result 2.1. For result 2.1, the entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

#### ***5.4.7 Indirect management with the partner country***

A part of this action, with the objective of overall coordination and provision of complementary support to the various specific objectives, may be implemented in indirect management with the Government of Malawi in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of the Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and up to EUR 100 000 for grants.

The financial contribution partially covers, for an amount of EUR 1 000 000, the ordinary operating costs incurred under the programme estimate.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable in accordance with Article 36 of the Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of the Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

#### ***5.4.8 Changes from indirect to direct management mode due to exceptional circumstances***

In case of impossibility to conclude a contract under indirect management with FAO due to circumstances outside of the Commission's control, the corresponding activities will be implemented under a Technical Assistance service contract in direct management.

In case of impossibility to conclude contracts under indirect management with GiZ due to circumstances outside of the Commission's control, the corresponding activities will be implemented under calls for proposal in direct management.

The call for proposals will be in 2 lots. Lot 1 will aim at supporting dissemination and proper use of international agriculture research results among farmers in the targeted districts of this action. The activities will contribute to achieve results 1.1 and 1.2 (activities 1.1.4, 1.2.1 and 1.2.3). The grantee(s) will work in close coordination with the international research centres (CGIAR) in Malawi. Potential applicants should have strong knowledge and experience in CGIAR related activities. Any organisation eligible under Annex IV of the ACP-EU Partnership Agreement is considered eligible. The following types of potential applicants are eligible: legal persons, natural persons, international organisations, NGOs, farmers' organisations, economic operators.

Lot 2 will aim at promoting agri-business development through strengthened value chains. The activities will contribute to achieve result 2.2 (activities 2.2.1 and 2.2.2). The grantee(s) will identify private sector driven opportunities and will liaise very closely with them. Potential applicants should have strong expertise agriculture value chain development. Any organisation eligible under Annex IV of the ACP-EU Partnership Agreement is considered eligible. The following types of potential applicants are eligible: legal persons, natural persons, international organisations, NGOs, farmers' organisations, economic operators, financial institutions.

The essential selection criteria will be the financial and operational capacity of the applicant. The essential award criteria will be relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

The maximum possible rate of co-financing for this grant will be 80% of the eligible costs of the action. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of (EU) regulation 2015/323 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

Details on indicative amounts and indicative time of launch of the potential call for proposal will become clear in case this alternative option will have to be faced.

## **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

Activities	EU contribution (amount in EUR)	Indicative third party contribution (EUR)
<b>Component 1: Increase agriculture productivity and diversification</b>	<b>50 000 000</b>	<b>4 500 000</b>
<i>5.4.3 Implementation FFS programme – Indirect management with FAO</i>	28 000 000	2 000 000
<i>5.4.4 Support the contribution from the CGIAR centres – Indirect management with GiZ</i>	8 000 000	1 750 000
<i>5.4.1 Call for proposals "Outreach of the FFS implementation throughout KULIMA selected districts" - Direct management</i>	14 000 000	750 000
<i>5.4.7 Rehabilitation of Residential Training Centers, extension workers houses and Supplies of equipment and rehabilitation for national research (indirect management with Government of Malawi – included under "procurement – total envelop under section 5.4)</i>	NA	-
<i>5.4.7 TA for irrigation – (indirect management with Malawi Government – included under "procurement – total envelop under section 5.4)</i>	NA	-
<b>Component 2: Value chain development programme</b>	<b>34 000 000</b>	
<i>5.4.6 Support for access to finance – contribution to the AFiF</i>	14 000 000	-
<i>5.4.5 Value Chain Development – Indirect management with GiZ</i>	20 000 000	6 500 000
<b>Component 3: support to sector governance</b>		
<i>5.4.2 TA services – Procurement direct management</i>	NA -	
<b>Overall coordination &amp; supporting actions (PE, supplies, services) – 5.4.7 indirect management with Government of Malawi</b>	<b>2 000 000</b>	-
<b>Procurement – total envelop under section 5.4</b>	<b>12 000 000</b>	-
<i>- supplies, works, services under indirect management (5.4.7 indirect management with Government of Malawi)</i>	8 300 000	
<i>- services under direct management (activity 5.4.2 direct management: TA for component 3, support to M&amp;E, unallocated TA)</i>	3 700 000	
<b>5.9 – Evaluation / 5.10 - Audit</b>	<b>500 000</b>	-
<b>5.11 - Communication and Visibility</b>	<b>500 000</b>	-
<b>Contingencies</b>	<b>1 000 000</b>	-
<b>TOTAL</b>	<b>100 000 000</b>	<b>11 000 000</b>

## 5.7 Organisational set-up and responsibilities

The Programme oversight will have two main structures namely (i) Steering Committee (PSC) and (ii) Technical Committee (PTC).

The PSC will be composed of the main stakeholders and counterparts of the programme. The PSC will oversee and give strategic direction to programme implementation as well as ensure appropriate performance monitoring with the NAO support unit functioning as Secretariat. The exact composition of the PSC will be determined at the start of programme implementation in close cooperation with the Government.

The PTC will provide technical guidance and ensure that timely and appropriate technical and strategic actions are made relating to technical challenges or issues emerging during Programme implementation. The PTC will also make policy recommendations to the PSC, where necessary. The PTC will be chaired by the NAO

support unit and will comprise in particular representatives of MoAIWD, Ministry of Industry, Trade and Tourism, FAO, GiZ, call for proposal grantee(s) and EU. PTC meetings will be held regularly.

Overall coordination of programme implementation and secretariat support for the PSC and PTC will be provided by the NAO support unit, which will be supported through a Technical Cooperation Contract.

### **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of implementation of this Action will be a continuous process. Most outcome and output indicators for components 1 and 2 are selected from the logical frameworks of the actions proposed by the implementing partners. They shall establish the baseline, institute a permanent internal, technical and financial monitoring system for the action and submit regular progress reports (not less than annual) and final reports. For SO 3 and related output indicators baseline and reporting will be part and parcel of the Terms of Reference of the technical assistance team. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log-frame matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.9 Evaluation**

Having regard to the nature of the action, a mid-term and an ex-post evaluation will be carried out for this action or its components by independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for an independent assessment of progress and, in case of lack of such progress, evaluation of its causes. The evaluation outcomes could lead as required to adjustments in programme strategy and implementation, applying lessons learnt.

An ex-post evaluation is foreseen for accountability and learning purposes at various levels (including policy revision), taking particular account of the impact achieved and in case of a positive assessment of impact, uptake of the successful strategies, approaches and modes of implementation in subsequent EU actions / programmes, by other development partners, Government of Malawi and non-government actors.

The Commission shall inform the implementing partners at least two months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

If deemed relevant, one single mid-term review and/or one single final evaluation could be done for both KULIMA and AFIKEPO (CRIS FED/2016/038-583) programmes.

Indicatively, one contract for mid-term evaluation services shall be concluded in the 3<sup>rd</sup> quarter 2019, and one for ex-post evaluation in the 4<sup>th</sup> quarter of 2022.

### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, three contracts for audit services shall be concluded in 2017, 2019 and 2021.

### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

In view of the concrete synergy between both KULIMA and AFIKEPO programmes, communication and visibility activities will be implemented by the same service contract(s) financed by KULIMA budget. It is envisaged to conclude one service contract under direct management, for an estimated total of EUR 500 000, tentatively scheduled to be launched in the 1<sup>st</sup> trimester of 2017.

## APPENDIX I- Indicative Logframe matrix (for project modality)<sup>3</sup>: Sustainable agriculture (KULIMA) Programme in Malawi - FA

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (All by End of Programme)	Sources / means of verification	Assumptions
Overall objective: Impact	Sustainable agricultural growth promoted to increase incomes, employment and food security in Malawi in the context of a changing climate	1. Proportion of rural population living below poverty line in targeted districts  2. Agriculture annual percentage growth rate  3. % of food secure rural households*	1. At inception phase in 2017: Tbd  2. 2015: -1.6%  3. 2015: 83%	1. By EOP: Tbd  2. By EOP: 3%  3. By EOP: 87%	1. Integrated household Survey report;  2. Government of Malawi Annual Economic report, Budget Document no 2;  3. MVAC and FEWSNET reports	
Specific objective 1	Agricultural productivity increased and production diversified in a participatory, sustainable and climate-change resilient manner	1.1. Yield gap <sup>1</sup> between research stations and smallholder farmers for the targeted crops  1.2. Tonnage of high quality legume seeds available on the market*  1.3. % of farmers adopting integrated technology among programme farmers' beneficiaries (disaggregated by sex)  1.4. Total smallholder area under sustainable environmentally friendly and climate resilient farming practices <sup>2</sup>	1.1. 2012: 60%  1.2. 2014: 2800 MT  1.3. 2015: 0%  1.4. 2015: 525 000 ha	1.1 30%  1.2. 3500 MT  1.3. 20%  1.4. 600 000 ha	1.1. Research papers (by DARS scientists during implementation);  1.2. WB report based on Seed Traders' Association of Malawi reports  1.3. Annual programme progress reports (by FAO and NSAs)  1.4. Agriculture annual sector performance report Government of Malawi	Government will be able to maintain minimum levels of investment on the priorities identified in the National Agriculture Policy so as to sustain provision of national research and extension services
Specific objective 2	Agricultural value chains developed or established and related income and employment opportunities created	2.1. Household income increase (in %) of households in KULIMA supported value chains  2.2. % of MSMEs in agro processing and trading that have accessed credit (* and ** EU Results Framework #30 Level 2)  2.3. Income of women and young people who are involved through KULIMA as smallholders or as MSME employees in value addition activities	2.1. 2016: Tbd  2.2. 2014: 20%  2.3. Tbd	2.1. Tbd  2.2. 25%  2.3. Tbd	2.1. MoITT reports incl. NES and TIP-SWAp;  2.2. FINSCOPE MSME Survey; Programme progress reports (EIB) 2.3. Annual programme progress reports (by GiZ)  Baseline & updates:	Overall enabling environment for business does not deteriorate; Development of cooperative organizations will be supported by Government; Private sector will be pro-active to develop non-traditional value chains; Willingness of private sector to

<sup>3</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (All by End of Programme)	Sources / means of verification	Assumptions
					GiZ for indicators 2.1 and 2.3 EIB for indicator 2.2	invest in the sector despite the challenging investment climate
Specific objective 3	Agriculture sector governance is strengthened	3.1. % of Malawian citizens knowledgeable of main agriculture and other related policies and issues 3.2. Number of times using evidence based analysis in agriculture sector related oral and written parliamentary procedures	3.1. 2017:Tbd 3.2. 2017: Tbd	3.1. By EOP Tbd 3.2. By EOP Tbd	3.1. Independent Opinion polls/surveys 3.2. Programme progress reports Baseline & updates: Technical Assistance	Parliament institutionalises the KULIMA capacity building into its systems
Outputs obj. 1	1.1. Improved organization and delivery of national research and extension services	1.1.1. No. of graduated FFS Master trainers <b>disaggregated by sex</b> ** (EU Results Framework #7 Level 2) 1.1.2. No. of Residential training centres rehabilitated and fully operational 1.1.3. No. of houses for extension workers in the districts of intervention rehabilitated by EU funds and usable, 1.1.4. % of the research equipment supplied through the KULIMA programme in active use at DARS 1.1.5. No. of graduated community based FFS facilitators <b>disaggregated by sex</b> ** (EU Results Framework #7 Level 2) 1.1.6. No. of graduated farmers through FFS skilling process respecting all the standards <b>disaggregated by sex</b> ** (EU Results Framework #7 Level 2)	1.1.1. 2016: 0 1.1.2.2015: 2 1.1.3. 2017: 0 1.1.4. 2016: 0% 1.1.5. 2017: Tbd 1.1.6. 2017: Tbd	1.1.1. 400 1.1.2. 8 1.1.3. 20 1.1.4. 65% 1.1.5. By EOP 6 000 1.1.6. 400 000	1.1.1. Annual programme progress reports (by FAO); 1.1.2. Annual programme progress reports (by NAO) 1.1.3. Annual programme progress reports (by NAO) 1.1.4. Annual programme progress reports (by NAO) 1.1.5. Annual programme progress reports (by FAO); 1.1.6. Annual programme progress reports (by NSA);	Sufficient numbers of DAESS extension and NGOs staff with required background in extension and technical agricultural knowledge available Lead farmers are motivated enough to perform the repetitive and season long learning process
	1.2. Supply system of appropriate inputs and related technologies set up and meeting the needs to ensure increased, diversified and sustainable production	1.2.1. No. of input supply systems developed involving all the main actors (research, private sector and farmers) 1.2.2. No. of different crop varieties multiplied and made available for use by farmers	1.2.1. 2017: Tbd 1.2.2. Tbd 2016	1.2.1. At least 3 in each implementation area 1.2.2. At least 20 varieties	1.2.1. Annual programme progress reports by FAO 1.2.2. Annual programme progress reports by GiZ	Availability of all required resources (physical, human and financial) to develop the supply systems; Continuous collaboration between DARS and the various CGIAR centres
	1.3. Farmers mobilised and supported to boost their agricultural production	1.3.1. No. of organized farmers' groups/clusters practicing improved agricultural and post-harvest handling practices 1.3.2. No. of topics for large scale community mobilization actions 1.3.3. Proportion of KULIMA groups engaged in diversified income generating activities	1.3.1. Tbd (2017) 1.3.2. : 0 (2016) 1.3.3. 0 (2017)	1.3.1. 8 000 1.3.2. 3 1.3.3. 20%	1.3.1. Annual programme progress reports by FAO 1.3.2. Annual programme progress reports by NSAs 1.3.3. Annual programme progress reports by NSAs	Government and main partners maintain policy focus on enhancing agriculture extension services; Constant interest of authorities (decentralised and traditional) to support KULIMA activities at local level

	Results chain	Indicators	Baselines (incl. reference year)	Targets (All by End of Programme)	Sources / means of verification	Assumptions
	1.4. Government efficiently supported to increase investment for irrigation development	1.4.1. No. of new climate proofed projects for irrigation development launched with KULIMA support  1.4.2. No. of relevant studies conducted to support development of irrigation schemes respecting the environment	1.4.1. 0 (2016)  1.4.2. 0 (2016)	1.4.1. 2  1.4.2. 8	1.4.1. Annual programme progress reports by NAO  1.4.2. Annual programme progress reports by NAO	Government to favour enabling environment (access to lands, access to finance, taxation regime) for investments in irrigation and to promote catchment management activities to ensure water availability
Outputs obj. 2	2.1. Affordable loans made available to private sector managed demand-driven agricultural investments and used by value chain actors for expanding operations including smallholders operations	2.1.1. No. of inclusive private sector driven investments supported with loans and business advice through a loan-grant blended programme	2.1.1. 0 (2016)	2.1.1. 10	2.1.1. Annual Programme progress reports by national financial institutions and the lead international financing entity	National financial institutions cooperating with International financing entities to create enough confidence with potential borrowers for them to borrow
	2.2. Value chain development Plans for selected crops and other commodities developed and implemented, leading to increased, sustainable and environmentally friendly growth in primary production, value adding, and viable enterprises in the value chain	2.2.1. No. of agriculture value chain development plans developed and implemented for selected commodities  2.2.2. No. of agreements signed on direct cooperation between MSMEs and/or smallholders and lead companies in different value chains	2.2.1. 4 (2016)  2.2.2. 0 (2016)	2.2.1. 6  2.2.2. Tbd	2.2.1. Annual Programme progress reports by GiZ  2.2.2. Annual Programme progress reports by GiZ	Stakeholders in the value chain trust each other and cooperate; Smallholders are able to meet the quality standards set by the buyer
Outputs obj. 3	3.1. The wider public is better informed and consulted on key issues in agriculture	3.1.1. No. of background articles in agriculture sector and related issues in main Malawian newspapers per year  3.1.2. No. of radio and TV programs exploring agricultural and related policy issues per year	3.1.1. Tbd (2017)  3.1.2. Tbd (2017)	3.1.1. Tbd  3.1.2. Tbd	3.1.1. Annual programme progress reports by the TA service contract  3.1.2. Annual programme progress reports by the TA service contract	Press / journalists and general public are interested in agricultural policy issues
	3.2. Strengthened accountability role of the Malawian Parliament on agriculture and agriculture related issues	3.2.1. No. of agricultural related policies explored and debated in Parliament with KULIMA support  3.2.2. Number of agriculture related budgets appraised by Parliament per year  3.2.3. No. of agriculture related Acts and Bills appraised by Parliament with KULIMA support  3.2.4. No. of agriculture related thematic dialogues/events conducted with KULIMA support	3.2.1. Tbd (2017)  3.2.2. 0 (2016)  3.2.3. 0 (2016)  3.2.4. 0 (2016)	3.2.1. Tbd  3.2.2. 5  3.2.3. 3  3.2.4. 4	3.2.1. Parliament agenda  3.2.2. Annual Programme progress reports by the TA service contract  3.2.3. Annual Programme progress reports by the TA service contract  3.2.4. Annual Programme progress reports by the TA service contract	Parliament interested to ensure public consultation regarding matters on agriculture policies and budget

\* reflects indicators in the Malawi NIP 2014-2020; \*\* reflects indicators linked to the EU Results Framework.

**Abbreviations:** Tbd = to be determined, MVAC = Malawi Vulnerability Assessment Committee; FEWSNET = Food Security Early Warning System; NES = National Export Strategy; TIP-SWAp = Trade, Industry and Private Sector Sector Wide Approach; MSME = micro, small and medium sized enterprises; FFS: Farmer Field School; MoITT: Ministry for Industry, Trade and Tourism.

**Notes:** 1. **Yield gap:** it is the percentage of yield difference between the research station yield (100%) and the yield obtained by farmers under their respective local conditions.

2. **Sustainable farming practices:** farming practices using an integrated system of plant and animal production based on understanding the ecosystem dynamic and relationships between the different organisms and the environment; for example, based on the site specific local conditions, the approach incorporate different practices like crop rotation, conservation agriculture, promotion of healthy soils and reduction of land degradation, agroforestry, improved crops and varieties, efficient use of wat

**APPENDIX II TO KULIMA AD2: INDICATIVE PROJECT FOR BLENDED OPERATION**

<b>No.</b>	<b>PROJECT TITLE</b>	<b>SECTOR</b>	<b>BENEFICIARY</b>	<b>FINAL BENEFICIARIES</b>	<b>LEAD FINANCIAL INSTITUTION</b>	<b>EIB CONTRIBUTION</b>	<b>ESTIM. NIP GRANT (EUR)</b>	<b>ESTIM. 3<sup>RD</sup> PARTY CONTRIBUTION (EUR)</b>	<b>MATURITY</b>
1	KULIMA Access to Financing	Agriculture	Local Financial Intermediaries	Smallholder farmers, local companies relevant in the value chain and social impact investor locally present	EIB	26 000 000	14 000 000	Between 15 000 000 and 25 000 000*	Medium

EIB: EUR 26 million (EUR 25 million loan, EUR 1 million TA for banks); EU grant: EUR 14 million

\* Counterpart funding commercial banks and/or local investor(s): exact contribution still to be determined, negotiation still ongoing.