



**AFRICAN DEVELOPMENT
BANK GROUP**

**PROJECT: Climate Adaptation for Rural Livelihood and
Agriculture (CARLA)**
COUNTRY: Malawi

PROJECT APPRAISAL REPORT

Date: October 2011

Appraisal Team	Team Members: Vinda Kisyombe, Senior Agricultural Officer, OSAN 3 Tarek Ahmed, Senior Irrigation Engineer, OSAN 3 Siham Mohamed Ahmed, Principal NRM specialist, OSAN 4 Emmanuel Chisesa, ORPF Sector Manager: Josephine Mwangi, OSAN 3 Sector Director: A. Beileh, OSAN Regional Director: Chiji Ojukwu, ORSB
Peer Reviewers	Wael Soliman, Principal Hydrologist, OSAN 3 Kisa Mfalila, Principal Environmentalist, OSAN 4 Musole MwilaMusomali, YPP, ONEC3 Sarrah Baudin, Consultant, OSAN 4

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CURRENCY EQUIVALENTS

(April 2011)

1 UA	=	1.5855 USD
1UA	=	238.231 MWK
1 USD	=	152.2937 MWK

FISCAL YEAR1st July – 30th June**WEIGHTS AND MEASURES**

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
ASWAp	Agriculture Sector Wide Approach
CARLA	Climate Adaptation and Rural Livelihoods for Agriculture
CBA	Community Based Approach
CCA	Climate Change Adaptation
DESC	District Environment Sub Committee
DDP	District Development Plan
GEF	Global Environment Fund
EAD	Environmental Affairs Department
EPA	Extension Planning Area
EDO	Environmental District Officer
GOM	Government of Malawi
GVH	Group Village Headman
MGDS	Malawi Growth and Development Strategy
M&E	Monitoring & Evaluation
MFI	Micro Finance Institution
MIS	Management Information System
MoIWD	Ministry of Irrigation and Water Development
MPRSP	Malawi Poverty Reduction Strategy Paper
NAPA	National Adaptation Program of Action
NGO	Non-Governmental Organization
PCR	Project Completion Report
PCU	Project Coordination Unit
PMU	Project Management Unit
PY	Project Year
SCPMP	Smallholder Crop Production and Marketing Project
TA	Traditional Authority
US	United States
VA	Vulnerability Assessment
VDC	Village Development Committee

GRANT INFORMATION

Client's information

GRANT RECIPIENT:	Republic of Malawi
EXECUTING AGENCY:	Ministry of Irrigation and Water Development in collaboration with the Ministry of Natural Resources and Mines (Environmental Affairs Department)

Financing plan

Source	Amount (USD)	Instrument
ADB / ADF	0	N/A
Global Environment Facility	3.000 million	Grant
TOTAL COST	3.000 million	

Important Financial Information of GEF

Grant Currency	U\$
Type of Interest	Na
Interest Rate Margin	Na
Commitment Charge	Na
Service Commission	Na
Repayment Period	Na
Grace Period	Na

Timeframe - Main Milestones (expected)

Concept Note approval	N/A
Project approval	August, 2011
Effectiveness	September 2011
Last Disbursement	June, 2015
Completion	December, 2015

PROJECT SUMMARY

Project Overview

1. The Climate Adaptation for Rural Livelihoods and Agriculture (CARLA) project will be implemented in Malawi in the three vulnerable districts of Karonga, Dedza and Chikhwawa as identified under the National Adaptation Programme of Action (NAPA) in 2006. The goal of the CARLA project is to improve resilience to current climate variability and future climate change by developing and implementing adaptation strategies and measures that will improve agricultural production and rural livelihoods. There are two main outputs of the project namely: (i) integrated climate change adaptation strategies and interventions that improve agricultural production and rural livelihoods; and (ii) enhanced national and district agencies capacities to support community-based adaptation to climate change. The project will be implemented in five years, with a GEF grant of US\$3.0 million which was approved by the GEF council.
2. The CARLA is designed as supplementary financing for the Smallholder Crop Production and Marketing Project (SCPMP) financed by the AfDB to address the issues of climate change. It will therefore be implemented through the existing SCPMP Project Management Unit. The primary project beneficiaries will be smallholder farmers and other community members in the selected districts consisting of an estimated 30,000 households.
3. **Needs Assessment:** Malawi is highly vulnerable to impacts of climate change, particularly as it relates to agriculture and rural livelihoods. The project interventions are in line with the government priorities as outlined in the Malawi Growth and Development Strategy II (MGDS II, 2011-2016) and the 2010-2012 Bank's Interim Country Strategy Paper (ICSP). Given Malawi's high vulnerability, significant additional adaptation efforts are needed to address the critical interface between climate, agriculture, and livelihoods at the community level.
4. **Bank's Added Value:** The African Development Bank (AfDB) has a long established presence in Malawi, with active involvement in agriculture and livelihoods-related projects - irrigation, forestry, extension, land management and livestock. This gives the Bank a comparative advantage in addressing issues of agriculture, climate change and rural livelihoods. Moreover, the project is designed to supplement the ongoing AfDB financed SCPMP.
5. **Knowledge Management:** CARLA is conceived as a 'learning' project. Climate change adaptation is at an early stage of conceptualisation and implementation. The pilot adaptation measures being tested in this project will allow experience to be gained, lessons to be learned, and best practices to be documented and replicated in other communities. The target communities (CARLA Communities) are the key knowledge building mechanism within the project. The engagement, assessment, planning, and action stages in each community provide opportunities to build experience and knowledge on community-based climate change adaptation in Malawi.

African Development Bank – RESULTS LOGICAL FRAMEWORK

Country and project name: Malawi, Climate Adaptation for Rural Livelihood and Agriculture (CARLA)						
Purpose of the project : Improve agricultural productivity and rural livelihoods through communities' resilience to current and future climate variability in 3 of 6 NAPA districts in Malawi						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Baseline	Target		
IMPACT	Impact Improved rural livelihood resilience to current climate variability and future climate change	National maize production (MT) Agriculture contribution to GDP	National smallholder maize production of 3.6 MT (2009)	20% increase by Pyr 5 Increase agric GDP by 6% by PYr 5	Annual Progress Review of MGDS Agriculture Statistical Bulletin	Risk: Adaptation to variable rainfall, floods and droughts are ineffective at community level. Mitigation: Selection of communities was based on sites with a mix of climate change problems that can be addressed at that level
	Outcome 1 Communities have sustained food production and livelihoods	Resilient crop yields	2.6 ton/ha (maize as indicator)	3.5 ton/ha by PYr 5	National Crop production Estimates (3 rd Round 2015)	Risk: CBA actions do not cause real improvements in agricultural production. Mitigation: Immediate actions will be implemented early in the project to test the validity of CBA approach and ensure real improvements
Outcome 2 capacity for institutions involved in environment & agriculture strengthened at national & district level	government Initiatives at districts coordinated & integrated in model communities	None	Coordinated plans for CARLA developed by PYr 3			
	Component 1 Community Based Integrated climate change adaptation approach developed	1 3 community model Villages selected for implementation of an integrated community based climate change adaptation program 2 Successful approaches replicated to other vulnerable communities. 3. Stakeholder-led vulnerability assessment and participatory development of a Community Climate Change Adaptation Action Plan	Key stakeholders identified by Yr 1 6 VDCs & GVHs and all target beneficiaries trained by PYr 1 with at least 50% being women		Monthly and quarterly progress reports Quarterly Progress Reports	Risk: Stakeholders in model communities not participating in planning process Mitigation: During project inception community leadership structures & beneficiaries will be identified, sensitized & fully engaged in the planning process

	Component 2 Output 2.1 Capacity for TAs, district staff on CCA enhanced	Number of leaders & stakeholders trained in action planning % Priority adaptation options implemented	At least 20 community leaders in each model village trained by PYr 3 with 50% being women 25, 30, 65 & 75 % priority actions implemented by PYr2,3,4 & 5 resp. CC adaptation reviewed annually		Risk: Beneficiaries have no interest to review their adaptation efforts and implement actions Mitigation: Information from VA will guide action planning & implementation & project will ensure
OUTPUTS	Component 3 Project effectively & efficiently implemented	Number & size of communities and staff trained on CBA	3 new GVH communities of 5-10,000 beneficiaries each by PYr 4 with at least 50% being women & 3, TAs, 3 EDOs, 30 DESC & 18 Ext. staff Lessons documented & disseminated 12 Monthly reports/PYr, 5 Annual Reports , 1 MTR, 1 PCR & 10 Aide Memoires signed	Monthly Reports Quarterly Reports and Annual Report Training Reports CCA Handbooks Project reports	that actions proposed are feasible & within their means to implement. In addition beneficiaries and other stakeholders will be sensitized. Risk: District are not able to fulfill their in kind contribution commitments Mitigation: CARLA will work with EDO & the job description will be reviewed. trained in report writing & CARLA CDO & EDO will make continuous follow ups Risk: Change of management from SCPMP PCU to an internal PCU may disrupt project activities. Mitigation: Staff from EAD & MOIWD already involved in project activities and will be trained on Bank rules and procedures.
KEY ACTIVITIES	COMPONENTS			INPUTS	
	Component 1 1.1 Community mobilized 1.2 review of existing community based climate change coping and adaptation mechanisms; 1.2 Community climate change vulnerability assessments 1.3 Community climate change adaptation action plans 1.4 Implementation of community CCA action plans 1.5 Review and improvement of CCA actions 1.5 Transfer of CARLA experience to other communities Component 2 2.1 Conduct district level capacity building 2.2 Conduct national level capacity building 2.3 Share lessons Component 3 3.1 Project inception 3.2 Project planning, monitoring and reporting 3.3 Project governance 3.5 Project administration.			Budget (million USD) Component 1 : 2,263,039 Component 2 : 398,961 Component 3 : 338,000 Total : 3,000,000.	

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED INCREMENTAL FINANCING GRANT FOR THE MALAWI CLIMATE CHANGE ADAPTATION FOR RURAL LIVELIHOOD AND AGRICULTURE

Management submits the following Report and Recommendation on a proposed incremental financing grant from the Global Environment Facility (GEF) for USD 3,000,000 to finance the Climate Adaptation for Rural Livelihoods and Agriculture (CARLA) Project in the Malawi, as part of the Bank financed Smallholder Crop Production and Marketing Project.

I – STRATEGIC THRUST & RATIONALE

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 The CARLA is designed as supplementary financing for SCPMP financed by the AfDB, which was approved on 27th July, 2006 and became effective on 2nd May, 2007. Malawi is eligible for GEF funding as it is party to (i) Convention on Biological Diversity (CBD) (signed 15th June 1992, ratified 28th February 1994); (ii) United Nations Convention to Combat Desertification (signed 17th January 1995, ratified 13th June 1996); and (iii) the Kyoto Protocol (ratified 26th October 2001).

1.1.2 The CARLA project responds to the challenges identified on climate change and environmental degradation under MGDS II (2011-2016) theme number 1 which is sustainable economic growth and theme number 6 on cross cutting issues. It is consistent with three priority areas of MGDS II which are (i) agriculture and food security (ii) Green Belt irrigation and water development; and (iii) climate change and environmental management. Climate change and environmental management aims at enhancing resilience to climate change risks and impacts by pursuing strategies such as weather monitoring and prediction systems, databases and developing adaptation and mitigation measures to climate change related impacts. The project is also consistent with the AfDB ICSP 2010-2012 which emphasises on reinforcing the on-going irrigation interventions as a means of addressing the frequent droughts and floods in the country. SCPMP is one of the irrigation projects to be reinforced by CARLA. The project is also in line with AfDB Medium Term Plan (MTS 2008-2012) pillar on infrastructure development which includes irrigation infrastructure development and climate change as one of the key cross cutting issues; and AfDB Agriculture Sector Strategy (AgSS 2008-2014) which has infrastructure development and natural resource management as its main pillars. The project also responds to and is fully consistent with the 2006-2011 National Adaptation Program of Action (NAPA) for Malawi, which aims at integrating environmental concerns into the country's overall social and economic development strategy. The decentralised implementation design also fully aligns the CARLA with the Government's Decentralization policy which recognizes the central role of the District Assemblies and communities in formulating and implementing their own development plans including environment and climate change which is a critical factor in ensuring sustained food security and livelihoods.

1.1.3 GEF also ensures that prospective projects are country-driven. In this regard, every country has an officially designated GEF Operational Focal Point (OFP), usually drawn from within national environment or natural resource ministries, or international affairs ministries. Such a focal point is responsible for endorsing a prospective project at the conception stage of the project. The OFP for Malawi was instrumental to the request for the incremental financing from GEF and for submission of the official endorsement letter to the Bank from the Government through the Ministry of Environment. The Government was fully engaged in the project identification and preparation, and has organized and participated in several workshops with Stakeholders. It has also contributed to the project cost both in cash and in kind.

1.2. Rationale for Bank's Involvement

1.2.1 In the adaptation process, coping strategies constitute the short-term activities, while adaptation strategies constitute the long term activities. As the first step, communities try to modify their existing practices to better respond to the impact of climate change, while the second step constitute seeking alternative livelihoods. Community based climate change adaptation thus refers to situations where measures taken to address the issues of climate change are based on the needs of the communities, their past experience and knowledge. This may include the need to be protected from floods, provision of water for irrigation to mitigate increasing unreliable weather such as drought, or crop diversification to more drought resilient crops. The target communities are responsible for identifying the possible options. The ultimate strategy is to develop the capacity of the community to cope with the impact of, and adapt to, climate change by building their livelihood resilience, diversifying their livelihood options, conserving resources and reducing disaster risks associated with climate change. Moreover, adaptation strategies to climate change demand integrated approaches, both within and between the natural ecosystem and the socio economic system.

1.2.2 Malawi, like many Southern African countries, is experiencing increasing climate variability which results into poor crop yields or even total crop failure due to drought and floods. The country's low economic power puts pressure on international community to urgently fund intervention programmes to help the communities cope and adapt. As rural communities are the most vulnerable and seriously affected, such climate change adaptation programmes should be community based.

1.2.3 The CARLA is a complementary GEF component of the on-going AfDB financed SCPMP. SCPMP's objective is to increase agricultural productivity and incomes for the smallholder farmers thereby contributing to poverty reduction and food security in Malawi. It is financed with an ADF grant of US\$ 21 million (UA 15 million). and consists of three components: i) Irrigation Infrastructure Development; ii) Farmers Support; and iii) Project Management.

1.2.4 The SCPMP was designed to respond to the effects of climate change on the country manifested through unreliable rainfall combined with extended periods of dry spells and heavy floods. However, the SCPMP is largely focused on irrigation as a measure to address climate change, while there is a range of other measures that can be tested. Consequently the Bank supported the GoM's proposal to request for incremental financing from GEF based on a co-

financing arrangement of the SCPMP and the eligibility of the project. The Bank is one of the key implementing partners of the GEF and signed a Memorandum of Understanding (MOU) in February 2005 and a Financial Procedures Agreement (FPA) with the GEF Trustee to access the GEF resources. The Bank accordingly supports countries in preparing GEF projects and supervises their implementation. GEF resources would thus finance fundamental activities that strictly address climate change beyond irrigation, not addressed by SCPMP but are important to the population targeted by the project that may need climate change resilience and coping mechanism not addressed by the baseline project. These may include but are not restricted to activities discussed in 1.2.1 above.

1.2.5 The GEF grant for the CARLA will therefore support incremental investments in: (i) community resilience to climate change effects; and (ii) national and district institutional capacity building for climate change adaptation and rural livelihoods. These investments were identified, during the implementation of the SCPMP, as methods for ensuring sustainable food production and livelihoods.

1.3. Donors Coordination

Table: 1.1 Donor Support to Agriculture

Sector or subsector*	Size		
	GDP	Exports	Labor Force
Agriculture	39	80	80
Players - Public Annual Expenditure (average)**			
Government	Donors	ADB	3 %
		WB	8 %
UA m	[UA 155]	[UA 21]	EU
%	86	14	JICA
			2 %
			1 %
Level of Donor Coordination			
Existence of Thematic Working Groups			[Y]
Existence of SWAPs or Integrated Sector Approaches			[Y]
ADB's Involvement in donors coordination***			[M]****

* as most appropriate ** Years [yy1 to yy2] *** for this sector or sub-sector

**** L: leader, M: member but not leader, none: no involvement

1.3.1 Comments on Donor Coordination: Donor contribution to the agriculture sector (Agriculture, Natural Resources, Energy & Environment and Irrigation services) for the 2010/11 budget (Part I) in Malawi is estimated at 14% (Table 1.1) according to the Malawi Government Estimates of Expenditure on Recurrent and Capital Budget Financial Year 2010/2011. AfDB is one of the leading development partners after World Bank in the agriculture sector and

accounted for about 3% of the overall agriculture budget in the year in question. The Donor Committee on Agriculture and Food Security (DCAFS) is coordinating activities in the sector and plays an important role in the formulation of the Agriculture Sector Wide Approach (ASWAp). All the key donors in the agriculture sector in Malawi, including the Bank are members of DCAFS. DCAFS meets GoM once every month to provide technical advice on various programs and policies. Since its establishment in 2007, the Malawi Field Office (MWFO) has continued to play a pivotal role in donor coordination activities, as well as overall portfolio management.

II – PROJECT DESCRIPTION

2.1. Project Components

Table 2.1: project components

Nr	Component name	Est. cost (USD million)	Component description
1	Community Based Integrated climate change adaptation approach	2,263,039	<p>Using the services of technical assistants and consultants, develop and pilot new and innovative community based climate change adaptation practices through:</p> <ul style="list-style-type: none"> • Selecting 3 model pilot villages • community mobilization and sensitization • stakeholder-led climate change vulnerability assessment (VA) of the target community; • review of existing community based climate change coping and adaptation mechanisms; stakeholder-led vulnerability assessment and participatory development. • incorporating adaptation planning and locally appropriate adaptation actions, identify, develop and implement community based climate change adaptation action plans; • monitoring and reviewing Climate Change Adaptation (CCA) actions; • Working within existing District structures, extend the approaches piloted in the CARLA Community to other vulnerable communities in the District. <p>The process will be done in participatory manner such that all relevant community structures will be involved.</p>
2	Strengthening the capacity of	398,951	Strengthen the national and district structures in order to effectively implement the CARLA activities through:

	National and District Agencies		<ul style="list-style-type: none"> • updating and elaborating capacity needs assessment • Training, workshops and other capacity development activities for key personnel in the target ministries/departments and in the districts • Site visits for knowledge-sharing designed to transfer the CARLA experience • High profile “CARLA Day” for a broader audience for knowledge sharing • Development of a guidelines (handbook) that presents successful approaches to community-based CCA.
3	Project Management	338,000	<p>Recruitment of 3 District Climate Change Adaptation Officers and technical assistance to assist in the implementation of the proposed activities</p> <ul style="list-style-type: none"> • Develop and execute the annual procurement plans • project planning, monitoring, evaluation and reporting; • preparation of quarterly and annual progress reports, • ensure strong coordination and communication amongst stakeholders • undertake project administration and financial administration including annual audits.

2.2. Technical Solutions Retained and Other Alternatives Explored

2.2.1 A number of technical alternatives were considered in selecting the most effective solutions. As for the component 1, (i) a community-owned participatory planning process will be used to determine the needs and the adaptation actions to be taken at the community level, and (ii) the actions taken will represent an integrated response to climate vulnerability, drawing from a range of options that address a range of needs. As for the component 2, the CARLA project will specifically support capacity building activities that will strengthen the ability of national and district governments to encourage and support community based climate change adaptation.

Table 2.2: Alternatives considered and reasons for rejection

Alternative Solution Considered	Brief Description	Reasons for Rejection
Prescriptive approach	Support to communities to implement predetermined measures.	Experience has shown that such approaches tend to limit community ownership and in turn limit project success and sustainability
Targeted approach	Concentrates on one specific adaptation need or solution e.g. improved irrigation or crop diversification.	Climate change is a multifaceted challenge that inherently requires a multifaceted and integrated response.
National focus	Address a very wide range of enabling environment issues	Coordination and budget constraints.
Standalone Project	Address enabling environment issues not linked to a baseline project.	Danger of losing synergies and efficiencies associated with more closely linked and integrated activities.

2.3. Project Type

2.3.1 The CARLA project provides incremental grant financing from the GEF and therefore complements the investments made in SCPMP by the Bank's ADF resources. The incremental GEF investments will ensure that SCPMP activities contribute to the realisation of optimal global environmental benefits, including increasing the communities' resilience to climate change effects, reducing land degradation, conserving biodiversity and improving the agricultural productivity and rural livelihoods

2.4. Project Cost and Financing Arrangements

2.4.1 The total cost of the CARLA project is estimated at USD 3.0 million net of taxes and customs duties. The foreign cost is estimated at 25% of the total cost. The community-based investments in CARLA are based on the assessment of the kinds of interventions that may be selected by the communities in the selected CARLA sites. The following tables present the details of the estimated GEF financing.

Table 2.2: Summary of Project Cost by Components (Amounts in USD)

COMPONENTS	L.C	F.E	Total Costs	% F.E
Community based integrated climate adaptation approach	1,681,451	425,756	2,107,207	20
Strengthening the capacity of national and district agencies	185,517	195,490	381,007	51
Project Management	217,538	99,372	316,910	31
Total baseline costs	2,084,506	720,618	2,805,124	26
Physical contingencies	4,750	17800	22,550	79
Price contingencies	157,256.00	15,070	172,326.00	9
Total Project Costs	2,246,512	753,488	3,000,000	25

Table 2.3: Sources of financing (Amounts in USD)

Sources of financing	L.C.	F.E.	Total Costs	% F.E
GEF	2,250,000	750,000	3,000,000	25
Total	2,250,000	750,000	3,000,000	25

Table 2.4: Summary of the Project Cost by categories of expenditure (Amounts in USD)

Categories	(Million SD)			% F.E
	L.C	F.E	Total	
Investment costs				
1. Goods	39,788	159,152	198,940	80
2. Technical assistance	109,275	115,150	224,425	51
3. Capacity building	617,470	433,728	1,051,198	41
4. Miscellaneous	93,000	0	93,000	0
Operating Costs			0	
1. Maintenance and repairs	329,313	0	329,313	0
2. Salaries and allowances	910,305	0	910,305	0
Total Base Costs			2,807,181	
1. Physical Contingency	4,510	18,040	22,550	80
2. Price contingency	155,006	15,263	170,269	9.0
Total Project Costs	2258667	741,333	3,000,000	25

Table 2.5: Expenditure schedule by components (Amounts in USD)

Components	2011	2012	2013	2014	2015
Community level climate adaptation	357,651	585,524	590,624	474,268	254,973
Strengthening the capacity of national and district agencies	39,033	107,711	99,740	76,239	76,239
Project Management	103,813	58,547	58,547	58,547	58,547
Total	500,496	751,782	748,911	609,053	389,758

2.5. Project Target Area and Population

2.5.1 The NAPA identified six districts in Malawi namely: Karonga, Salima, Nsanje, Chikhwawa, Dedza and Zomba, which are most vulnerable to climate change. Although GoM ultimately intends to implement the CARLA project in all the six districts, it has adopted a phased approach due to financial resource constraints. The first phase will start with three districts where the CARLA approach will be tested and refined before it is expanded to the other three NAPA districts in a second phase after securing additional resources. The proposed GEF financing will address phase 1 to cover 3 of the 6 NAPA districts i.e. Karonga, Dedza, and Chikhwawa Districts.

2.5.2 The selected Districts experience changing rainfall patterns and higher temperatures that have shorten the growing season. Frequent droughts and floods are eroding assets and knowledge, leaving people more vulnerable to disaster. Moreover, an upsurge in malaria and cholera due to climate change requires the smallholder farmers to spend more time tending to the sick and less time working in their fields. Rainfall is uni-modal and occurs from November to May which varies from less than 600 mm in the Southern region to over 1,800 mm in highlands. The mean annual temperature ranges from 8°C in the highlands to over 32°C in the lower shire valley.

2.5.3 The target population for the CARLA will be the same poor smallholders targeted by SCPMP in the 3 districts. They are among the Smallholder farmers in Malawi who have been exposed to increased droughts and floods, tremendously affecting their food security. They also experience limitations in adapting to climate change because they lack capacity including knowledge, skills and financial resources. Although SCPMP is addressing their needs through investment in irrigated farming, they need to approach climate change adaptation in an integrated manner for greater impact and sustainability. Consequently, about 10,000 beneficiaries in each of the three selected districts have been targeted thereby reaching a total of 30,000 direct beneficiaries. It is expected that, by the end of the project, community based climate change adaptation measures will have been developed and tested, that will lead to increased crop productivity and increased beneficiary incomes. Women are estimated to comprise about 60% of the beneficiaries.

2.5.4 It is also expected that the best practices from the model communities will be extended to other communities within the districts through networking with the local Community Based Organizations, Non-Governmental Organizations and other private sector firms interested in the subject. The 3 districts were also strategically selected to be nucleus of technology dissemination in each region of the country. At national and district level, the project will benefit government staff in key institutions.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 ***Project Identification:*** The proposed CARLA project has been developed based on the findings of the Malawi NAPA. The NAPA participatory process involved a broad multi-stakeholder consultation throughout the country. Details of this process are provided in the NAPA document (GOM 2006).

2.6.2 ***Project Design:*** The CARLA project design process, supported by the GEF Project Preparation Grant and ADF resources under SCPMP, involved an extensive participatory process. Key elements of this process included: a baseline survey in 17 communities; three series of district workshops/consultations, including field visits to targeted communities; key informant interviews/meetings at district and national levels; and two national stakeholder workshops. .

2.6.3 ***Project Implementation:*** The proposed CARLA project is based fully on a participatory approach. The approach to Outcome 1 (Community-level) is fundamentally participatory, with all activities based on community leadership and ownership. The approach to Outcome 2 is also participatory, involving the target groups in detailed design of the capacity-building program, and the overall planned approach to capacity development is by its nature participatory.

2.7. Bank Group Experience, Lessons Reflected in Project Design

2.7.1 Pertinent lessons have been drawn from the Bank's current and past agricultural portfolio. Project Completion reports have been prepared for all recently completed project: Macadamia Smallholder Development Project; the Rural Income Enhancement Project (RIEP); Smallholder Irrigation Project (ShIP); Horticulture and Food Crops Development Project (HFCDP); Smallholder Out-grower Sugarcane Production Project (SOSPP); and Lake Malawi Artisanal Fisheries Development Project (LMAFDP). Lessons learned from these projects as well as those of other development partners have guided the design of this project. Such lessons include: i) When a project is to be implemented using existing institutions, there is still need to ensure that the implementation team within the institutions work full-time on project activities, otherwise the project should recruit technical experts to strengthen the reimplementation team; (ii) the need to adequately sensitize farmers especially where they have to offer their land for project activities; and (iii) need for detailed feasibility studies and project designs to be concluded during project preparation for activities to be implemented. These lessons have been taken on board in the design of this project within the capacity building and project management and coordination components by supporting farmer sensitization, strengthening leadership and underlying administrative and human capacities. Moreover the project was designed through a study that was carried out using resources from GEF and the baseline project.

2.7.2 The current portfolio has two projects in the agriculture sector whose main components are irrigation development namely SCPMP and Agriculture Infrastructure Support Project (AISP). The development of these infrastructures requires climate proofing for sustained utilization of the structures as well as benefits from agriculture production. AISP was approved in September 2009 and has disbursed 8%, while SCPMP, approved in June 2006 has disbursed 50%. Integrating detailed designs for the SCPMP as part of project implementation as they were not available at project appraisal, has been the major cause of the implementation delays. With the designs now in place, the project implementation is expected to accelerate. AISP started slow because of inadequate commitment by GM staff at the beginning, but it has taken off and is currently rated satisfactory. The current implementation supervision ratings for SCPMP and AISP are 2.15IP and 2.71 respectively while development objectives are rated at 2.00.DO and 2.33 respectively. None of the projects is either PP or PPP.

2.7.3 Lessons from the Country Portfolio Performance Review (CPPR) for 2010 also point to: i) the need for enhancement of implementation capacity at Government level in order to improve on the ability to implement, monitor, and timely report on the portfolio; (ii) need to deepen selectivity and focus on limited interventions in order to maximize project impact; (iii) enhance harmonization efforts with development partners by increasing co-financed operations (iv) need for projects to be based on detailed feasibility studies and training on M &E and fiduciary and (vi) need for effective project Steering Committees and timely implementation of the MTRs. These lessons have been addressed through emphasis on capacity building, detailed studies and consultations with beneficiaries prior to design of the project, project monitoring and planning for MTR mid-way during project implementation in the CARLA project.

2.8. *Project Performance Indicators*

2.8.1 The key performance indicators for the project have been outlined in the project Result Based Logical Framework and these will include: (i) increased agricultural productivity (ii) increased level of income (iii) increased level of climate resilience of agricultural practices and natural resource base that supports agriculture and rural livelihood and (iv) increased number of communities and beneficiaries implementing climate change adaptation actions in target districts. Other indicators will include number of staff trained in climate adaptation and action planning, improved coordination of stakeholders and number of events such as workshops/meetings/seminars and field days/tours or CARLA days relevant for capacity building executed during the project period and documents produced on climate change based on practical experience in the model communities for further dissemination of best practices.

III – PROJECT FEASIBILITY

3.1. *Economic and Financial Performance*

3.1.1 The main benefits of the CARLA will be in the environmental and social aspects. The project is expected to realise major environmental and socio-economic benefits through its investments in the communities in the model CARLA to develop climate change adaptive measures that fit within the lifestyle of the selected communities, capacity building and awareness creation. The benefits include increased land productivity in terms of crop yields, and increased in return smallholder farmers' incomes and food security. These increases would come from implementing adaptation measures such as mentioned in 1.2.1 above, each measure selected by the community is in line with its needs and social, political and economic environment.

3.2. *Environmental and Social Impacts*

Environment

3.2.1 The goal of CARLA is to improve resilience to current climate variability and future climate change by developing and implementing adaptation strategies and measures that will improve agriculture production and rural livelihoods. CARLA project will therefore focus on actions that reduce and reverse degradation of the environment and the natural resource base; introduce better adapted agricultural practices; and reduce poverty through strengthened rural livelihoods. These types of actions support and complement Malawi's environmental and social policy priorities articulated in the National Environmental Policy (GOM 2004). The overall thrust of the project is to assist rural communities to assess their vulnerability to climate variability and change, and then to develop and implement action plans that reduce this vulnerability through activities and measures at the community level.

3.2.2 The CARLA project will support a number of measures aimed at empowering the communities to adapt to climate variability and address the problem of environmental degradation. These measures will include community sensitization, capacity building for

communities, undertake community research, develop community climate change action plans and implement them, disseminate best practices and develop and distribute guidelines on climate change (handbooks) and train districts and national staff for sustained implementation of project activities. The project will also review the site specific ESMPs prepared under SCPMP to reflect them on the climate change actions that will be developed to ensure long term security of water supply to the irrigation sites. Based on the above factors and in accordance with the AfDB's environmental policy, CARLA has been categorized as 2 as it would not have major negative environmental impact. It will therefore not require a complete Environmental and Social Impact Analysis but only an ESMP. In this case the SCPMP ESMP will be used to guide the potential environmental and social risks.

Climate Change Impacts

3.2.3 Malawi has experienced a wide range of climate risks during the past 30 years which include flooding, late rains, short rains and dry spells, risks that are significant and increasing. These climate risks affect crop yield, food and water security, water quality, health and energy. Moreover, since agriculture is the major source of income for most of its rural population (90%) that depend on rain fed subsistence agriculture, their livelihoods are significantly affected. It is in this context that CARLA was conceived as a climate change adaptation project. The goal of CARLA is therefore to improve resilience to climate variability and future climate change by developing and implementing adaptation strategies and measures that will improve agricultural production and rural livelihoods. The expected impact of the project is improved resilience to current climatic variability and future climate change. The expected outcomes are (i) communities are implementing integrated climate change adaptation strategies and interventions that improve agricultural production and rural livelihood and (ii) enhance capacity for national and districts agencies to support community based adaptation to climate change.

Gender Impacts

3.2.4 Malawian women comprise 52% of the country's total population, majority of whom live in the rural areas. Although women comprise 70% of full-time agricultural labour force, they have limited access to agricultural extension services, training, and credit. Moreover women often have less access to legal and financial assistance, and wives are often victims of discriminatory inheritance practices in which the majority of the estate is taken unlawfully by the deceased husband's family. According to the National Statistics Office, approximately 65% of rural Malawi women are illiterate. Nevertheless, women contribute labour to both cash and food crops and there is no differentiation between men and women's operations. They sow, weed, apply fertilizer and pesticides, harvest, and process the crops, and care for small livestock. They are the major growers of legumes and vegetables for home consumption. Although most households are headed by men, 26% of rural households are headed by women who make almost all decisions in their households, while women in male-headed households make decisions in consultation with their husbands. While on average, the decision to grow most crops is taken by both husband and wife, women tend to make more decisions on food and men predominate in decision making on cash crops.

3.2.5 Malawi has made progress in narrowing the gender inequality gap through different policy and institutional mechanisms. Moreover, MoAFS has established a Gender Focal Point (GFP) within the Ministry to provide advice and support services on gender and HIV/AIDS issues. The CARLA project will build on this to ensure full participation of women in all significant project activities. In addition, the training materials and guidelines will include specific content relating to women issues in community-based climate change adaptation. The CARLA budget includes provision for a consultant on gender. This is in line with the baseline project SCPMP that has a focus on gender mainstreaming and will specifically target female-headed households to improve their livelihoods through membership of Farmers' Organizations.

Social Impacts

3.2.6 The social impact of the project is expected to be positive. The participating communities will achieve a significant increase in the climate resiliency of their agricultural practices and in the climate resiliency of the natural resource base that supports their agricultural production and rural livelihoods. It is therefore expected that agricultural productivity and the income of participating beneficiaries will increase over time by 20% due to introduction of more adaptive practices. The project will provide income and better livelihoods for a wide range of stakeholders including the poor, women, youth, elderly, disabled, HIV/AIDS and other vulnerable groups in the target communities. While impacts of climate change could force individuals or communities to relocate to less impacted areas, CARLA project will help reduce such negative impacts and hence social impact pressures that could encourage relocation. The project does not include temporary resettlement.

IV – IMPLEMENTATION

4.1. Implementation Arrangements

4.1.1 ***Institutional:*** The Executing agency for CARLA will be the Ministry of Irrigation and Water Development (MoIWD) and will be implemented as part of the SCPMP, which is being implemented within the established structures of MoIWD through the Department of Irrigation (DoI). This arrangement is justified because the financial resources requested for CARLA will be incremental to SCPMP resources. The DoI will oversee project implementation, monitor project progress, and coordinate and account for the utilization of project funds. However the day to day coordination and monitoring of the project activities is carried out by a technical team of staff comprising of a Project Coordinator, Project Accountant, Monitoring and Evaluation Officer, Irrigation Engineer, Procurement Officer, Administrative Officer and support staff, all competitively recruited and their remuneration paid under the grant resources. However, since SCPMP PCU lacks expertise in climate change, the department will recruit a Technical Advisor on climate change to be located at the headquarters, 3 CARLA Development Officers to be located in the CARLA community villages to coordinate CARLA specific project activities with district staff and 3 Adaptation technicians. In order to ensure smooth continuity of project activities after the end of the contract for the SCPMP PCU in December, 2012, EAD will designate staff to the SCPMP PIU whose remuneration will be paid from the counterpart funds. Since GoM has declared that all externally recruited PIUs be abolished by December, 2011 with a grace period of up to June 2012 for running contracts, an internal Project Coordination Unit comprising staff from the MoIWD and EAD will be established to oversee project activities beyond June 2012.

4.1.2 Disbursement: Disbursement of the financial resources for the CARLA project will follow AfDB guidelines. There will be separate bank accounts maintained for GEF and AfDB related expenditure under the SCPMP. Disbursements will be made in accordance with the provisions of the Bank's disbursement Handbook and General Conditions Applicable to Loan, Guarantee and Grant Agreements. Disbursements to the special accounts will be in the form of revolving funds, based on an annual work program approved before hand by the Bank for the first disbursement and subsequent replenishments to cover at most six months expenditures based on the justification rules of justifying at least 50% of the most previous advance and 100% of earlier advances. Settlement of expenses relating to the services of consultants, purchase of goods will be made by direct payment method.

Table 4.1 Procurement modes for Goods and Services (amounts in USD):

CARLA PROJECT: SUMMARY OF PROCUREMENT ARRANGEMENTS (USD)				
Procurement Arrangements by Project Categories	Procurement Methods			
	NCB	Short listing	Other	Total
1. Goods				
Office equipment	47,500			47,500
Vehicles	120,000			120,000
Sub Total	176,500			176,500
2. Consulting services				
Technical Assistance (Agric Livelihood, gender & M & E)		235, 000		235,000
Workshops & training (Capacity building)			1,106,577	1,106,577
Sub Total				
3. Operating costs				
Staff salaries and allowances			978,803	978,803
Equipment O & M			354,120	354,120
Miscellaneous			149,000	149,000
Total	176,500	235,000	2,588,500	3,000,000
Note: Other may be LIC, International of national shopping and direct purchase				

4.1.3 Procurement: All procurement of Goods, Works and acquisition of Consulting Services financed by the GEF grant will be in accordance with the Bank's *Rules and Procedures for Procurement of Goods and Works* or, as appropriate, *Rules and Procedures for the Use of Consultants*, using the relevant Bank Standard Bidding Documents. The SCPMP management team will be responsible for the procurement of goods, consulting services, training and miscellaneous items detailed below. Summary of procurement arrangements is shown under table 4.1 below.

4.1.4 Particular Arrangements The main procurement modalities will be Shopping, Short listing, and Direct Contracting as outlined in table 4.1 below. Post Review will be carried out as discussed in paragraph 4.1.12 below.

4.1.5 Goods: Contracts for goods namely, 3 vehicles, 3 motor cycles and office equipment comprising computers and office furniture totaling **USD 176,500** will be awarded under NCB procedures. Other miscellaneous goods such as equipment for operation and maintenance will **USD 100,000.00** and not more than **USD 500,000** in aggregate will be procured through other procedures described under Miscellaneous below. This will be the case because of nature and type of the items and that they are available locally from small scale businesses.

4.1.6 Consulting Services: Procurement of consulting services for studies and technical assistance will be carried out by individual consultants through short listing following the Bank's procedure for the selection of individual consultants. The method of valuation would be QCBS for contracts valued at **USD 65,000.00** or more, and Least Cost Selection for contracts valued at less than **USD 65,000.00**. For contract amounts valued at less than **UA 200,000.00** for Firms and **UA 50,000.00** for individuals, the Borrower may limit advertisement of the procurement to national or regional newspapers. However all eligible consultants, who wish to provide the required services, may express their interest to be short-listed.

4.1.7 Training: Training of the target communities and Government staff **and workshops valued at USD1,106, 577.00** will be contracted to specialized local and national institutions, individual trainers or NGOs, acceptable to the Bank.

4.1.8 Miscellaneous: Procurement of miscellaneous items such as fuel and training materials valued at **USD 100,000.00** will be carried out by project management team through shopping (request of quotations) using Government procedures because the amounts involved are small and the Government procurement procedures are adequate for such items.

4.1.9 General Procurement Notice: Since the project is part of the SCPMP whose GPN was already published, there will be no need to publish another GPN specifically for CARLA. This means that all Special Procurement Notices under CARLA project will refer to the GPN for SCPMP.

4.1.10 Review Procedures: The following documents are subject to review and approval by the Bank before promulgation: Specific Procurement Notice; Tender Documents or Request for Proposals from Consultants; Tender Evaluation Reports including recommendations for Contract Award for goods or Reports on Evaluation of Consultants' Proposals; Draft Contracts (goods) if these have been amended and differ from the drafts included in the tender documents; Reports on Evaluation of Consultants' Financial Proposal, including recommendations for contract award, minutes of negotiations and duly initialed contracts documents.

4.1.11 Post Review: Contracts for goods valued up to **UA100,000.00** shall be approved by the Executing Agency and will be subject to post review by the Bank. Procurement documents, including solicitations of price quotations, evaluation sheets and contract awards will be kept by the EA for periodic review by Bank supervision missions. The procurement post review audits

to review the correctness of the procurement activities will be carried out during the first supervision mission after the procurement activities are completed. However, the Bank will determine the need for modifications and improvement of the procurement arrangements. Information on procurement processing will be collected by the EA quarterly and shall be included in detail in the Project Quarterly Progress Report to be submitted to the Bank.

4.1.12 Executing Agency: The Executing Agency of the project will be the Ministry of Irrigation and Water Development (MoIWD) through the Department of Irrigation (DoI) as this project is part of the SCPMP. However, in view of its limited capacity to implement projects, the Department of irrigation has been strengthened for effective project implementation, through recruitment of a technical team, led by a Project Coordinator, to oversee the day-to-day coordination and management of the project activities under the overall guidance of the Director of the Department. At the field level, the project is being implemented using the existing structures at the districts in line with the requirements of the established decentralization process. The SCPMP Management team will therefore be responsible for the procurement of goods/consulting services/training services. Since the department lacks capacity in climate change, Technical Assistance will be recruited to support CARLA activities and the department of EAD will designate staff to the project. EAD will be expected to take over after the closure of SCPMP.

4.1.13 Procurement Plan: The Bank shall review the procurement arrangements proposed by the Borrower in the Procurement Plan for its conformity with the Grant Agreement and its Rules. The Procurement Plan shall cover an initial period of at least 18 Months. The Borrower shall update the Procurement Plan on an annual basis or as needed, always covering the next 12 months period of project implementation. Any revisions proposed to the Procurement Plan shall be furnished to the Bank for its prior approval.

4.1.14 Financial Management: As part of the SCPMP, CARLA will make use of the Financial and Accounting Management Manual and Computerized Accounting and Financial Management System used by SCPMP. The CARLA accounts will be subject to the usual public administration and Bank controls. Annual audits of financial accounts and biannual audits of procurements will be conducted to facilitate the preparation of the balance sheet and ensure the proper implementation of procurement. Audit reports will be sent to the Bank no later than six months after the end of the audited fiscal year.

4.2 Monitoring

4.2.1 The timeframe for CARLA below provides the basis for monitoring and evaluation. SCPMP will be responsible for the day to day monitoring of the project. The participating communities will actively participate in monitoring and evaluating the various activities in which they are involved under the coordination of CARLA development officer and EDO. A specialist on M & E will be recruited for 20 months and will be responsible for progress monitoring at all levels starting with baseline data, monthly and quarterly progress reporting, mid and end of year evaluations. The M & E specialist will work with existing personnel at national and district level in developing reporting formats and systems to ensure sustained activity monitoring beyond the project life. Below is a table summarizing the key activities to be monitored.

No.	Type of Monitoring and Evaluation Activity	Time frame
1	Review of Results Framework during Inception Workshop. Results reporting templates finalized after workshop	First 2 months
2	Participatory Baseline Survey	Within first year
3	Refinement of CARLA Performance Measurement Framework (PMF) and M&E Plan	Within first year
4	Semi-annual Project Monitoring and Reporting.	2 times per year
5	National/District Workshops	Annually
6	Annual Review and PIR Reports for GEF	Annually
7	Stakeholder Workshop to Review Phase 1 Lessons	Year 3
8	Mid-term Synthesis & Reporting of Lessons for AfDB & GEF	Year 3
9	Participatory Community Impact Study	Early in year 5
10	End of Project Evaluation	At end of project
11	Quarterly Financial Reporting	Every 3 months
12	Audit	Annually

4.3. Governance

4.3.1 Given that there are many government, private sector and non-governmental organisations engaged in activities relating to climate change adaptation, the project will be governed by a Project Steering Committee (PSC) that will provide overall direction and guidance for project implementation. The PSC for SCPMP will be the same for CARLA whose membership comprises key government ministries namely: Ministry of Natural Resources, energy and environment, Ministry of Irrigation and Water Development, Ministry of Agriculture and Food Security, Ministry of Local Government and Rural Development and other relevant ministries to climate change adaptation. The PSC may co-opt other members in the private sector and NGO operating in the climate change related areas based on the specific needs. The broad and diverse membership in the PSC, and the transparent nature of project delivery, provide safeguards against inappropriate use of project resources. With specific reference to financial management, the project office operates in accordance with local best practice, and is subject to oversight by the DoI financial officer. Independent external audits will be undertaken annually.

4.4. Sustainability

4.4.1 CARLA has been designed to ensure the sustainability of project benefits via a number of mechanisms, including: (i) participation of multiple stakeholders/beneficiaries at all levels from conceptualization to implementation and subsequent awareness and dissemination workshops for stakeholders among a spectrum of stakeholder groups, that will establish a greater foundation for sustainability; (ii) focus on the capacity building needs of all stakeholder levels – community, district, and national so that, by the end of the project, participating stakeholders will have acquired adequate knowledge and skills to sustain and build on the project results; (iii) at the community level, work with and through existing community leadership structures (Group Village Headmen, Village Development Committee, Village Natural Resource Management Committee, etc.) and at district and national levels, with existing Government and the baseline

project structures; the CDOs will work closely with local field extension staff at the community level, under the supervision of the DoI in collaboration with EDO in order to ensure continuity of activities after the closure of the baseline project (SCPMP); (v) CARLA will contribute to the district development planning process. By building district capacity related to climate change adaptation, the CARLA project will help to mainstream these issues into the development planning process.

4.5 Risk Management

4.5.1 The project faces six main risks which are (i) adaptation to variable rainfall, floods and droughts are ineffective at community level and do not cause real improvements in agricultural production; (ii) community based adaptation actions do not cause real improvements in agriculture production (iii) Stakeholders in model communities are unable to participate in the planning process as they are incapable of carrying out Vulnerability Assessment data collection & beneficiary survey; (iv) Beneficiaries do not have time & interest to review their adaptation efforts, and implement actions (v) Districts are not able to fulfill their in kind contribution commitments and (vi) change of project management from externally recruited PCU to GoM constituted one may disrupt project activities.

4.5.2 The mitigation measures for these risks include; (i) selection of communities based on sites with a mix of climate change problems that can be addressed at that level (ii) immediate actions will be implemented early in the project to test the validity of CBA approach and ensure real improvements (iii) community leadership structures and beneficiaries will be identified, sensitized and fully engaged in the planning process at inception stage (iv) information from VA will guide action planning, implementation & ensure that actions proposed are feasible and within their means to implement (v) CARLA CDOs will work with EDOs and EDOs job descriptions will be reviewed, trained in report writing and make continuous follow ups (vi) staff from MoIWD and EAD will be fully engaged before SCPMP PCU contracts expire for them to be fully oriented on the management of the project and Bank's rules and procedures. In addition staff will undergo training on fiduciary issues.

4.6 Knowledge Building

4.6.1 CARLA is conceived as a learning project as climate change adaptation is at an early stage of development. The pilot adaptation measures being tested in this project will allow experience to be gained, lessons to be learned, and best practices to be documented and extended to other communities. The model communities (CARLA Communities) will be the key knowledge building mechanism within the project. The engagement, assessment, planning, and action stages in each community provide opportunities to build experience and knowledge on community-based climate change adaptation in Malawi.

4.6.2 More broadly, since CARLA is testing new integrated approaches to climate change adaptation, it is employing an interactive approach involving adaptive work planning and implementation. This requires considerable monitoring, identification of lessons learned, and program improvement through application of these lessons. This plan draws on the extensive monitoring and lesson information expected to be generated by the project, and for this reason

the M&E activities extend beyond normal project M&E and include investigation of impact and approaches to use for replication in other communities. CARLA project will also generate knowledge that will be used by SCPMP during its implementation of climate change adaptation activities and staff capacity in MoIWD, EAD & MoAFS will gain knowledge for application in their respective work areas.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1 The CARLA makes use of grant financing from the GEF will be supervised and monitored by the AfDB as an implementing agency for the GEF. As such the legal framework of the CARLA will be governed by a Protocol of Agreement between the Bank and the GoM including the usual terms and conditions.

5.2. Conditions associated with Bank’s intervention

5.2.1 Conditions Precedent to the First Disbursement of the Grant.

The obligation of the Fund to make the first disbursement of the amount of the Grant to the Recipient shall be conditional upon the entry into force of the Protocol and to the fulfillment by the Recipient of the following conditions:

- (i) The project will have to open 2 special accounts (for foreign and local currency payments) in the name of the Recipient at a bank acceptable to the Fund to receive the Grant resources, and a confirmation by the depository bank of these special accounts, in a form acceptable to the Fund, that the funds in the special accounts will be segregated as special deposits for the specific purpose for which the grant is made;
- (ii) The Annual Work Plan and Budget (“AWPB”) has been submitted and is satisfactory to the Fund and GEF.

5.2.2 Undertakings.

The Recipient shall ensure that:

- i) The PCU will keep a separate and independent set of accounts to record all transactions financed with the GEF grant. The chart of accounts, financial policies and account procedures will be standardized with those already agreed by the Recipient and the Fund for SCPMP;
- (ii) A mid-term review shall be carried out during the fourth quarter of PY2 and report submitted to the Fund and GEF not later than first quarter of PY3. Agreed recommendations shall be implemented as from the second quarter of PY3.”

5.3. Compliance with Bank Policies

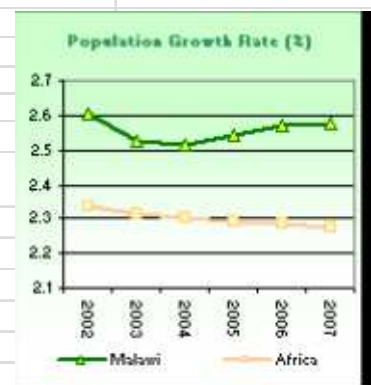
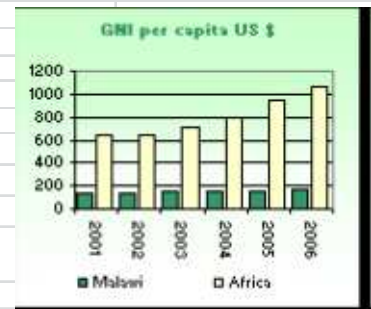
This project complies with all applicable Bank policies.

VI – RECOMMENDATION

Management recommends that the Boards of Directors approve, on a lapse-of-time basis, the proposed GEF incremental grant financing of USD 3.00 million to the Government of Malawi for the purposes and subject to the conditions stipulated in this report.

APPENDIX 1: MALAWI COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Malawi	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		118	30 307	80 976	54 658
Total Population (millions)	2007	13.9	963.7	5 448.2	1 223.0
Urban Population (% of Total)	2007	18.4	39.8	43.5	74.2
Population Density (per Km ²)	2007	117.5	31.8	65.7	23
GNI per Capita (US \$)	2006	170	1 071	2 000	36 487
Labor Force Participation - Total (%)	2005	46.3	42.3	45.6	54.6
Labor Force Participation - Female (%)	2005	48.5	41.1	39.7	44.9
Gender -Related Development Index Value	2005	0.432	0.486	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2005	164	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2006	45	34.3
Demographic Indicators					
Population Growth Rate - Total (%)	2007	2.6	2.3	1.4	0.3
Population Growth Rate - Urban (%)	2007	4.7	3.5	2.6	0.5
Population < 15 years (%)	2007	46.9	41	30.2	16.7
Population >= 65 years (%)	2007	3.1	3.5	5.6	16.4
Dependency Ratio (%)	2007	99	80.1	56	47.7
Sex Ratio (per 100 female)	2007	98.9	99.3	103.2	94.3
Female Population 15-49 years (% of total population)	2007	22.2	24.2	24.5	31.4
Life Expectancy at Birth – Total (years)	2007	48.3	54.2	65.4	76.5
Life Expectancy at Birth - Female (years)	2007	48.4	55.3	67.2	80.2
Crude Birth Rate (per 1,000)	2007	40.7	36.1	22.4	11.1
Crude Death Rate (per 1,000)	2007	14.8	13.2	8.3	10.4
Infant Mortality Rate (per 1,000)	2007	89.4	85.3	57.3	7.4
Total Fertility Rate (per woman)	2007	5.6	4.7	2.8	1.6
Maternal Mortality Rate (per 100,000)	2004	984	723.6	450	8
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	2.1	39.6	78	287
Nurses (per 100,000 people)	2004	56.3	120.4	98	782
Births attended by Trained Health Personnel (%)	2006	53.6	50.4	59	99
Access to Safe Water (% of Population)	2006	76.2	62.3	80	100
Access to Health Services (% of Population)*	2004	35	61.7	80	100
Access to Sanitation (% of Population)	2006	88.2	45.8	50	100
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2005	14.1	4.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2005	409.4	300.7	275	18
Child Immunization Against Tuberculosis (%)	2006	99	83.7	85	93
Child Immunization Against Measles (%)	2006	85	75.4	78	93.2
Underweight Children (% of children under 5 years)	2006	19.4	28.6	27	0.1
Daily Calorie Supply per Capita	2004	2 077	2 436	2 675	3 285
Public Expenditure on Health (as % of PIB)	2005	8.7	2.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2005	119	96.4	91	102.3
Primary School - Female	2005	121.6	92.1	105	102
Secondary School - Total	2004	29	44.5	88	99.5
Secondary School - Female	2004	25	41.8	45.8	100.8
Adult Illiteracy Rate – Total (%)	2007	34.1	33.3	26.6	1.2
Adult Illiteracy Rate – Male (%)	2007	21.9	25.6	19	0.8
Adult Illiteracy Rate - Female (%)	2007	46.1	40.8	34.2	1.6
Percentage of PIB Spent on Education	2006	5.3	4.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-07	19.9	6	9.9	11.6
Annual Rate of Deforestation (%)	2000-07	2.4	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2000-07	8	10.9
Per Capita CO ₂ Emissions (metric tons)	2005-07	0.1	1	1.9	12.3



Sources: BAD Statistics Department Databases, Banque mondiale; World Development Indicators; UNAIDS; UNSD; WHO; UNICEF; WRI, PNUD; Country Reports

Note: n.a.: Not Applicable; ... Data Not Available

Appendix II: Table of ADB's active portfolio in Malawi as at December, 2010

Sector/Project	Date Approved	Loan/ Amount (UA million)	Amount Disbursed (UA million)	% Disbursed
Agriculture				
Smallholder Crop Production & Marketing	07/07/2006	Loan: 0.00 Grant :15.00 Total: 15.00	7.3	49
Agriculture Infrastructure Support (AISP)	09/09/2009	Loan: 0.00 Grant: 15.00 Total: 15.00	1.2	8
Support to Secondary School Education V	June 2006	Loan: 0.00 Grant: 15.00 Total: 15.00	5.7	38
Support to Secondary Education (IV)	21/11/2001	15.0	14.2	95
Support to Health Sector Program SWAp	24/11/2005	Loan: 0.00 Grant:15.00 Total: 15.00	7.6	51
Local Economic Development	24/09/2008	Loan: 14.00 Grant: 0.00 Total: 14.00	0.29	2
Water & Sanitation				
National Water Development Program	02/07/2008	Loan: 15.20 Grant : 10.70 Total: 25.90	2.5	9.8
Transport Sector				
Trunk Road Rehabilitation	22/05/2009	24.1	0	0
Multinational Nacala Road Corridor	24/06/09	14.3	0	0
Multisector				
PRSG I	07/04/2010	11.5	0	0

Appendix III: Malawi Selected Macroeconomic Indicators

Indicator	Unit	2000	2004	2005	2006	2007	2008	2009
National Accounts								
GNI at current Prices	Million US\$	1,749	2,822	2,865	3,156	3,547	4,107	...
GNI per capita	US\$	150	220	220	230	250	290	
GDP at Current Prices	Million US\$	1743.5	2625.1	2755.0	3163.7	3585.9	4272.6	3333.1
GDP at 2000 Constant prices	Million US\$	1743.5	1894.1	1956.0	2088.0	2267.6	2489.8	2664.9
Real GDP Growth rate	%	0.8	5.4	3.3	6.8	8.6	9.8	7.0
Real per Capita GDP growth rate	%	-2.4	2.6	0.5	3.8	5.7	6.8	4.1
Gross Domestic Investment	% GDP	13.6	18.2	22.7	21.8	25.3	24.0	20.9
Public Investments	% GDP	10.0	9.1	7.2	7.7	14.3	8.5	8.0
Private Investments	% GDP	3.5	9.1	15.5	14.2	11.1	15.5	12.9
Gross National Savings	%GDP	8.3	10.9	10.9	14.7	23.7	16.3	14.7
Prices and Money								
Inflation (CPI)	%	29.6	11.4	15.5	13.9	7.9	8.7	8.5
Exch. Rate (Annual Average)	Local currency/US\$	59.5	108.9	118.4	136.0	140.0	140.5	141.7
Monetary Growth (M2)	%	45.5	29.7	16.2	16.4	36.6	62.6	23.8
Money & Quasi Money as % of GDP	%	17.8	16.6	16.6	14.6	17.1	23.3	36.6
Government Finance								
Total Revenue and Grants	%GDP	24.1	34.7	37.5	31.2	31.7	30.1	29.8
Total Expenditure & net Lending	%GDP	29.7	42.5	42.9	31.2	33.0	32.8	35.2
Overall Deficit/Surplus	%GDP	-5.6	-7.8	-5.4	0.0	-1.3	-2.7	-5.4
External Sector								
Exports volume growth (Goods)	%	-6.6	1.8	0.6	3.7	19.4	-7.5	26.3
Imports volume Growth (Goods)	%	-21.3	13.9	21.7	1.6	-5.0	-1.1	5.5
Terms of trade growth	%	-9.5	8.7	-0.7	-2.5	-3.0	21.7	-13.8
Current Accounts balance	Million US\$	-91.5	-455.9	-664.4	-203.0	-91.2	-289.3	-269.6
Current account balance	%GDP	-5.3	-17.4	-24.1	-6.4	-2.5	-6.8	-8.1
Extrenal Reserves	Months of imports	3.4	1.0	1.1	0.8	1.1	1.0	0.8
Debt & Financial Flows								
Debt Service	% Exports	19.9	19.0	18.5	14.3	2.0	1.3	2.0
External Debt	%GDP	153.4	112.6	107.8	14.3	14.4	16.0	26.1
Net Total Financial Flow	Million US\$	431.1	509.2	572.1	706.3	724.3	923.6	
Net Official Dev. Assistance	Million US\$	446.2	503.5	573.3	698.2	742.1	912.7	
Net Foreign Direct Investment	Million US\$	39.6	107.7	52.3	72.2	92.1	170	60.4

Source: AfDB Staistics Department: December 2010

Appendix IV. Key Related Projects Financed by the Bank and Other Development Partners in the Country

1. The African Development Bank currently has two ongoing projects in the Agriculture sector for a total amount of UA30.00 million, which complements partly the work of other main donors active in this sector. The Donors form a coordination group referred to as the Donor Coordination Group on Agriculture and Food Security (DCGAFS), which comprises the AfDB, World Bank, EU, FAO, IFAD, CIDA, DfID, Germany, JICA, Norway, and USAID. Given the prominence of agriculture to most of the population, interventions in this sector will remain a priority under the MGDS.

2. The EU is the lead donor in the Agriculture & Rural Development sector and the Agriculture Sector Wide Approach (ASWAp) provides a nominal framework for donors' agricultural sector interventions. However, most donors have not engaged fully in supporting the ASWAp, mainly because the necessary structures for pooling and earmarking donor funds are not yet fully developed within the relevant institutions. Moreover, the participating donors are yet to formalize and ratify a Memorandum of Understanding and a code of conduct to govern ASWAp.

3. The most relevant ongoing projects include the following (see also the section on "Consultation, Coordination and Collaboration below):

- i) UNDP - SLM and Climate Adaptation in the Shire River Basin. This project is currently at project preparation stage, and aims to address Sustainable Land Management and Climate Adaptation through strengthening the adaptive capacity of communities in the Shire Basin to reduce land degradation and cope with future climate change.
- ii) IFAD - Smallholder Flood Plains Development Programme (SFPDP)
- iii) JICA - Construction and Rehabilitation of Bwanje Valley Irrigation Project, and Capacity building and development for Smallholder Irrigation Schemes;
- iv) BADEA - Small Farms Irrigation Development Project;
- v) USAID - Support to NASFAM, Support for Agriculturally-Linked Enterprises, Cassava Industry Promotion Project (SARRNET), Deepening the Micro-finance Sector, Commercial Microfinance for Malawi Under-deserved Poor (Opportunity International);
- vi) World Bank/IFAD - Irrigation, Rural Livelihoods and Agriculture Development Project;
- vii) EU Public Works Programme; and
- viii) African Development Bank – (i) Smallholder Crop Production and Marketing Project (SCPMP); and (ii) Agriculture Infrastructure Support Project

4. In general, these interventions seek to address issues related to food security and poverty reduction through empowerment of rural communities, community involvement in irrigation development, natural resources management, diversification of income sources, improved access to domestic water supply, rural infrastructure, livestock production, and improved crop husbandry practices.

Appendix V. Map of the Project Area

