

AFRICAN DEVELOPMENT FUND

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APPRAISAL REPORT

ARTISANAL FISHERIES DEVELOPMENT PROJECT

MALAWI

NB: This document contains errata or corrigenda (see Annexes)

**COUNTRY DEPARTMENT
NORTH EAST AND SOUTH REGION
(ONAR)**

NOVEMBER 2002

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AFRICAN DEVELOPMENT FUND
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PROJECT INFORMATION SHEET

Date: August 2002

The information given hereunder is intended to provide some guidance to prospective suppliers, contractors, and all persons interested in the procurement of goods, works and services for projects approved by the Boards of Directors of the Bank Group. More detailed information and guidance should be obtained from the Executing Agency of the Borrower.

1. COUNTRY : The Republic of Malawi
2. NAME OF PROJECT : Lake Malawi Artisanal Fisheries
Development Project
3. LOCATION : Likoma, Nkhata Bay, Nkhotakota, Salima,
and Mangochi Districts
4. BORROWER : Republic of Malawi
5. BENEFICIARY : Ministry of Natural Resources and
Environmental Affairs
6. EXECUTING AGENCY : Ministry of Natural Resources and
Environmental Affairs
Capital City
Lilongwe 3
Malawi
Tel: (265) 1 789 488
Fax: (265) 1 788 689
E-mail: sadcfish@malawi.net
7. PROJECT COST
 - i. Foreign : UA 4.98 million
 - ii. Local : UA 4.23 million
 - Total : UA 9.21 million
8. SOURCES OF FINANCE

| | | |
|---------------|---|------------------------|
| ADF Loan | : | UA 6.93 million |
| TAF Grant | : | UA 0.84 million |
| Government | : | UA 1.00 million |
| Beneficiaries | : | <u>UA 0.44 million</u> |
| TOTAL | : | UA 9.21 million |

9. DATE OF APPROVAL : December 2002
10. ESTIMATED PROJECT STARTING DATE AND DURATION : July , 2003 for 5 years
11. PROCUREMENT : Project goods, works and services financed by the Bank will be procured in accordance with Bank Rules and Procedures. All civil works, refrigeration equipment, motor vehicles, motorcycles, bicycles, boat rehabilitation, office equipment, nursery and field tools, will be executed or procured through National Competitive Bidding (NCB); patrol boats will be procured through International Shopping (IS). Technical assistance, baseline survey, reviews and audit services will be procured through limited competition using a shortlist.
12. CONSULTING SERVICES NEEDED: The services of technical assistance experts comprising a Financial Controller (60 person-months), a Procurement Specialist (12 person-months), Civil Engineer (24 person-months), a Monitoring and Evaluation Specialist (48 person-months) will be needed. The services of a Monitoring Control and Surveillance Expert will also be needed for 12 person-months.

CURRENCY AND MEASURES

(August 2002)

| | | |
|---------------|---|---------------------|
| Currency Unit | : | Malawi Kwacha (MWK) |
| UA1 | : | US\$1.33046 |
| UA1 | : | MWK97.9443 |
| US\$1 | : | MWK75.00 |

WEIGHTS AND MEASURES

| | | |
|---------------------|---|--------------------|
| 1 Metric Tonne (mt) | : | 2,200 lb. (pounds) |
| 1 Kilogram (kg) | : | 2.2 lb. (pounds) |
| 1 Metre (m) | : | 3.28 ft (feet) |
| 1 Kilometre (km) | : | 0.62 miles |
| 1 Hectare (ha) | : | 2.471 acres |

FISCAL YEAR

July 1 – June 30

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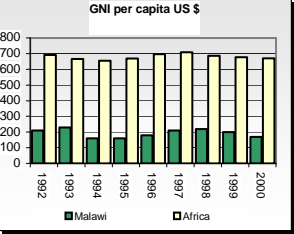
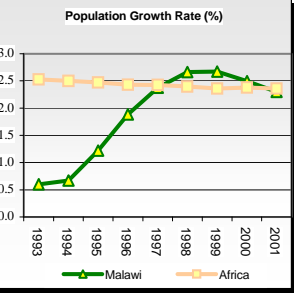
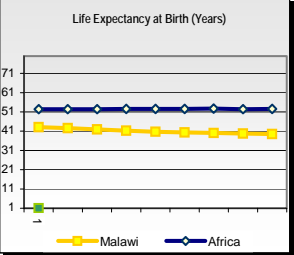
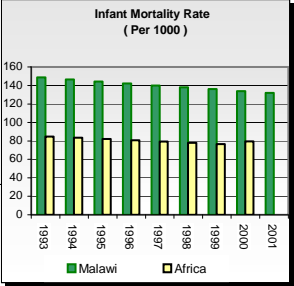
¹ Additional information are available in the Working Papers. 1: Detailed Cost Tables; 2: Environmental and Social Management Plan; 3: Terms of Reference for Microfinance Institution; 4: Terms of Reference for Technical Assistance team. They are available on request in the original language.

LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------|---|
| ADB | African Development Bank |
| ADF | African Development Fund |
| BVC | Beach Village Committee |
| DEMAT | Development of Malawian Enterprises Trust |
| DOFI | Department of Fisheries |
| ECLOF | Ecumenical Church Loan Fund |
| FAO | Food and Agriculture Organization (of the United Nations) |
| GEF | Global Environment Facility |
| GOM | Government of Malawi |
| HIPC | Highly Indebted Poor Country |
| ICEIDA | Icelandic International Development Agency |
| IDA | International Development Association (of the World Bank) |
| IWM | Integrated Watershed Management |
| LMEMP | Lake Malawi Ecosystem Management Project |
| M & E | Monitoring and Evaluation |
| MEDI | Malawian Entrepreneurs Development Institute |
| MONREA | Ministry of Natural Resources and Environmental Affairs |
| MRFC | Malawi Rural Finance Company |
| MUSCCO | Malawi Union of Savings and Credit Cooperatives |
| NABW | National Association of Business Women |
| NDF | Nordic Development Fund |
| NEC | National Economic Council |
| NEP | National Environmental Policy |
| NGO | Non-government Organization |
| NRM | Natural Resources Management |
| PRIDE | Promotion of Rural Initiatives and Dev Enterprises |
| PRSP | Poverty Reduction Strategy Paper |
| SACCO | Savings and Credit Cooperative |
| SADC | Southern African Development Community |
| SEDOM | Small Enterprise Dev. Org. of Malawi |
| TAF | Technical Assistance Fund (of the ADF) |
| WVI | World Vision International |
| WWB | Women's World Banking |

MALAWI

COMPARATIVE SOCIO-ECONOMIC INDICATORS

| | Year | Malawi | Africa | Developing Countries | Developed Countries |
|--|------|--------|--------|----------------------|---------------------|
| Basic Indicators | | | | | |
| Area ('000 Km ²) | | 118 | 30 061 | 80 976 | 54 658 |
| Total Population (millions) | 2001 | 11.6 | 811.6 | 4,940.3 | 1,193.9 |
| Urban Population (% of Total) | 2001 | 25.6 | 38.0 | 40.4 | 76.0 |
| Population Density (per Km ²) | 2001 | 97.7 | 27.0 | 61.0 | 21.9 |
| GNI per Capita (US \$) | 2001 | 180 | 671 | 1 250 | 25 890 |
| Labor Force Participation - Total (%) | 2000 | 48.2 | 43.1 | ... | ... |
| Labor Force Participation - Female (%) | 2000 | 46.4 | 33.8 | ... | ... |
| Gender-Related Development Index Value | 2000 | 0.389 | 0.476 | 0.634 | 0.916 |
| Human Develop. Index (Rank among 174 countries) | 2000 | 163 | n.a. | n.a. | n.a. |
| Popul. Living Below \$ 1 a Day (% of Population) | 1995 | ... | 45.0 | 32.2 | ... |
|  | | | | | |
| Demographic Indicators | | | | | |
| Population Growth Rate - Total (%) | 2001 | 2.3 | 2.4 | 1.5 | 0.2 |
| Population Growth Rate - Urban (%) | 2001 | 8.7 | 4.1 | 2.9 | 0.5 |
| Population < 15 years (%) | 2001 | 46.2 | 42.4 | 32.4 | 18.0 |
| Population >= 65 years (%) | 2001 | 3.0 | 3.3 | 5.1 | 14.3 |
| Dependency Ratio (%) | 2001 | 96.6 | 85.5 | 61.1 | 48.3 |
| Sex Ratio (per 100 female) | 2001 | 96.1 | 99.4 | 103.3 | 94.7 |
| Female Population 15-49 years (% of total populatio | 2001 | 22.2 | 23.6 | 26.9 | 25.4 |
| Life Expectancy at Birth - Total (years) | 2001 | 39.6 | 52.5 | 64.5 | 75.7 |
| Life Expectancy at Birth - Female (years) | 2001 | 39.3 | 53.5 | 66.3 | 79.3 |
| Crude Birth Rate (per 1,000) | 2001 | 45.4 | 37.3 | 23.4 | 10.9 |
| Crude Death Rate (per 1,000) | 2001 | 22.5 | 14.0 | 8.4 | 10.3 |
| Infant Mortality Rate (per 1,000) | 2001 | 132.0 | 79.6 | 57.6 | 8.9 |
| Child Mortality Rate (per 1,000) | 2001 | 226.7 | 116.3 | 79.8 | 10.2 |
| Maternal Mortality Rate (per 100,000) | 1998 | 620 | 641 | 491 | 13 |
| Total Fertility Rate (per woman) | 2001 | 6.4 | 5.1 | 2.8 | 1.6 |
| Women Using Contraception (%) | 1996 | 22.0 | ... | 56.0 | 70.0 |
|  | | | | | |
| Health & Nutrition Indicators | | | | | |
| Physicians (per 100,000 people) | 1993 | 2.8 | 36.7 | 78.0 | 287.0 |
| Nurses (per 100,000 people) | 1989 | 3.1 | 105.8 | 98.0 | 782.0 |
| Births attended by Trained Health Personnel (%) | 1996 | 55.0 | 38.0 | 58.0 | 99.0 |
| Access to Safe Water (% of Population) | 2000 | 57.0 | 60.4 | 72.0 | 100.0 |
| Access to Health Services (% of Population) | 1999 | 35.0 | 61.7 | 80.0 | 100.0 |
| Access to Sanitation (% of Population) | 2000 | 77.0 | 60.5 | 44.0 | 100.0 |
| Percent. of Adults (aged 15-49) Living with HIV/AIDS | 2001 | 15.2 | 5.7 | ... | ... |
| Incidence of Tuberculosis (per 100,000) | 2000 | 208.7 | 105.4 | 157.0 | 24.0 |
| Child Immunization Against Tuberculosis (%) | 2000 | 83.0 | 63.5 | 82.0 | 93.0 |
| Child Immunization Against Measles (%) | 1995 | 82.0 | 58.2 | 79.0 | 90.0 |
| Underweight Children (% of children under 5 years) | 1995 | 29.9 | 25.9 | 31.0 | ... |
| Daily Calorie Supply per Capita | 1999 | 2 164 | 2 408 | 2 663 | 3 380 |
| Public Expenditure on Health (as % of GDP) | 1998 | 2.8 | 3.3 | 1.8 | 6.3 |
|  | | | | | |
| Education Indicators | | | | | |
| Gross Enrolment Ratio (%) | | | | | |
| Primary School - Total | 1996 | 132.8 | 80.7 | 100.7 | 102.3 |
| Primary School - Female | 1996 | 126.3 | 73.4 | 94.5 | 101.9 |
| Secondary School - Total | 1995 | 16.5 | 29.3 | 50.9 | 99.5 |
| Secondary School - Female | 1996 | 12.2 | 25.7 | 45.8 | 100.8 |
| Primary School Female Teaching Staff (% of Total) | 1996 | 39.0 | 40.9 | 51.0 | 82.0 |
| Adult Illiteracy Rate - Total (%) | 2001 | 39.0 | 37.7 | 26.6 | 1.2 |
| Adult Illiteracy Rate - Male (%) | 2001 | 25.0 | 29.7 | 19.0 | 0.8 |
| Adult Illiteracy Rate - Female (%) | 2001 | 52.4 | 46.8 | 34.2 | 1.6 |
| Percentage of GDP Spent on Education | 1998 | 4.6 | 3.5 | 3.9 | 5.9 |
|  | | | | | |
| Environmental Indicators | | | | | |
| Land Use (Arable Land as % of Total Land Area) | 1999 | 19.9 | 6.0 | 9.9 | 11.6 |
| Annual Rate of Deforestation (%) | 1995 | 1.6 | 0.7 | 0.4 | -0.2 |
| Annual Rate of Reforestation (%) | 1990 | 8.0 | 4.0 | ... | ... |
| Per Capita CO2 Emissions (metric tons) | 1997 | ... | 1.1 | 2.1 | 12.5 |

Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

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

| <u>Activities</u> | <u>Source of Finance (UA millions)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|-------------|-------------|-------------|-------------|-----|-------|----------------------------------|------|------|------|------|------|------|-------------|------|------|------|------|------|------|-----------------------------------|------|------|------|------|------|------|--------------------|------|------|------|------|------|------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| <u>1. Fish Production & Marketing</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1 Procure plank boats, outboard engines and fishing gear, generators, refrigerators | ADF 6.93 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2 Procure 2 patrol boats and rehabilitate one existing | TAF 0.84 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.3 Construct receiving, processing, storage and related facilities in 22 sites | Government 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.4 Provide water supply installations in 20 sites consisting of borehole and hand pump or lake water treatment facility | Beneficiaries 0.44 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.5 Rehabilitate 75 km of feeder roads | Total 9.21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.6 Provide four 5-tonne capacity ice plants and 3 chill rooms in Lilongwe, Blantyre, Zomba & Mzuzu fish markets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.7 Rehabilitate the ice-making plant in Nkhotakota | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.8 Rehabilitate schools and clinics | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.9 Drill boreholes and equip with hand pumps | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.10 Procure vehicle, bicycles and motor cycles | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.11 Initiate commercial production and marketing of fuel efficient stoves | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.12 Procure material, seeds and tools for woodland and | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.13 Mobilize communities for woodland management | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.14 Conduct enrichment planting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.15 Provide field tools and equipment for fire prevention and boundary maintenance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.16 Provide technical assistance on an ongoing basis for project advice, village management plans etc. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>2. Credit Delivery</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.1 Conduct social awareness and credit pre-qualification screening | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2 Deliver credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>3. Capacity Building & Institutional Support</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.1 Begin on-going training program for communities and GOM and front line staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.2 Establishment of mobile training unit (2 Vans plus audio and Video equipment including the public address system) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.3 Provide funds for study tours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.4 Provide Technical Assistance in Monitoring, Surveillance and Control (6 months) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.5 Technical Assistance to College of Fisheries Training in outboard engine repairs (3 months) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.6 Training of Fisheries Department staff at postgraduate level and short courses of 3-4 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.7 Provide training and upgrading and refresher courses for medium and senior GOM staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.8 Purchase and distribute computers and accessories | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.9 Procure vehicle | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>4. Project Management</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.1 Procure office equipment and vehicle for PCU | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.2 Recruit and post PCU staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.3 Provide logistical and institutional support for project management | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.4 Conduct baseline survey | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.5 Conduct annual audit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4.6 Conduct mid-term review | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>Expenditure Schedule by Component (UA millions)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Component</th> <th>PY1</th> <th>PY2</th> <th>PY3</th> <th>PY4</th> <th>PY5</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Fish Production & Marketing Dev.</td> <td>0.76</td> <td>1.67</td> <td>1.18</td> <td>0.30</td> <td>0.14</td> <td>4.04</td> </tr> <tr> <td>Credit Fund</td> <td>0.92</td> <td>0.91</td> <td>0.07</td> <td>0.06</td> <td>0.02</td> <td>1.98</td> </tr> <tr> <td>Capacity Building & Inst. Support</td> <td>0.90</td> <td>0.45</td> <td>0.31</td> <td>0.31</td> <td>0.26</td> <td>2.24</td> </tr> <tr> <td>Project Management</td> <td>0.27</td> <td>0.16</td> <td>0.22</td> <td>0.16</td> <td>0.14</td> <td>0.94</td> </tr> <tr> <td>Total</td> <td>2.85</td> <td>3.20</td> <td>1.78</td> <td>0.83</td> <td>0.56</td> <td>9.21</td> </tr> </tbody> </table> | Component | PY1 | PY2 | PY3 | PY4 | PY5 | Total | Fish Production & Marketing Dev. | 0.76 | 1.67 | 1.18 | 0.30 | 0.14 | 4.04 | Credit Fund | 0.92 | 0.91 | 0.07 | 0.06 | 0.02 | 1.98 | Capacity Building & Inst. Support | 0.90 | 0.45 | 0.31 | 0.31 | 0.26 | 2.24 | Project Management | 0.27 | 0.16 | 0.22 | 0.16 | 0.14 | 0.94 | Total | 2.85 | 3.20 | 1.78 | 0.83 | 0.56 | 9.21 | |
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| | | <ol style="list-style-type: none"> 1. Governn 2. M&E rej 3. Bank Re 4. Audit Rc | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

EXECUTIVE SUMMARY

1. PROJECT BACKGROUND

Malawi's fisheries subsector has witnessed a sharp fall in fish catch from its water bodies from 70,000mt per annum in early 1990s to the current 45,000mt per annum. While fish stock assessment studies reveal a potential for further 40,000mt of fish to be caught annually from Lake Malawi, there has been localized over-fishing near the shores as artisanal fishers lack the

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resources to expand their activities further inside the Lake. In its efforts to improving the standard of living of the rural community through sustainable development of natural resources for income generation, the Government of Malawi requested the Bank Group in September 2000 to identify and prepare an artisanal fisheries development project.

2. PURPOSE OF THE LOAN AND GRANT

Out of the ADF loan of UA6.93 million proposed for the project, UA4.38 million (47.5% of total project cost) will be utilized to finance foreign costs, while UA2.55 million (27.7% of total project cost) will be utilized for local costs. The project will be supported by an additional TAF grant of UA0.84 million, out of which UA0.60 million (6.5% of total project cost) will be used for foreign costs and the rest (UA0.24 million) for local costs.

3. SECTOR GOAL AND PROJECT OBJECTIVE

The project's sector goal is to contribute to Government's poverty reduction efforts by developing sustainable utilization of renewable natural resources. The project objective is to improve household income by enhancing the management and utilization of fisheries resources in five Lake Malawi littoral districts.

4. BRIEF DESCRIPTION OF THE PROJECT

The project will be implemented under four components: (i) Fish Production and Marketing Development; (ii) Credit Delivery; (iii) Capacity Building and Institutional Strengthening; and (iv) Project Management. The **Fish Production and Marketing Development** component will enable project beneficiaries procure new plank boats and ancillary equipment to increase fish catch from Lake Malawi and maintain the integrity of their catch. The activities in this component are also intended to protect the watersheds and river basins from where rivers flowing into the lake. The project will also encourage the private sector in the production and marketing of improved fuelwood stoves. A **Credit Fund** of UA1.63 million will be made available to project beneficiaries in order to improve their production capacity and increase their income. This credit fund will be delivered to the beneficiaries by a microfinance intermediary through the Kuyamba Loan Scheme that emphasizes group formation and equal opportunity. The **Capacity Building and Institutional Strengthening** component will enable the successful implementation and sustainability of the proposed project. Resources will be provided for training of frontline staff and beneficiaries. The project will also provide resources for office equipment including computers for district forestry offices in addition to motorbikes and bicycles for extension work. A **Project Management** Unit will be set up to provide support to execute the project at the center and in the districts.

5. PROJECT COSTS

The total project cost including contingencies is estimated at UA9.21 million. UA4.97 million (54%) will be in foreign exchange and the remaining UA4.43 million (46%) will be in local currency.

6. SOURCES OF FINANCE

The project will be financed from four sources, namely, the African Development Fund (ADF) loan, Technical Assistance Fund (ADF/TAF) grant, the Government of Malawi and the Project Beneficiaries. The ADF loan and TAF grant resources are estimated at UA6.93 million (75.2% of project cost) and UA0.84 million (9.1% of project cost), respectively. The Government will finance UA1.00 million (10.9% of the total project cost), broken down as 12% for the ADF loan and 5% for the TAF grant. The balance of UA0.44 million (4.8% of the total project cost) will be provided by the project beneficiaries as cost of labor to the field operations of the watershed management support sub-component.

7. PROJECT IMPLEMENTATION

The Ministry of Natural Resources and Environmental Affairs (MONREA) through the Department of Fisheries will be the executing agency of the project. A Project Steering Committee (PSC) will be established in the MONREA to provide policy guidance. A Project Coordinating Unit (PCU) will be established in the MONREA, and will be responsible for the day-to-day management of the project. At field level, the PCU will work through the District Assemblies and District Forestry and Fisheries Officers, Traditional Authorities, Village Beach Committees and Village Natural Resources Management Committees. A Microfinance Institution will be selected competitively to administer and recover credit under terms that will be agreed upon with the Borrower.

8. CONCLUSIONS AND RECOMMENDATION

Artisanal fisheries is one of the most important economic subsectors of the country. Support to the subsector will therefore enhance the welfare of part of the population engaged in the fisheries industry and contribute to enhancing food security in the country. It is estimated that annual fish production will increase as a result of the activities of this project, progressively from the present level by 1,750mt in Year 1, by 2,100mt in Year 2 and by up to 11,000mt from Year 4. The increased availability of fish will impact positively on the income of the fishers and processors and further improve the health status of Malawians. The watershed management support activities built into the project will reduce the impact of human encroachment into protected watershed areas and conserve the environment from where the Lake derive its waters. The project is technically feasible, economically viable, and socially and environmentally sound. It is in line with the priorities retained under the PRSP and the Bank Group's CSP for Malawi. It is recommended that an ADF loan not exceeding UA6.93 million and a TAF grant not exceeding UA0.84 million should be granted to the Government of Malawi for the purpose of implementing the project activities as described in this report subject to the conditions specified in the loan and protocol of agreement.

1. ORIGIN AND HISTORY OF THE PROJECT

1.1 Introduction

The population of Malawi was estimated at 11.6 million in 2001 with a growth rate of 2.3% per annum. Women constitute 51% of the population and men 49%. The country is predominantly agricultural with about 75% of the population living in the rural areas. According to UNDP Human Development Reports, the country is classified as one of the least developed countries with an estimated GNP per capita of US\$180 (UA135) in 2001. Malawi has one of the highest levels of malnutrition in sub-Saharan Africa with about 50% of the children less than five years of age and 30% of mothers suffering from chronic protein and energy malnutrition. Hitherto, Malawi had been overly dependent on tobacco as the main export crop and on maize as the principal staple food. The yield of those crops has been severely affected by recurrent droughts and floods. In order to reduce the risks associated with over dependence on this limited range of agricultural commodities, the Government of Malawi (GOM) has in recent years pursued a policy of agricultural diversification. The Government broadened its structural reform programme in the latter half of the 1990s; monopolies and controls on agricultural marketing and trade were abolished; and the ground was laid for eliminating restrictions on petroleum importation and allowing prices to reflect market forces. External tariffs and non-tariff barriers were reduced and substantial progress was made in improving tax administration. An ambitious programme for privatization of parastatals is nearing completion.

1.2 Project Identification, Preparation and Appraisal

1.2.1 Fish production in Malawi has fallen sharply from around 76,000mt per annum in early 1990s to the current 45,000mt per annum. While fish stock assessment studies reveal a potential for further 40,000mt of fish to be caught annually from Lake Malawi, there has been localized over-fishing near the shores as artisanal fishers lack the resources to expand their activities further inside the lake. In its efforts to improve the standard of living of the rural community through sustainable development of fisheries for income generation, the Government of Malawi submitted a request together with a project outline, to the Bank Group in September 2000 to identify and prepare a fisheries development project. The Bank commissioned the Investment Center of the Food and Agricultural Organization (FAO) to identify and prepare the project. The FAO undertook the identification of the project in November 2000 and thereafter produced an identification report. The FAO was again commissioned in June 2001 to field a project preparation mission. In order to strengthen the project, the Bank Group itself fielded a pre-appraisal mission in October 2001 and identified the need for a national Credit Study prior to the fielding of the appraisal mission. The Credit Study was conducted in June 2002 and provided the necessary information on the activities and performance of the microfinance intermediaries and options on how credit could be delivered in the project.

1.2.2 A Bank Group mission appraised the project in August 2002. The content of this appraisal report draws largely from the preparation and pre-appraisal reports as well as from the Credit Study, and further reflects the findings of the appraisal mission, and agreements reached with GOM, project beneficiaries and other stakeholders. The activities in this proposed project form part of a larger program of the Lake Malawi Ecosystem Management Project (LMEMP) that is being prepared by the World Bank, the Global Environment Facility, and the Nordic

Development Fund. The activities of LMEMP will cover all levels of fish production nationwide, environmental conservation, as well as the establishment of a center of excellence for aquatic research and education.

1.2.3 At all stages of project preparation, a process that began with project identification in 2000, preparation and pre-appraisal in 2001, the Credit Study and the present appraisal, all stakeholders including the donor community, traditional leaders, headmen/women and villagers including women, participated in shaping up the project. The beneficiaries were consulted on their needs and how they felt the project could be designed to meet those needs. This proposed project also builds on the lessons learned from previous related interventions in Malawi. In order to enhance good quality at entry the project has targeted groups and communities, as opposed to individuals; it has also built in complementary watershed management support that will sustain the resource base for the fishery activities.

2 AGRICULTURE AND RURAL DEVELOPMENT SECTOR

2.1 Salient Features

2.1.1 The Republic of Malawi is a land locked country located in the northern part of southern Africa (Annex 1). It covers a total land area of 118,480 km² and shares borders with Tanzania, Zambia and Mozambique. Agriculture is the mainstay of Malawi's economy with over 80% of the population dependent on subsistence farming, contributing 40% to the Gross Domestic Product (GDP), 95% of the foreign exchange earnings, and accounting for 85% of employment of the rural labor force in 2001. The sector also provides two-thirds of raw materials for the manufacturing sector. Malawi's agricultural sector (which includes crops, livestock, fisheries and forestry) is dualistic and consists of smallholder and estate sub-sectors. Out of the total arable land of 5.3 million ha in Malawi, it is estimated that 1.75 million ha (held under customary tenure) are cultivated by about 1.80 million smallholder farmer families who engage mainly in subsistence farming and cultivate maize as the dominant crop, as well as sorghum, millet, rice, cassava, cowpea, soybean and pigeon pea. Smallholder farmer farm sizes vary across the country, with 55% of the smallholder farmers cultivating less than one ha of land, 31% cultivating between one and two ha, and 14% cultivating more than two ha. The estate sub-sector with about 8,500 farms cultivate 0.75 million ha and produce export crops such as tobacco, tea, coffee and sugar on farms sizes of 10 ha and more.

2.1.2 Small land hectareage and low productivity resulting from poor technology, and especially heavy dependence on rainfall in a country with an increasing frequency of floods and droughts underlie the poverty that characterizes Malawian smallholder farming. Food insecurity is a pressing problem for the poor in Malawi. Most smallholder households run out of food about five months before the next harvest. The small size of holdings, the poor fertility status of land, exacerbated by continued soil degradation, a conspicuous lack of supplementary irrigation, leaving agriculture vulnerable to erratic rainfall, lack of agricultural equipment and limited credit availability that prevents adoption of improved seeds and fertilizers have kept crop yields very low. The level of off-farm rural incomes has been falling due to declining real wages and slow growth in labor demand. The minimum wage, a good proxy for market wage in rural areas, has declined consistently in real terms.

2.1.3 The Bank Group's strategy is to continue its support to GOM to achieve its medium term strategy. The focus is on poverty reduction through accelerated growth, restoration of financial and fiscal stability, and increased access to basic social services. The Bank's strategy will ensure that issues related to the environment, gender, labor standards, and regional integration are adequately considered and give support to the GOM to build its institutional capacity. The Bank's strategy in the agriculture and rural development sector includes interventions that promote the rational utilization of natural resources, provision of a sustainable supply of household energy, social forestry development and capacity building, and aquaculture. The Country Strategy Paper for Malawi notes that the Bank will consider extending financing to small and medium enterprises in the form of lines of credit through eligible financial institutions.

2.2 Sector Policy Framework

2.2.1 The GOM with the assistance of the donor community has completed work on the Malawi Agriculture Sector Investment Process (MASIP) that will form the framework of agriculture sector development programs. The Government's agriculture and rural development strategy is articulated in MASIP, which is a ten-year rolling investment plan starting in 2002 that outlines a framework for the attainment of the sectoral development objectives. The strategy is characterized by five major features: (i) poverty reduction; (ii) population participation for strengthening research, extension and the farming community links; (iii) macroeconomic stability as a basis for accelerating agricultural growth and promoting diversification; (iv) promotion of improved marketing systems and enabling the role of the Government as a facilitator for sustainable agricultural production and improvement in food security; and (v) promotion of better consultative process involving all major stakeholders.

2.2.2 The Bank Group strategy in the agriculture and rural development sector over the 1999-2001 period placed particular emphasis on diversifying food production from over-dependence on maize to other crops, including roots and tubers which are drought tolerant) to the farming system. The Bank policy in the subsector will be implemented through the preparation of projects which, among others, will provide support to artisanal fisheries, and post catch handling and marketing and support institutions involved in extension, input supply, and marketing.

2.3 The Decentralization Policy

As part of the process of consolidating participatory democracy, the government approved a National Decentralization Policy (NDP) in 1998. The NDP devolves administration and political authority to the districts. It integrates government agencies at the district and local levels into one administrative unit, through the process of institutional integration, human resource absorption, composite budgeting and provision of funds for the decentralized services. The NDP specifically diverts the focus of implementation responsibilities and transfers these to the District Assemblies, and assigns functions and responsibilities to the various levels of government, and promotes popular participation in the governance and development of districts. The District, Town, and City Assemblies are the Local Governments administrative arms, which provide services to the public. In order to accomplish these tasks, the Assemblies obtain funds from the Central Government, as well as market and business premise rates, and hire of goods and services to the public sector.

2.4 Poverty and Sector Development

2.4.1 According to the Human Development Index (2000) Malawi is ranked 163 of 174 countries, with 65.3% of the population being ultra-poor and poor. Poverty is more emphasized in the rural areas where about 85% of the population lives. The rural poor are characterized by malnutrition, lack of income earning opportunities, and unfavorable production environment. The female-headed households make up about 30% of the poor and are disproportionately affected by weak access to resources. The poor obtain incomes from low-return non-farm self-employment such as beer brewing, basket weaving, and brick making. The greater percentage (81%) of the income of the poor is spent on food. Despite high food budget share, the daily calorie consumption of the poor is 66% below the recommended daily calorie requirement.

2.4.2 Some of the main factors presently contributing to poverty in Malawi include: (i) low levels of education; (ii) ill health worsened by the effects of the AIDS pandemic and insufficient access to health services; (iii) lack of social and agricultural infrastructure, including limited access to markets, (iv) lack of transport; (v) limited employment opportunities; (vi) poor access to credit; and (vii) soil infertility resulting from continuous cropping at a very low level of farming technology. The high population density and the corollary of pressures on land as well as the unequal access to productive resources also contribute to trapping the people within a circle of poverty.

2.4.3 In April 2002, the Government of Malawi launched the Poverty Reduction Strategy (PRSP), which forms the basis for addressing poverty. Its overall goal is to achieve sustainable poverty reduction through socio-economic and political empowerment of the poor. The PRSP is based on four pillars, namely, *Sustainable Pro-poor Economic Growth, Human Capital Development, Improvement of the Quality of Life of the Most Vulnerable and Good Governance*. In the PRSP the Government pledged to continue with efforts that could alleviate poverty, address gender inequality and enhance welfare and incomes of agricultural communities. These will be achieved principally through agricultural expansion, incorporating increased food production with a view to achieving food self-sufficiency, and diversification of agricultural exports whilst conserving natural resources; commercialization of subsistence agricultural economy, combined with improvements in infrastructure and marketing arrangements. To strengthen the role of the private sector in agriculture the Government will continue in its efforts to divest its direct involvement in economic activity through the commercialization of its parastatals.

2.5 Health and HIV/AIDS in Sector Development

Close to one million of the Malawian population is HIV infected, with a prevalence rate of 15.9% in 2000. Prevalence is reported to be high among the adult population in the 20 to 45 years age bracket. Life expectancy for the overall population has dropped from 43 years at birth in 1996 to 37 years in 2000. The rural population suffers from cholera, diarrhea, tuberculosis, high child mortality, poor nutrition, poor water and sanitation levels, and poor access to health services. The Lakeshore communities in particular suffer high rates of bilharzia and malaria, which are exacerbated due to the poor sanitation and hygiene levels of the lake area. Poor health conditions, aggravated by HIV/AIDS pandemic, have an impact on labor force participation and productivity: productive time of working adults is lost due to frequent and prolonged sickness and caring for the sick.

2.6 Gender Issues

2.6.1 Women experience extensive socio-economic problems, including gender imbalances and inequalities in all sectors, low levels of education, negative attitudes and practices, limited access to, and control over the means of production such as land, limited access to credit and technology, and limited rights and control over their reproductive health. Formally, women are equal to men before the Constitution and the Laws of Malawi and enjoy full human rights, but they are not treated as the equals of men under customary or traditional arrangements. The GOM has a national policy for the advancement of women. However, this has not yet been sufficiently translated into gender-oriented sectoral policies. Although a National Commission for Women in Development was established in 1988, GOM's capacity to formulate and implement sectoral gender-oriented programmes remains limited and there is insufficient focus on improving women's access to decision-making positions and increasing women's control over the allocation of resources. Men, even in the case of the matrilineal ethnic groups, dominate access to land as well as trading.

2.6.2 In the fisheries sub-sector there is an apparent division of tasks between men and women. Women are mainly involved in processing (60%) and marketing of fish (40%), and almost 80% of their time is devoted to fish-related activities. Women are, however, not involved in the actual fishing activity. While some women in the lakeshore communities benefit from existing micro-finance groups, there is still a need for greater credit outreach. Some of the constraints identified by women were lack of transportation, lack of better equipment and technology for fish processing, and lack of capacity to take up entrepreneurial activities in the sub-sector.

2.7 Land Use and Tenure

2.7.1 The Land Ordinance of 1951 and Land Act of 1965 both categorized land into public, private or customary land, whose proportions (1999) were 22%, 13% and 65%, respectively. Land in the smallholder sector is primarily held under customary land tenure system. In villages, land is generally sub-divided into three categories: communal land, such as grazing land and forest reserve; reserve land which is not yet allocated but is entrusted to the village headman; and leasehold land which is subject to individual or nuclear family rights. Rights to leasehold land are transferred from one generation to another in accordance with the system of inheritance. In accordance with the Malawi Land Act of 1965, smallholder farmers (including women) have, in principle, been able to register customary land assigned to them by authority of the village headman, as leasehold of 21 years duration with a possibility of extension to 99 years subject to completion of survey and registration formalities.

2.7.2 The new Malawi National Land Policy of 2001 has removed the pressing land problems that had created tenure insecurity and undermined speedy and transparent land transactions. It also addresses the issues of land use, ownership, transfer, gender, etc. It has categorized land into Government and Public land only. Government land includes land owned by Government or leased for exclusive use by individuals, companies, and institutions for which ground rent is paid. Public land applies to all land vested in the Government as a result of uncertain ownership, or abandonment. Within a Traditional Authority (TA), the community public land includes all land within the boundaries of the TA not allocated to any group, individual or family, and applies in particular to dambos, dry season communal grazing areas, and community woodlots.

2.8 Credit Delivery

2.8.1 Donor-dependency, small-loan resources, a limited number of Microfinance Institutions (MFIs), and the concentration of their activities in only two sectors (trade and agriculture), are all a reflection of the low level of development of microfinance, as well as the small and medium enterprises (SMEs) they serve in Malawi. The underdevelopment of smallholder agriculture has contributed to the low level of development of off-farm activities in the rural areas and SMEs in the urban areas, which in turn has affected the development of micro-finance activities in Malawi. Since the beginning of the 1990s, particularly in more recent years, there have been positive new economic policies that augur well for the future development of MFIs and SMEs.

2.8.2 The recent PRSP has drafted a Microfinance Policy and Action Plan, which was developed in line with the best practice principles in microfinance. The overall objective is to secure an enhanced and enabling microfinance environment and improve impact of MFIs operations and actions towards the poor on a sustainable basis. To further achieve this objective, GOM also intends to formulate a legal and regulatory framework for microfinance operations in the country and has been encouraging, in collaboration with development partners such as the Bank Group, the strengthening of institutional capacities of microfinance service providers in the country.

2.8.3 The overall sectoral distribution of the customers of microfinance institutions is dominated by trade, 45%; agriculture, 26%; manufacturing, 17%; and services 12%. Very little financial services are provided to the fisheries subsector. Lending rates are calculated as interest at reference rate, added to operating costs (15% approximately) and loan loss provision (15%) bringing interest rate paid to about 52%. Loan terms are up to five years but loan recovery rate is low at about 70%. This is due to the major risks entailed in this sector, which led to very bad repayments with past experiences. Most of the financial institutions have had negative experience in lending to the fisheries subsector. The risks represented in lending in fisheries are:

- The high level of mobility of fishermen, who, with the excuse of fish migration and quick depletion of fishing areas, tend to move from one village to another, without informing the financial institutions.
- The lack of group culture or sense of community makes the delivery of credit based on group solidarity a challenge. Due to the nature of these activities, gear owners tend to be very individualistic.

2.8.4 The recently concluded Credit Study financed by the Bank Group revealed that about 29 MFIs are operational in Malawi, with 23 of them in the agriculture sector. Four MFIs were already providing loans to the fishing communities and one has functional offices in Mangochi, Salima and Karonga (two of these are in the proposed project areas). The major problems identified include bad loan repayment culture of clients, government interference in loans schemes, inefficient lending methodologies and poor planning against risks that contribute to high levels of loan default rates.

2.8.5 The financial intermediary functions in Malawi are relatively young and evolving at a pace that reflect the specific agenda of the multiple donors (such as Christian Organizations, NGOs, Bi-lateral and Multilateral agencies) funding micro-finance development projects in

Malawi. Currently, the functions of financial intermediation, as dictated by these donors, are limited to credit-only income transfers. Institutions like FINCA, PRIDE Africa, Project Hope, SEDOM, DEMAT, MUSCCO, and MRFC who subscribe to the credit-only income transfer intermediation role appear to be financially capable according to information collected during the Credit Study. By contrast, the category of MFIs with a broader intermediation function (NWB, NABW, ECLOF, WORLD VISION), appear to be those that are actually struggling to find donors and funds. The Bank had in the past through AMINA supported DEMAT, MUSSCO and SEDOM by training their staff to meet the challenges of the evolving microfinance delivery in Malawi. These MFIs that benefited from AMINA's support were assessed to be among the most efficient MFIs in Malawi.

3. THE FISHERIES SUB-SECTOR

3.1 Salient Features

3.1.1 The fisheries sector in Malawi is large and diverse, contributing around 3% to GDP and employing some 49,000 persons directly and an estimated 200,000 indirectly in fish processing, distribution and associated trades. If an average family comprises five persons, it can be estimated that one and a quarter million Malawians, or well over 10% of the population, rely on the fisheries subsector for part or all of their income. Fish is an important element in the national diet, and provides 60-70% of animal protein intake. The annual catch varies widely between 30,000 and 80,000mt, with landings in most years between 50,000 and 60,000mt. Most of the catch is landed by artisanal fishermen deploying a range of simple gears from dugout wooden canoes and small plank boats. Mechanized fishing is currently confined to the southern part of Lake Malawi, and is largely carried out by one medium-sized company and some smaller pair trawl units.

3.1.2 Although Malawian waters contain over a thousand species of fish, only a small number dominate the commercial catches. The main fisheries of Malawi are in Lake Malawi, Lake Malombe, Lake Chilwa, Lake Chiuta and the Shire River system. The fish of Lake Malawi may be divided into four categories, as follows: *shallow demersal* (bottom-dwelling fishes found at depths less than 50m); *deepwater demersal* (bottom-dwelling fishes found at depths greater than 50m); *semi-pelagic* (midwater and bottom-dwelling fishes); and *true pelagics* (midwater and surface-dwelling fishes). In Lake Malawi, though many areas are locally heavily exploited, there appear to be substantial fish resources that are either very lightly exploited or not fished at all. The commercially most important species for artisanal fisheries are *Chambo* (*Oreochromis* spp.); *Usipa* (*Engraulicypris sardella*); *Utaka* (*Haplochromis* spp.); *Ncheni* (*Rhampochromis* spp.); *Nchila* (*Labeo mesops*); *Mlamba* (*Clarias gariepinus*); *Kampango* (*Bagrus meridionalis*) and *Kambusi* (*Haplochromis similis*). *Usipa*, *Utaka* and *Chambo* make up about 70% of Lake Malawi's catch.

3.1.3 The performance of the subsector has been disappointing, with average annual yields stagnant at 45,000mt per annum for about two decades, despite a steady increase in the numbers of fishermen and fishing craft. Artisanal fishermen produce more than 90% of the annual catch, of which more than half derives from Lake Malawi. The size and range of industrial fishing fleet has declined as government boat building facilities were withdrawn in an attempt to encourage the emergence of private sector support enterprises, and the level of technology applied to the

fisheries has fallen visibly over the past two decades. The inshore shallows of Lake Malawi are in many areas over-fished, while resources further offshore are under-exploited. Extensive fish stock assessments financed by the Department for International Development (DFID) and IDA/ICEIDA has identified unexploited stocks with a combined sustainable annual yield in excess of 40,000mt. While better fisheries management is still required, improving the performance of the subsector is a matter of development, of investment in technology, training and support infrastructure.

3.1.4 Lake Malawi has a surface area of about 29,000 km²; it is about 700 km long with an average width of 70 km (its maximum width of 100 km is at Nkhata Bay axis in the north, while it is narrowest just before it feeds into Lake Malombe in the south). Lake Malawi is relatively shallow (not more than 100m deep) in its southern part while in some areas of the northern part it is up to 700m deep. Fisheries activities are more intense in the southern part with frequent migration of fishers and traders in large numbers from the northern to the southern part leading to a concentration of fishing effort in the shallow inshore waters. Seasonal water up welling induced by South East winds between June and September make the shallower waters of the south more productive. The presence of deep waters close inshore and much narrower land shelf in the northern area both contribute to the lower productivity of these waters. The pelagic (surface water dwelling) fish stocks in deeper offshore waters remain virtually untapped due to the shortage of suitable craft and fishing equipment for the fishery. In the short and medium term, increased fish production can only be made by the exploitation of these pelagic fish stocks.

Artisanal Fisheries

3.1.5 Artisanal fisheries is characterized by a wide variety of gears deployed from dugout canoes and up to 5m planked boats. The 1999 Frame Survey of fishing crafts operating in the waters of Lake Malawi reported 534 motorized planked boats, 3,088 un-motorized planked boats and 11,457 dugout canoes. The trend in the use of motorized boats has declined due to high costs of spares. The level of motorization was 19% in 1986, and 13% in 1999. There is a shortage of landing facilities and most of the catch is landed on the beach. Most of the fishers do not own significant numbers of boats, engines or fishing gear in the artisanal sector. In some cases, one person owns the boat while others own the gear, in which case the catch is shared according to individual contributions. Approximately 30% of the estimated 49,000 artisanal fishermen are gear owners. The artisanal fishery provides employment for the large majority of fisheries workers in Malawi. There has been a steady growth in artisanal fisheries in recent years; this is believed to be due to the increasing population, lack of alternative employment opportunities, increasing demand for, and rising prices of fish. However, because of a lack of capital, little investment in production projects in the fisheries subsector, ageing equipment, inadequate craft, and lack of spare parts, the full potential of the lake has not been realized.

Fisheries Infrastructure

3.1.6 In many lakeshore areas, fishing villages lack basic infrastructure and social services such as all-weather roads, potable water, and public transport facilities, with constraints on fishing activities, as well as marketing and distribution of fish. In virtually all the landing sites in Malawi, there is an absence of facilities for fresh fish handling, processing and storage. There are only two flake ice making plants located in Salima and Mangochi. Storage facilities for cured fish

do not exist. For the smoking and sun drying of fish, facilities in use can be improved upon in terms of hygiene and capacity. With high fish landings coinciding with high ambient temperatures during the rainy season, the impact of these shortcomings is quite significant; the post harvest losses incurred by fishermen and traders could be as high as 50%. There is a capacity for building and repair, in particular 5-8m, planked boats at the Mpwapwe Boat yard in Mangochi and some beach villages along the lake littoral. Even though the local boat builders are able to build plank boats, there is a need to upgrade their skills to choose materials that will produce durable boats. The capacity for repairing outboard engines is limited. Technical assistance could be given to the Malawi College of Fisheries to build capacity in this field, which it will subsequently extend to members of the fishing communities.

Key Fisheries Institutions Relevant to the Project

3.1.7 *The Fisheries Department:* The GOM policy objective with respect to fisheries, for which the Fisheries Department is the principal guardian, is to maximize the catch from Malawian waters in a sustainable manner. The Fisheries Department is a branch of the Ministry of Natural Resources and Environmental Affairs and the Director of Fisheries is responsible to the Principal Secretary of the Ministry. The DOFI has a total of 322 staff in place, including 34 Professional and 35 Senior Technical positions that are inadequate for it to accomplish its national mandate. There are eight District Fisheries Offices, located in Karonga, Nkhata Bay, Likoma, Nkhotakota, Salima, Mangochi, Zomba and N'gabu. Each is headed by a District Fisheries Officer, under the direction of a Divisional Fisheries Officer in each of the three regions (Southern, Central and Northern). The principal activities undertaken by the District Fisheries Offices (DFOs) are extension work, enforcement of regulations and collection of statistics.

3.1.8 *The Malawi College of Fisheries:* The main function of the college is to provide training in Natural Resource Management (NRM), especially in fisheries. The College has three main outputs: (1) Technical Assistants, who undergo a 2-year certificate course in Fisheries Management, (2) Induction and Refresher courses for DOFI staff, and (3) Training for community groups. Facilities in the College include classrooms, mechanical workshops, library, offices, student hostels and staff housing. All of the eleven teaching staff are professionally qualified. Infrastructure improvement for the college has been constrained by lack of operational budget and the under-utilization of the facilities and services. It requires at the same time funding for basic teaching materials, reinforced overall programme, and exposure of staff to similar initiatives in the subregion.

3.1.9 *The Beach Village Committees:* The Beach Village Committee (BVC) is a community association of fishery related workers from one village or landing site. They are seen as the primary target for the delegation of responsibility for Natural Resource Management through a co-management agreement with the Department of Fisheries (DOFI). To date, some 267 BVCs have been formed with the assistance of the DOFI. The BVCs will be the primary vehicle for the transfer of extension messages from DOFI extension workers. Many BVCs have developed their own byelaws with respect to the management of resources and appear to have a sense of ownership of the waters under their jurisdiction. Enforcement issues are jointly dealt with between the BVCs and the DOFI.

Relevant Fisheries Legislations

3.1.10 *The Fisheries Conservation and Management Act (1997)*: The Fisheries Conservation and Management Act (FCMA) was enacted to give legal backing to a policy that was already under active implementation. The most important feature of the new Act, which distinguishes it from previous fisheries legislation, is that it makes specific provision for a shared or co-managed regime through the conclusion of a legally binding agreement between the government and a recognized fisher's body. The FCMA covers all aspects of fisheries in Malawi, including specifically (i) licensing and registration, (ii) control of entry into the fishery, (iii) management of fisheries by DOFI, (iv) management of fisheries under co-management agreements, (v) aquaculture, and (vi) cross-cutting issues, such as powers of fisheries officers; the Fisheries Advisory Board; and the Fisheries Fund. The Act empowers the DOFI to regulate fishing activities through the registration of fishing vessels and the licensing of most kinds of fishing activity.

3.1.11 *The National Fisheries and Aquaculture Policy (2000)*: The National Fisheries and Aquaculture Policy (NFAP) aims at the optimal exploitation and utilization of the fisheries potential of Malawi's water bodies and the promotion of investments in both capture and culture fisheries. Its most outstanding feature lies in the sharing of responsibility for fish resource management between the GOM and key stakeholders (fishing communities and traditional leaders). GOM's responsibility for the proper development and management of the fisheries of Malawi is bestowed on the Department of Fisheries through its headquarters in Lilongwe and its 8 District Fisheries Offices.

3.2 Donor Intervention

Some of the recently completed or ongoing fisheries projects include: the National Aquatic Resources Management Program funded by GTZ; a small scale fish farming and cage culture project being funded by the Government of Malaysia; and three projects being funded by JICA - aquaculture research and technical development of Malawian indigenous species, development of aquaculture training at Bunda College of Agriculture, and a joint research project on the comprehensive study of Lake Malawi for sustainable utilization.

3.3 Constraints and Opportunities

3.3.1 Despite the considerable efforts by the GOM with the assistance of its development partners, the fisheries subsector is still confronted with constraints that are: technical (unsuitable fishing boats and equipment); institutional, economic and financial (limited awareness and education in aquatic environment protection; shortage of training; inadequate marketing and distribution facilities; poor subsistence fishers and inappropriate social development; inappropriate fish resource management techniques; lack of access to credit; high interest rate; and regulatory (insufficient implementation of updated policy). Private sector capital investments in the sector have deteriorated to be very poor and often to non-functional levels due to the lack of inputs and training. The replacement of fishing equipment is constrained by the lack of funds and high interest rates. Credit and savings facilities are virtually non-existent for small-scale fishing enterprises. The existing institutions are either not present in the locations of fishing communities or do not lend to the sector.

3.3.2 Opportunities exist for the transformation of the productive base of the fisheries subsector through effective resource management and extension. The large existing market for fish to upgrade the nutritional status of the population and donor interest and support accentuate this. All these are supported by the commitment of Government to decentralization; proven fish reserves; strong community organization including beach village committees; industry anxious to expand; large labor workforce; and technically competent skills base in the Ministry of Natural Resources and Environmental Affairs (MONREA) for training and research facilities. Capacity building for MFIs through training and grants are indicated for a sustainable credit delivery in the fishery subsector.

4 THE PROJECT

4.1 Project Concept and Rationale

4.1.1 The Bank Group has not funded any project in the fisheries subsector in Malawi. Notable amongst fisheries projects implemented by other donors in Malawi is the Fisheries Development Project which was co-financed by the World Bank, Nordic Development Fund, and ICEIDA. The findings of the Project Performance Assessment Report after the project closed in 1999 indicated that failure to meet some core objectives was linked largely to the stoppage of support services provided by the Government (boatyard repairs, ice making facilities, fuel and repair shops).

4.1.2 In line with the overall goal of the PRSP (see also paragraph 2.4.3) of achieving sustainable poverty reduction as well as the lessons learned from the aforementioned intervention, the proposed project seeks to develop artisanal fisheries in five contiguous Lake Malawi littoral districts. To introduce sustainable fisheries activities on the lake will require the application of watershed management support to guarantee adequate regulation of the hydrological cycles and steady supply of clean and adequate volumes of water into the lake. The main thrust of the project is to increase on a sustainable basis capture fish production, complemented by watershed management activities that would conserve the critical parts of the river basins from where rivers drain into the Lake, and provide reliable and cost-effective marketing outlets for the fish so produced. The project also aims at addressing the two main problems confronting the fisheries subsector in the country, which are: (i), the over-exploitation of inshore fish stocks; and (ii) the lack of resources and capacity to tap proven offshore fish stocks.

4.1.3 Fish production would be improved through the targeting of the un-tapped fish resources in the offshore waters (more than 10km from the beach) of the lake instead of the inshore stocks (not more than 3km from the beach), which are over-exploited. Onshore infrastructure and services need to be created to improve the working environment of fishers, particularly post harvest activities. The underlying rationale of the project is to provide small enterprises with additional resources to move further offshore so as to relieve inshore stocks from over exploitation.

4.1.4 The project has been designed to support Government's efforts in community empowerment with the active participation of all stakeholders. Communities, working with the fisheries department's extension service, and through decentralized structures, will become responsible for the preparation of management and operational plans and their implementation.

Most important, the communities will retain part of the revenues generated by the watershed management support activities, and provide resources for project sustainability in the long term.

4.2 Project Areas and Project Beneficiaries

4.2.1 The project areas are located in the Northern, Central and Southern regions of the country (Annex 1). The districts where the project areas are located are Likoma Island, Nkhata Bay, Nkhatakota, Salima, and Mangochi. Each of the five project areas has a cluster of project sites that altogether cover a water surface area of about 7,000 km². The choice of districts and project sites took into consideration the importance of artisanal fishing in the districts; ecological zone contiguity; and the need to promote the conservation of the river basins, from where rivers flow into Lake Malawi.

4.2.2 A total of 7,640 households will be involved in fish catch, processing and marketing of fish catch from Lake Malawi. Furthermore, a total of 10,280 households are targeted to participate in the watershed management support activities through the establishment and maintenance of household woodlots and the management of community woodlands in a sustainable manner. Other beneficiaries will include individuals or groups that will be involved in the manufacture and sale of fuelwood efficient stoves, those that will benefit from capacity building activities, and those that will be employed for various project activities. Over 40% of project beneficiaries will be women who make up the bulk of fish processors and marketers.

4.3 Strategic Context

4.3.1 The strategic context of the proposed project is anchored largely on the Bank's updated Country Strategy Paper (1999 – 2001) for Malawi, and the provisions of Government's Poverty Reduction Strategy and National Fisheries and Aquaculture Policy (NFAP). The project is in conformity with the general thrust and sectoral priorities of the aforementioned CSP and policies, and places emphasis on: (a) poverty reduction and income generation; (b) participation of communities in the sustainable management of fisheries; and (c) increased private sector involvement in the sustainable management and marketing of natural resources.

4.3.2 The project was designed in conjunction with the concerned communities themselves following a participatory approach method which began with project identification in 2000, preparation and pre-appraisal in 2001. During preparation in June 2001, project components and activities were discussed and agreed upon during a workshop that was attended by traditional authorities, communities, forest department officers and other staff from related departments. The project design is such that communities will be ultimately responsible for the development and implementation of Area Fisheries and Watershed Management Plans. The importance of small enterprises and community groups is emphasized while recognizing the significant development role of the public sector.

4.4 Project Objectives

The project's sector goal is to contribute to Government's poverty reduction efforts by developing sustainable utilization of renewable natural resources. Project objective is to improve household

income by enhancing the management and utilization of fisheries resources in five Lake Malawi littoral districts.

4.5 Project Description

4.5.1 The project will be implemented under four components:

1. Fish Production and Marketing Development
2. Credit Delivery
3. Capacity Building and Institutional Strengthening
4. Project Management

1. Fish Production and Marketing Development

4.5.2 This is sub-divided into five sub-components each with its activities as described below:

4.5.3 *Fish Catch Improvement*: This activity aims at improving the fishing community's ability to increase their fish catch and improve on the quality of the catch. In this component, the project will procure (i) new plank boats (ii) new fishing equipment (nets, engines, lamps, etc); (iii) spare parts for the plank boats and fishing equipment; and (iv) ice boxes to maintain the integrity of their catch while on the lake. Fish landing sites will be constructed to enable fishers land their catch hygienically. Ice making machines and fish handling facilities will be provided using project funds.

4.5.4 *Fish Receiving and Processing Facilities*: This activity will enable the fishers and processors maintain good quality fish after landing. The project will construct fish receiving facilities consisting of easily cleaned working tables, potable water (including boreholes and water tanks), and storage for dried fish. In addition, beneficiaries will procure cold storage equipment such as refrigerators and power generators, where there is no electricity. The use of open fires during the cooking of food is wasteful in its use of fuelwood as most of the energy generated is lost. Improved fuelwood stoves could save up to 50% of fuelwood consumed. These savings would result in reduced pressure on forest resources and reduced household expenditure on fuelwood. It is envisaged that 10,000 fuel-efficient stoves will be manufactured and sold by private entrepreneurs.

4.5.5 *Fish Marketing*: This activity is to improve on the quality of marketed fish. It will involve the (i) procurement of a transport boat to convey fish products to the markets; (ii) procurement of iceboxes to hold fish at the markets; and (iii) construction of storage facilities for dry and fresh fish in selected landing sites and major fish markets of Mzuzu, Lilongwe, Blantyre and Zomba. Marketing facilities in the major cities of Lilongwe, Blantyre, Mzuzu and Zomba will be handed over to the City Municipalities who through levies will maintain the facilities. In addition, about 75 km of access roads to the fish landing sites will be rehabilitated to enable easy access to, and evacuation of fish from the landing sites. The maintenance of such roads will be included in the annual work programme of the National Roads Authority and will be retained as a loan condition.

4.5.6 *Watershed Management Support*: The activities proposed under this sub-component are intended to reduce the potential negative environmental impact that the degradation of the

watersheds and river basins will have on the quantity and quality of water from rivers flowing into the lake. The activities will include the promotion of community based woodland management by assisting households and Village Natural Resources Management Committees (VNRMCs) in organization, resource management planning, and forest management on communal woodlands.

4.5.7 *Resource Management and Monitoring:* The project will facilitate monitoring of fisheries resources to ensure that utilization is in line with sustainable management principles. In this connection, the project will procure two standard modern boats for effective patrol of the lake by the Department of Fisheries (with the assistance of the fishers) for supervision, fish stock evaluation and fisheries byelaws enforcement. The boats will be stationed in the southern (Mangochi) and northern (Nkhata Bay) ends of Lake Malawi, and piloted and maintained by the crew masters of the Department of Fisheries in their boatyards there. Due to the geographical spread of project area (900km apart) and large number of activities in the 20 mainland project sites, two vehicles will be procured for supervision and monitoring of activities under this component.

2. Credit Delivery

4.5.8 A total of UA1.63 million will be provided to project beneficiaries who fish on Lake Malawi and associated fish processors in order to improve their production capacity and increase their income. The credit will enable them undertake rehabilitation of old wooden plank boats; procurement of new wooden plank boats, outboard engines, fishing nets, fish location equipment, spare parts for outboard engines, fish holds to be carried on fishing boats, power generators for fish processors, refrigerators, ice boxes to hold fish in the markets, and communal fish transport boat. The manufacturers of fuel-efficient stoves will also have access to the credit fund. This credit will be provided under two forms: (i) 'in-kind loans' to fishers for equipment such as outboard engines, spare parts, fishing nets, and power generators for which technical specifications and group warranty could be arranged by the project; and (ii) cash/capital loans for individual processors (to buy fish and fish curing or drying equipment and refrigerators), and the private entrepreneurs who will manufacture and market stoves. The total credit fund was based on the assessment of the level of investment required in the activities to be financed.

3. Capacity Building and Institutional Strengthening

4.5.9 Capacity building will involve training of frontline staff at Malawi College of Fisheries at Mpwepwe and provision of office and transport equipment. Funds will be provided for the procurement of two patrol boats for fisheries law regulation and enforcement. The operating costs for an existing one, a mobile training van, seven motorcycles for fish resource monitoring; office equipment; formal education at postgraduate level and short-term training in Information, Education and Communication; training of trainers in Group Formation and Leadership; and Curriculum Development; training frontline staff and their supervisors on Group Formation and Leadership, Financial Management, Enterprise Skills, Credit Handling, Product Handling and Processing, and Resource Management, etc. The trained frontline staff will train the target community in the same areas. Frontline staff and the target community will also undertake regional study tours to for practical experience on proposed activities. The project will provide resources for training and sensitization and the strengthening of district assemblies and local

institutions. Training for management planning will be provided to VNRMCS and District Assemblies. Communities will be sensitized and trained in basic environmental protection practices including fire protection. The project will also provide resources for office equipment including computers for district offices in addition to motorbikes and bicycles for extension work.

4. Project Management

4.5.10 As earlier indicated in paragraph 3.1.7, institutional and project management capacities within MONREA, the District Offices of the Department of Fisheries are inadequate for the requirements of this project. A Project Steering Committee (PSC) will be established in the MONREA to provide policy guidance, review project progress and approve annual budgets. A Project Coordinating Unit (PCU) will be established within the MONREA, and be responsible for the day-to-day management of the project. Government will post the Project Co-ordinator and other counterpart staff to the project. The curriculum vitae of such officers will be deemed satisfactory by the Bank and is hereby retained a loan condition. The services of short-term consultancies will be provided from the project funds to support the PCU until seconded staff or officers that will be trained by the project will assume co-ordination of the project. Because of the vast geographical spread of the 22 project sites in five districts, the project will procure one vehicle, which will be used for field supervision, and continuous monitoring and evaluation of project activities. The project will procure office equipment, while the Government will provide office space with water and electricity.

4.6 Production, Market and Prices

Production

4.6.1 Fish production in Malawi has dropped considerably in recent years. Total annual production decreased from 76,500mt in 1990 to 48,600mt in 1999 and to 45,000mt in 2001. The main reasons for this decline are: the declining fisheries in the smaller water bodies, such as Lake Malombe and the Upper and Lower Shire; the drying up of Lake Chilwa in 1995 and 1996 and the decline of industrial fisheries in Lake Malawi; insufficient capital, high interest rate and insufficient credit facilities to small-scale fishing enterprises against the back drop of ageing equipment and over-exploited inshore fishery resources have all combined to exacerbate the decrease in fish production. The catches of the industrial sector decreased from about 7,875mt recorded in 1985 to around 1,370mt in 1998, a drop of about 83%. *Chambo* catches by the industrial sector have also declined significantly.

4.6.2 Fish imports have over the recent years been increasing. The highest figure for the period (1997 to 2000) was 2,808mt, which represented 5.8% of local production. On the other hand fish exports have been minimal, 5.0mt in 1997, 0.1mt in 1998 and 3.9mt in 1999. There is also a growing trade in the exports of aquarium fishes: 5,077 units, 33,405 units and 40,821 units of Malawian aquarium fishes were exported in 1997, 1998 and 1999, respectively.

4.6.3 The national per capita consumption of fish declined from 12kg in 1972 to the current estimate of 6kg due to insufficient capital to renovate or replace old equipment, and over exploitation of fish stock close to the shores. However, consumption among fishing communities

is reckoned to be considerably higher, up to 40kg per capita per annum. It is estimated that, to maintain the per capita consumption of 6kg per annum, fish production will need to be increased to about 77,000mt in 2011 and about 85,000mt by 2016. In order to reach the 1988/89 per capita of 9.6kg, a supply of 123,000mt will be needed by 2011 and 136,000mt by 2016. Given such forecast, it is believed that there is a substantial unsatisfied demand for fish in the country, and any additional production of 1,750mt in project year 1 to 11,000mt from project year 5 will be readily absorbed. The growing importation of fish and fish products also indicates that there is a serious shortage of local supply.

4.6.4 The watershed management support activities will yield an estimated 30,000mt of wood valued at UA0.18 million from year 5 of the project. An incremental amount of UA0.032 million annually will also be generated from non-timber forest products such as thatch grass, wild fruits and mushrooms from project year 5.

Market

4.6.5 The vast majority of the catch is consumed in the country, the level of exports being limited to very small quantities to neighboring countries while sales of fresh fish are limited to areas close to landing sites or in major towns and cities. In Malawi, the demand, particularly for fresh fish nation-wide is quite high (currently about 6,700mt per annum), especially in urban markets, where its price is higher. The large sized species such as *Chambo* and *Ncheni* are sold for consumption as fresh fish. These attract high prices and are invariably taken to the urban markets where consumers with high purchasing power can be found. However, the bulk of the fresh fish is consumed in the fishing communities and immediate environs. The distribution of fresh fish is constrained by the poor conditions of the roads, a lack of suitable transport and cold chain facilities (ice, chill storage and insulated containers).

4.6.6 Women do not take a direct part in fishing. However, their participation in the post harvest fisheries activities of processing and marketing is dominant. Women make up over 40% of post harvest fisheries workers, with the majority engaged in processing (drying, smoking and chilling). In some places such as in Likoma District, the proportion of women is as high as 75%.

4.6.7 Throughout the distribution chain for fresh fish from the landing sites right through to the major market centers in Lilongwe, Blantyre, Mzuzu, and Zomba, there is a glaring absence of ice making and cooling facilities for preserving fish. In Salima District there is one small commercial block ice plant with a capacity of about 400kg ice per day and in Mangochi a flake ice plant of 2mt per day. At Nkhotakota, there is a broken down government owned flake ice plant. The total quantity of ice made available to fishmongers from these commercial ice plants is very small. Home-manufactured ice blocks are also used but supplies from this source are even smaller. A refrigerated store for 1- 2mt iced fish has recently been constructed at the Mzuzu market. Based on the estimates that 15% of fish catch is sold fresh, the unsatisfied demand for ice will be between 20 and 30mt per day.

4.6.8 All types of fish in various quality levels are found in the markets, implying that quality control mechanism is weak. The Malawi Bureau of Standards (MBS), the institution charged with maintaining standards has not enforced any minimum required quality standards of fish on the markets. However, the MBS has recently embarked on controlling beef quality and intends to

extend this control to fish products. Furthermore, a new water quality laboratory at Mzuzu is being considered under the LMEMP to provide a database for Lake Malawi. Samples of lake water and fish products are periodically taken by the Department of Fisheries for analyses for heavy metals and other pollutants.

4.6.9 Non-timber forest products such as thatch grass, wild fruits and mushrooms that will be produced from project's watershed management support activities are all tradable locally.

Prices

4.6.10 The beach prices for fresh *Utaka*, *Usipa* and *Ncheni* (average weight of 50g) range from UA0.3 to UA0.6 per kg depending on quality, while that for *Chambo* (average weight of 500g) ranges from UA0.4 to about UA0.7 per kg. About 90kg of *Utaka* bought at UA27 and processed by pan roasting and sun drying is transported to the market at a cost of UA7.5. It is sold on wholesale for UA48, making a contribution margin of UA0.15 per fresh kg of fish. Similarly, good quality fresh *Chambo* (average weight of 500g) with beach-gate price of UA0.9 per kg is sold at the market at UA1.4 per kg. It is assumed that prices of the produce will remain constant in real terms during the life of the project. Any potential drop in prices as a result of increased fish production will be compensated for by the anticipated improved value that will emanate from the high quality of fish to be produced in the project.

4.7 Environmental Impact

4.7.1 The present fishing practices are posing serious threats to the environment in the project area. Due to lack of capital, ageing equipment, inadequate craft, lack of spare parts, and high population density in the south, there has been a concentration of fishing effort in shallow inshore water, producing localized over-fishing. Large quantities of small fish, fingerlings, larvae, and basic aquatic plants (food for all types of aquatic species) are being taken away unnecessarily. Furthermore, increasing siltation levels of Lake Malawi as a result of deforestation and watershed degradation is negatively affecting fish stocks and lake habitat, and threatening the sustainability of the lake resources.

4.7.2 Among its objectives, the project aims to remedy this environmental stress by pushing fishing activities further offshore, and closely monitoring fishing activities by a joint fishers and Government surveillance unit using the patrol boats. Regulations and byelaws for off-seasons will be enforced to allow recuperation time for fish stock. Environmental awareness campaigns as well as the introduction of new fishing techniques, appropriate equipment, stronger boats and larger mesh-size nets (to limit the catch to the targeted species and sizes) will protect the fish resource base. The fishing communities will be assisted to procure fishing equipment, build clean processing facilities, and to transport the product quickly to the markets to maintain freshness and improve quality. A watershed management support sub-component has been included in the project to promote watershed management activities for the protection of the lakeshore.

4.7.3 Potential negative impacts include concentration of fish landings, processing, trade and other commercial activities posing low-level pollution and public health risks; unlimited entry to fishing sites posing the risk to continue the current practices leading to environmental degradation; accumulation of additional capacity on the inshore grounds in the absence of

sufficient offshore rewards; and pollution risk from motorization. The project has been classified as Category 2 according to Bank Group's guidelines. Proper mitigation measures have been included in the Environmental and Social Management Plan for the project (provided in the Working Papers). The M&E staff will liaise with the Malawi Environmental Protection Agency to monitor any possible environmental impacts, which may result from project implementation and will adhere to environmental regulations and standards in accordance with the Environmental Regulations of Malawi.

4.7.4 The overall environmental impact of the project is expected to be positive, as it will increase fisheries productivity as well as enhancing biological diversity and boosting watershed conservation. These positive impacts include reduction of human activities in the environmentally sensitive on-shore zone, conservation of endangered species, capacity building, environmental awareness, better hygiene and reduction of soil erosion on the rivers that flow into Lake Malawi as well as reduction of siltation of Lake Malawi itself. Promoting offshore fishing instead of inshore fishing will reduce the pressure on inshore fish stocks which are already over exploited. Improving woodland productivity and vegetation cover, through the watershed management activities, along river and stream banks will enhance water quality and steady flow of rivers and streams into Lake Malawi, and reduce soil erosion and siltation. In addition, increased incomes through the project will indirectly improve well-being of communities, health conditions through nutrition and possible improvement in local ecology. However, the establishment of a revenue sharing arrangement between the communities and the Government for revenues from watershed management activities on customary land and part of revenue from co-management of forest reserves will be a loan condition.

4.8 Project Costs

The total project cost including contingencies is estimated at UA9.21million (MWK901.68 million). UA4.98 million (54%) will be in foreign exchange and the remaining UA4.24 million (46%) will be in local currency. All costs were estimated on the basis of prevailing market prices in Malawian Kwacha and converted to the Bank's Unit of Account at the August 2002 exchange rates. A physical contingency of 10% has been included on civil works, and 5% on other expenditure items. Price contingency is estimated at 2.5% for foreign exchange based on the MUV index of manufactured exports from the G-5 industrial countries. Inflation of local prices is estimated at 5% per annum. The summaries of the cost estimates by component of the project are presented in Table 4.1. Project cost by category of expenditure is on Table 4.2.

Table 4.1: Summary of Project Cost Estimates by Component

| Components | MWK millions | | | UA millions | | | % F.E |
|--|------------------|-------------|-------------|------------------|-------------|-------------|-------|
| | Foreign Exchange | Local Costs | Total Costs | Foreign Exchange | Local Costs | Total Costs | |
| 1. Fish Production and Marketing Devt. | 192.30 | 174.79 | 340.09 | 1.96 | 1.51 | 3.47 | 56 |
| 2. Credit Delivery | 129.09 | 53.55 | 182.64 | 1.32 | 0.55 | 1.86 | 71 |

| | | | | | | | |
|--------------------------------------|---------------|---------------|---------------|-------------|-------------|-------------|-----------|
| 3. Capacity Building & Inst. Support | 96.76 | 95.89 | 192.65 | 0.99 | 0.98 | 1.97 | 50 |
| 4. Project Management | 26.95 | 51.57 | 78.52 | 0.28 | 0.53 | 0.80 | 34 |
| Total Base Cost | 445.10 | 348.80 | 793.90 | 4.54 | 3.56 | 8.11 | 56 |
| Physical Contingency | 18.92 | 19.78 | 38.70 | 0.19 | 0.20 | 0.40 | 49 |
| Price Contingency | 23.29 | 45.79 | 69.08 | 0.24 | 0.47 | 0.71 | 34 |
| Total Project Cost | 487.31 | 414.37 | 901.68 | 4.98 | 4.23 | 9.21 | 54 |

Table 4.2: Summary Project Cost Estimates by Category of Expenditure

| Category of Expenditure | MWK millions | | | UA millions | | | % F.E |
|---------------------------|------------------|---------------|---------------|------------------|-------------|-------------|-----------|
| | Foreign Exchange | Local Costs | Total Costs | Foreign Exchange | Local Costs | Total Costs | |
| A. Civil Works | 83.66 | 84.28 | 167.95 | 0.85 | 0.86 | 1.71 | 50 |
| B. Vehicles | 46.39 | 2.46 | 48.85 | 0.47 | 0.03 | 0.50 | 95 |
| C. Equipment | 81.94 | 4.34 | 86.28 | 0.84 | 0.04 | 0.88 | 95 |
| D. Training | 52.13 | 24.98 | 77.11 | 0.53 | 0.26 | 0.79 | 68 |
| E. Technical Assistance | 39.92 | 56.09 | 96.02 | 0.41 | 0.57 | 0.98 | 42 |
| F. Credit Fund | 113.91 | 38.25 | 152.16 | 1.16 | 0.39 | 1.55 | 75 |
| G. Recurrent Costs | 27.15 | 138.39 | 165.54 | 0.28 | 1.41 | 1.69 | 16 |
| Total Base Cost | 445.10 | 348.80 | 793.90 | 4.54 | 3.56 | 8.11 | 56 |
| Physical Contingency | 18.92 | 19.78 | 38.70 | 0.19 | 0.20 | 0.40 | 49 |
| Price Contingency | 23.29 | 45.79 | 69.08 | 0.24 | 0.47 | 0.71 | 34 |
| Total Project Cost | 487.31 | 414.37 | 901.68 | 4.98 | 4.23 | 9.21 | 54 |

4.9 Sources of Financing and Expenditure Schedule

4.9.1 The project will be financed from four sources, namely, the African Development Fund (ADF) loan, Technical Assistance Fund (ADF/TAF) grant, the Government of Malawi and the Project Beneficiaries (see Table 4.3 for the ADF loan and Table 4.4 for the TAF grant). The expenditure category by source of finance is presented in Table 4.5. The ADF loan and TAF grant resources are estimated at UA6.93 million (75.2% of project cost) and UA0.84 million (9.1% of project cost), respectively. The ADF loan will be utilized to fund the civil works, the procurement of, and rehabilitation of an existing small patrol boat; motor vehicles, motorcycles and bicycles; technical assistance cost, the credit line, and part of the recurrent costs. The TAF grant will meet a greater part of the cost of training under the project. The submission of an acceptable implementation schedule, programme and budget for training will be a condition for the disbursement of the TAF Grant. The Government will finance UA1.00 million (10.9% of the total project cost), broken down as 12% for the ADF loan and 5% for the TAF grant. The Government's contribution will fund indemnities of government staff seconded to the project, and PCU office accommodation as well as utilities. The remaining UA0.44 million (4.8% of the total project cost) will be provided by the project beneficiaries as labor in the watershed management support sub-component.

Table 4.3: Sources of Finance for ADF Loan (UA millions)

| Source | Foreign Exchange | Local Cost | Total Costs | % of Total |
|---------------|------------------|-------------|-------------|------------|
| ADF Loan | 4.38 | 2.55 | 6.93 | 83 |
| GOM | 0.00 | 0.96 | 0.96 | 12 |
| Beneficiaries | 0.00 | 0.44 | 0.44 | 5 |
| Total | 4.38 | 3.95 | 8.33 | 100 |

Table 4.4: Sources of Finance for TAF Grant (UA millions)

| Source | Foreign Exchange | Local Cost | Total Costs | % of Total |
|--------------|------------------|-------------|-------------|------------|
| TAF Grant | 0.60 | 0.24 | 0.84 | 95 |
| GOM | 0.00 | 0.04 | 0.04 | 5 |
| Total | 0.60 | 0.28 | 0.88 | 100 |

Table 4.5: Expenditure Category by Source of Finance (UA millions)

| | ADF Loan | | TAF Grant | | Beneficiaries | | Government | | Total | |
|-------------------------------------|-------------|-------------|-------------|--------------|---------------|-------------|-------------|--------------|-------------|---------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Investment Costs | | | | | | | | | | |
| A. Civil Works | 2.04 | 100.0 | - | - | - | - | - | - | 2.04 | 22.20 |
| B. Vehicles | 0.52 | 100.0 | - | - | - | - | - | - | 0.52 | 5.60 |
| C. Equipment | 0.98 | 100.0 | - | - | - | - | - | - | 0.98 | 10.70 |
| D. Training | - | - | 0.84 | 95.00 | - | - | 0.04 | 5.00 | 0.88 | 9.60 |
| E. Tech. Assistance | 1.13 | 100.0 | - | - | - | - | - | - | 1.13 | 12.30 |
| F. Credit Fund | 1.63 | 100.0 | - | - | - | - | - | - | 1.63 | 17.70 |
| Sub-total | 6.30 | 87.7 | 0.84 | 11.60 | - | - | 0.04 | 0.60 | 7.18 | 78.00 |
| Recurrent Costs | | | | | | | | | | |
| A. Staff Salaries & Allowances | 0.36 | 31.4 | - | - | - | - | 0.79 | 68.60 | 1.16 | 12.60 |
| B. Vehicle Operating Expenses | 0.23 | 85.0 | - | - | - | - | 0.04 | 15.00 | 0.27 | 2.00 |
| C. Office Running Expenses | 0.04 | 24.5 | - | - | - | - | 0.12 | 75.50 | 0.16 | 2.90 |
| D. Labour for Environmental Support | - | - | - | - | 0.44 | 100.0 | - | - | 0.44 | 1.80 |
| Sub-total | 0.63 | 31.1 | - | - | 0.44 | 21.8 | 0.96 | 47.10 | 2.03 | 4.80 |
| Total | 6.93 | 75.3 | 0.84 | 9.10 | 0.44 | 4.8 | 1.00 | 10.9 | 9.21 | 100.00 |

4.9.2 The financing of part of the project's local costs, using ADF resources, is justified by the fact that Malawi is making a determined effort towards national development by mobilizing internal and external resources to the requirements of its increased budgetary allocations to poverty reduction activities as reflected in its Poverty Reduction Strategy Paper (PRSP). The Government is also implementing a broad-based program of macroeconomic adjustment and structural policy reforms whose objectives are to address long-term financial imbalances, and has mobilized its resources to meet the requirements of this program. Towards these aims the Government has rationalized public expenditure and increased budgetary allocations to the social sector and can not sustainably finance a high proportion of this project without hurting its other programs. Furthermore, the Government is contributing counterpart funds to a number of on-going donor assisted development projects and it would put a strain on the Government's budget were it to raise the whole amount for local costs.

5. PROJECT IMPLEMENTATION

5.1 Executing Agency

The Ministry of Natural Resources and Environmental Affairs (MONREA) will be the executing agency of the project. A Principal Secretary, who is in charge of policy formulation and coordination, heads the Ministry. The Ministry consists of six functional departments: Fisheries, Geological Surveys, Forestry, Mines, Environmental Affairs, and Energy Affairs, with three units for Internal Audit, Support Services and Planning. In the field, the operations of the Ministry are spread throughout the country with Regional and District offices.

5.2 Institutional Arrangements

Organization

5.2.1 The project will be managed through the existing line departments at the center (Department of Fisheries of the MONREA) and in the districts, through the District Assemblies (see Annex 2 for Organogram). A Project Steering Committee (PSC) will be established to provide policy guidance, review project progress and approve annual budgets. The PSC will be chaired by the Principal Secretary of MONREA and will consist of the following members: Director of Fisheries of MONREA, Director of Forestry of MONREA, Chief of Planning Services of MONREA, Principal Secretary of the Ministry of Local Government, a senior official from the Ministry of Finance and Economic Planning, District Commissioners or Chief Executives of the five relevant District Assemblies, and selected Community Leaders. The PSC will meet at least once a year at the project's expense. The formation of the PSC will be retained as a loan condition.

5.2.2 The MONREA does not have adequate human resource capacity to effectively perform the functions expected of it as the project's Executing Agency as earlier mentioned in this report. Therefore, a Project Coordinating Unit (PCU) will be established in the MONREA, and be responsible for the day-to-day management of the project. The establishment of the PCU will be retained as a loan condition. The PCU falls under the supervision of the Director of Fisheries. The core functions of the PCU will be planning, preparation of annual work plans and budget, financial management, procurement of goods and services, co-ordination, supervision, monitoring, continuous evaluation of project activities and reporting.

5.2.3 A fulltime Project Co-ordinator will be seconded by the Government to head the PCU. As a lesson learned from ongoing Bank Group funded projects in the agriculture and rural development sector in Malawi, and for the needs of this project, financial management, civil works supervision and procurement are flagged particularly as being a major bottleneck that may jeopardize project implementation. Therefore the Project Co-ordinator will be supported by a Financial Controller, a Civil Engineer, a Procurement Specialist, and a Monitoring and Evaluation Specialist who will all be competitively recruited consultants (Terms of References of key consultants are in the Working Papers). Government will provide these consultants with counterpart staff who will assume responsibilities when the terms of engagement of these consultants end. Government will also post other support personnel (accountant, secretaries,

clerks, drivers, messengers and security personnel) to the PCU. The qualifications and experience of the Project Co-ordinator and key counterpart staff will have to be acceptable to the ADF and is retained as loan condition. Furthermore, short-term consultancy services will be provided by competitively recruited personnel to provide back-up services in areas of baseline surveys, monitoring and surveillance services, preparation of fisheries and watershed management plans, mid- and final term reviews, financial audit, and training of project beneficiaries and Government staff.

5.2.4 The Project Co-ordinator will ensure that project implementation is in accordance with the objectives of the project. He/she will oversee the liaison between the PSC, the PCU itself, District Assemblies and the various stakeholders towards the successful implementation of the project. The Project Coordinator will be the Secretary of the PSC.

5.2.5 The District Assemblies (DAs) will be the project implementers at field level in accordance with the Decentralization Policy. The technical arm of the DAs comprises fisheries and watershed support management (forestry) officers who have been assigned from their respective departments. The PCU will work through the District Assemblies, District Fishery and Forestry Officers, Traditional Authorities, Beach Village Committees and Village Natural Resources Management Committees. The District Fisheries and Forestry Officers, who are part of the technical arm of the District Assemblies, will be the project coordinators at the district level and responsible for project implementation. Government will continue to pay the indemnities of these district staff. However, the loan resources will pay for their field allowances.

Credit Administration

5.2.6 Credit will be administered by existing MFIs in Malawi under a special credit delivery mechanism called the Kuyamba loan scheme, which is based on collectivism, and emphasizes group guaranty and savings. The innovative aspect of this scheme is that it emphasizes group dynamics as opposed to individualism. Linking loans to savings is expected to stimulate group dynamics, and formalize the emergence of peer pressure and solidarity links. This scheme appears to be more suitable to the financing needs of the subsector, because of the risks, such as migration of the individual beneficiary. Clients will be organized by the selected MFI into accredited production solidarity groups. To give the project a special status that differentiates it from all others, the Kuyamba Loan Scheme will be launched with a social marketing strategy, backed by an extensive social awareness and advertising program to convey its innovation and importance to the communities. In order to access credit the beneficiary groups will be first trained in Group Formation and Leadership, Financial Management, Enterprise Skills, Credit Handling, Product Handling and Processing, and Resource Management.

5.2.7 The loan package size for fish production groups which will comprise 10 persons each, is estimated at UA2,630 provided in the form of capital equipment [Fishing Economic Unit (FEU)] made up of a 5m plank boat, one 15 horsepower outboard engine, chilimira or gill nets, and accessories such as lamps and echo sounders. The project credit fund will provide resources for the procurement of complete fishing gears to 440 groups in 22 beach communities. Simultaneously, up to UA1,500 capital loans will be made available to each of the 1,100 groups of 5-10 women traders. Interest rate will be at the prevailing market rate. The term of the loan ranges from 6 months for working capital loans for the processors and marketers, to 2 years for FEU loans for the fishers.

5.2.8 The credit program will be launched and phased-in on the basis of 70 FEUs in 10 sites in the first year, 270 FEUs in 17 sites in the second and 100 FEUs in 5 sites in the third year. In order to be responsive to the plight of the poor, the credit systems will encourage savings. The loan is based partially on equity finance principles. Loans will be repaid in small daily installments established on the basis of a cession on the daily catch or sales similar to the system currently practiced by fishing gear owners. It is suggested that 45% of Daily Net Income will be deducted at source as daily installments according to the following allocation formula:

- 30% towards loan capital and interests
- 2.5% towards community solidarity insurance fund
- 2.5% towards taxes and fees
- 10% towards group savings

5.2.9 The selected MFIs will access loan funds based on actual demands from the target clientele, who will have successfully undergone capacity building sessions. A thorough assessment of each loan request will be undertaken by the financial intermediary based on elements such as volume of activities of the groups and their repayment capacity. The disbursement request will be processed through the Government to the ADF. The ADF will disburse approved sums into the Special Account opened for the Credit Fund, from which the beneficiaries will be targeted. The role and responsibilities of the financial intermediaries with respect to the management of the loan funds and the credit delivery shall be further determined in a detailed agreement between the Government and the selected MFI (the conclusion of a Memorandum of Understanding between the Borrower and the MFI will be a loan condition).

5.2.10 The MFI through their local outreach stations will have supervisors in the 22 project sites and will be linked to the District Offices in the project areas. The District Offices of the MONREA will monitor the activities of the MFIs. Financial and institutional assessments of the proposed MFIs are presented in Annex 3. Further assessment will determine whether the project will provide institutional/operational support to financial intermediaries to extend loans to the target beneficiaries, especially in the event the existing MFI does not operate in the proposed target areas. The costs of intermediary activities (promotion, training, social marketing and sensitization, monitoring and mentoring) will be paid by the project based on estimates that was derived from an analysis of the activities of MFIs in Malawi. The groups will be responsible for the day-to-day management of the loan activities under the supervision of the MFI and the Beach Village Committees (BVCs). The monitoring role is extensive and will be shared between the client groups, the MFI and BVCs. Feedback and monitoring meetings will be organized monthly and the minutes recorded on monitoring sheets. Key indicators defined in the log frame and the monitoring and evaluation plan will serve as guidelines.

5.3 Supervision and Implementation Schedule

The project will be implemented over a 5-year period (see Project Implementation Schedule in Annex 4). The first project year will concentrate on assisting the beneficiaries to form groups or cooperatives, training of the frontline staff who will in turn train the beneficiaries on group formation and leadership, financial management, credit handling, product handling, and design of

the civil works for fish receiving and processing facilities. Only after a group has been trained and is found to be ready to handle credit would it be assisted to apply for credit. Training will be undertaken throughout the project period. The Expenditure Schedules by Components, and by Source of Finance are given in Tables 5.1 and 5.2, respectively.

Table 5.1: Expenditure Schedule by Components (UA millions)

| Component | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | Total |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fish Production & Marketing Dev. | 0.76 | 1.67 | 1.18 | 0.30 | 0.14 | 4.04 |
| Credit Fund | 0.92 | 0.91 | 0.07 | 0.06 | 0.02 | 1.98 |
| Capacity Building & Inst. Support | 0.90 | 0.45 | 0.31 | 0.31 | 0.26 | 2.24 |
| Project Management | 0.27 | 0.16 | 0.22 | 0.16 | 0.14 | 0.94 |
| Total | 2.85 | 3.20 | 1.78 | 0.83 | 0.56 | 9.21 |

Table 5.2: Expenditure Schedule by Source of Finance (UA millions)

| Source of Finance | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | Total |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ADF | 2.14 | 2.41 | 1.34 | 0.62 | 0.42 | 6.93 |
| TAF | 0.26 | 0.29 | 0.16 | 0.08 | 0.05 | 0.84 |
| Beneficiaries | 0.14 | 0.15 | 0.09 | 0.04 | 0.03 | 0.44 |
| Government | 0.31 | 0.35 | 0.19 | 0.09 | 0.06 | 1.00 |
| Total | 2.85 | 3.20 | 1.78 | 0.83 | 0.56 | 9.21 |

5.4 **Procurement Arrangements**

5.4.1 Procurement arrangements are summarized in Table 5.3. All procurement of goods, works and acquisition of consulting services financed by the Bank will be in accordance with the Bank's *Rules of Procedure for Procurement of Goods and Works* or, as appropriate, *Rules of Procedure for the Use of Consultants*, using the relevant Bank Standard Bidding Documents.

5.4.2 **Civil Works:** Procurement of civil works, in five contracts, ranging from UA0.12 million to UA0.71 million per contract, for the rehabilitation of buildings, construction of boreholes, construction of water systems for fish receiving stations, construction of fish receiving stations, and rehabilitation of access roads will be carried out through National Competitive Bidding (NCB). The choice of the NCB has been informed by the small size of individual works (which could be subdivided still into smaller units), the scattered geographical location of the sites, which will not be undertaken simultaneously, would render them unattractive for bids from outside Malawi. Furthermore, there are adequate numbers of local contractors or agents of regional contractors in Malawi to ensure competitive bidding.

Table 5.3: Procurement Arrangements

| Project Category | (Amounts in UA millions) | | | | | Total |
|--------------------------------|--------------------------|-------------|--------|-----------|-----------------|-------------|
| | IS | NCB | Other* | Shortlist | Non-Bank Funded | |
| 1. CIVIL WORKS | | | | | | |
| Rehabilitation of access roads | | 0.71 [0.71] | | | | 0.71[0.71] |
| Rehabilitation of buildings | | 0.12 [0.12] | | | | 0.12 [0.12] |

| | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|-------------|--------------------|
| Construction of fish receiving stations | | 0.68 [0.68] | | | | 0.68 [0.68] |
| Construction of fish station water systems | | 0.37 [0.37] | | | | 0.37 [0.37] |
| Construction of boreholes | | 0.16 [0.16] | | | | 0.16 [0.16] |
| 2. GOODS | | | | | | |
| Refrigeration equipment | | 0.59 [0.59] | | | | 0.59 [0.59] |
| Motor vehicles, motorcycles, bicycles | | 0.30 [0.30] | | | | 0.30 [0.30] |
| Patrol boats | 0.23 [0.23] | | | | | 0.23 [0.23] |
| Patrol boat rehabilitation | | 0.02 [0.02] | | | | 0.02 [0.02] |
| Office equipment and furniture | | 0.13 [0.13] | | | | 0.13 [0.13] |
| Nursery input materials | | 0.13 [0.13] | | | | 0.13 [0.13] |
| Field tool and equipment | | 0.10 [0.10] | | | | 0.10 [0.10] |
| 3. CONSULTANCY SERVICES | | | | | | |
| Short-term consultancy | | | | 0.21 [0.21] | | 0.21 [0.21] |
| Baseline survey, plans, and reviews | | | | 0.15 [0.15] | | 0.15 [0.15] |
| Audit | | | | 0.06 [0.06] | | 0.06 [0.06] |
| PCU Technical Assistance | | | | 0.40 [0.40] | | 0.40 [0.40] |
| MFI Technical Assistance | | | | 0.38 [0.38] | | 0.38 [0.38] |
| Training | | | 0.88 [0.84] | | | 0.88 [0.84] |
| 4. MISCELLANEOUS | | | | | | |
| Credit Fund | | | 1.63 [1.63] | | | 1.63 [1.63] |
| Vehicle operating costs | | | 0.27 [0.27] | | | 0.27 [0.27] |
| Labour for watershed management | | | | | 0.44 | 0.44 |
| Staff Indemnities | | | | | 0.84 | 0.84 |
| Field Allowances | | | 0.24 [0.24] | | | 0.24 [0.24] |
| Office accommodation, water, electricity | | | | | 0.12 | 0.12 |
| Office supplies, posts/ telecommunications | | | 0.05 [0.05] | | | 0.05 [0.05] |
| TOTAL | 0.23 [0.23] | 3.31 [3.31] | 3.07 [3.03] | 1.20 [1.20] | 1.40 | 9.21 [7.77] |

Note: amounts in brackets are funded by ADF; * include National Shopping, Direct Purchase or Force Account; Non Bank Funded include Government's own expenditure for salaries, allowances and utilities which counterpart financing will cover.

5.4.3 Goods: The procurement of motor vehicles, motorcycles and bicycles (which are estimated to cost UA0.30 million) will be done in three separate contracts, through NCB. The NCB mode of procurement has been chosen because of the small values of the contracts. Furthermore, there are adequate numbers of national suppliers and agents of qualified foreign suppliers that would ensure competitive prices. A contract for the procurement of two patrol boats (UA0.23 million) will be executed through International Shopping (IS). The IS mode of procurement has been selected because the goods cannot be procured locally and are standardized goods that are readily available off-the-shelf on the international market. There will be four contracts for the supply of refrigeration equipment (flake ice making machines and chill rooms), Office furniture, computers, nursery and field tools, (estimated at between UA0.10 and UA0.59 million), which will be procured through NCB. This is because of the scattered geographical location of the sites for delivery of the goods, which will render them unattractive for bids from outside Malawi, and the small value of the goods are such that they would not generate interest from foreign suppliers. There is also a large number of manufacturers' representatives, and an adequate number of national suppliers and agents of qualified foreign suppliers that would ensure competitive bidding.

5.4.4 Consulting Services: Procurement of consulting services for baseline studies, preparation of management plans, midterm review and annual audits, as well as technical assistance for the PCU and the services of the MFI will each be undertaken through a shortlist. The selection

procedure will be based on technical quality with price consideration. Such consulting services are estimated to cost, in aggregate UA1.20 million packaged in separate contracts as follows: UA0.21 million for short term consultants for training; UA0.21 million for baseline studies, audit and reviews; UA0.40 million and UA0.38 million for the Technical assistance for the PCU and MFI, respectively. Short-term, individual consultants or NGOs/MFIs identified through a shortlist will provide training for the field staff and target groups. The trained staff will train the beneficiaries. Short- and long-term training of project staff in local and regional institutions acceptable to the Fund will be pursued. The aggregated sum of UA0.88 million has been earmarked for training.

5.4.5 Miscellaneous: A credit fund amounting to UA1.63 million will be provided under the project and will be administered through a Memorandum of Understanding to be reached with a competitively-recruited MFI. The MFI will procure the goods in accordance with established commercial practices acceptable to the Bank. The goods to be procured include but are not limited to boats, boat engines, fishing equipment, spare parts, and transport equipment. Operating costs, field allowances and office supplies amounting to UA0.27 million, UA0.27 million and UA0.05 million, respectively, will be procured through existing commercial practices used by the Borrower and which have been found acceptable to the Fund.

5.4.6 National Procedures and Regulations: Malawi's national procurement laws and regulations have been reviewed and determined to be acceptable.

5.4.7 Executing Agency: The PCU will be responsible for the procurement of goods, works, consulting and training services. The resources, capacity and experience of the MONREA are inadequate to carry out the procurement envisaged in the project. Funds have therefore been provided for the recruitment of a procurement specialist to assist with the procurement activities.

5.4.8 Review Procedures: The text of a General Procurement Notice (GPN) was discussed with the Government of Malawi during the project's loan negotiations, and it will be issued for publication in the United Nations Development Business, upon approval by the Board of Directors of the Loan Proposal. The following documents are subject to review and approval by the Bank before promulgation:

- Specific Procurement Notices
- Tender Documents or Requests for Proposals from Consultants
- Tender Evaluation Reports or Reports on Evaluation of Consultants' Proposals, including recommendations for Contract Award
- Draft contracts, if these have been amended from the drafts included in the tender invitation documents.

5.5 Disbursement Arrangements

The special account method and the direct account method will be used for disbursement. The GOM will open three (3) interest bearing Special Accounts (SAs) in foreign currency and three (3) Local Currency Accounts (LCAs) in a bank acceptable to the ADF. The first LCA will be used to receive transfers from the first Special Account for operating costs while the second LCA will receive the Government counterpart contribution. The third LCA will be used to receive

repayment of the principal and interests earned on input loans extended to beneficiaries and will function as Revolving Fund from the third year of the project's life. To avoid delays in the administration of the credit, the Bank will disburse the credit funds directly into the second Special Account. The ADF will replenish the SAs after the Project has used at least 50% of the previous deposit and provide valid justifications for its use to the Bank. The opening of the two SAs and the three LCAs will be a condition precedent to first disbursement for the loan. The third SA will be used to receive the grant. The PCU will maintain records at all times of all disbursements made by the Bank and the Government.

5.6 Monitoring and Evaluation

Monitoring and Evaluation (M & E) of project performance is critical for the project's success and sustainability of project outputs. This is all the more so given the principle of cost recovery to be instituted in the management of the fish landing centers and ice plants. An M & E Unit will be established within the PCU to carry out this function. An M & E Officer will be directly recruited by the project to assume the direct responsibility of the implementation of the M and E activities. A baseline survey will be undertaken at the inception of the project to take inventory of the situation of the project beneficiaries in order to establish the baseline information against which project impacts at mid term and at the end of the project can be measured using pre-determined key performance indicators. The baseline survey will pay particular attention to the role and situation of women in the fisheries subsector within the project area. The M & E unit will also monitor the implementation of the annual work plan, level of beneficiary participation and physical delivery of intended project outputs. In order to achieve the above, the M & E unit will arrange regular reports from fish markets, fish landing sites, MFI, Department of Fisheries and the Department of Forestry. A tentative list of indicators for monitoring project performance will include the following: i) quantity of catch/site/month; ii) fish prices at different markets; iii) number of fishermen and boats landed/site/month; iv) fish sales/market; v) number of fishermen, traders, and processors receiving credit; vi) number of hectares of community woodlots planted; (vii) number of hectares of natural forest enriched. Information from the M&E activities will be reported in the quarterly progress reports.

5.7 Financial Reporting and Auditing

The PCU will ensure that the project funds are not mixed with any other Government funds. The Financial Controller will oversee the accounting and control system for the project, which will be of international accounting standards, annual budget preparation and monthly review and control of project's budget. He/she will ensure separate and detailed records are maintained for all projects' funds including separate ledgers for sources of funding, for categories of expenditure, for fixed assets etc. The financial statements of the project will be audited annually by an independent audit firm, which will be recruited by the Government after approval by the Bank. Funds for this activity will be provided for under the project. The audited financial statements and a management report will be submitted to the Bank for review and comments not later than six months after the end of each fiscal year. The PCU will also submit to the Bank regular quarterly progress reports prepared as per the official Bank Group reporting guidelines.

5.8 Aid Co-ordination

5.8.1 The activities under the proposed project were discussed and agreed with the donor community in Malawi at appraisal. These activities are complementary to those of the Lake Malawi Ecosystem Management Project (LMEMP) that is being prepared for financing by the International Development Association of the World Bank, the Global Environment Facility, and the Nordic Development Fund. They only differ in approach and scope: while the Lake Malawi Artisanal Fisheries Development Project (LMAFDP) targets artisanal fish producers and processors and marketers in five contiguous lakeshore districts, the LMEMP establishes the ecosystems management framework for the whole of Lake Malawi and its entire catchment. The activities of LMEMP target all levels of fish production nationwide, and include research and piloting; national parks and wildlife; water, and land resources conservation; environmental affairs; and indigenous knowledge in Malawi and other riparian countries. The LMEMP will establish a center of excellence for aquatic research and education. This Bank Group's intervention estimated at US\$12 million (UA9.21 million) is therefore part and parcel of the larger program [estimated to cost over US\$72 million (UA54 million)] that the LMEMP represents.

5.8.2 A donors' co-ordination committee on Agriculture and Food Security with DFID as point of contact meets regularly to review policy developments and to exchange experience on their respective operations. The Bank will continue its relationship with these collaborative activities, even though the project is not co-financed with any other donor. The Project Co-ordinator will participate in the regular donor coordination meetings and report proceedings to the Government and Bank Group.

6. PROJECT SUSTAINABILITY AND RISKS

6.1 Recurrent Costs

6.1.1 The total recurrent costs over the five-year project life is estimated at UA2.03 million (MWK198.67 million) with an annual average of UA0.41 million (MWK39.7 million). The project beneficiaries will provide UA0.44 million (22%) in the form of the labor as their contribution towards the watershed management support activities. A further UA0.79 million (39%) representing the indemnities of government staff to be seconded to the project is already being accommodated within the current funding levels of the Ministry's recurrent budget. The total balance of UA0.80 million, with an annual average of UA0.16 million makes up about 9% of the "other" recurrent transaction costs of the MONREA, which is estimated at UA1.79 million for the Year 2002/03. This remaining portion (an average of UA0.16 million per annum) of the recurrent expenditure on the project, which is to be financed with ADF resources during the project life, is therefore not foreseen as much of a problem for the Government should it have to take over the financing of these costs at the end of the project. Furthermore, it is envisaged that by the end of the project the beneficiaries would have been sufficiently trained and would therefore require minimal assistance from the Government. During the life of the project ADF financing of the recurrent costs will be gradually phased off while the Government takes over. Table 6.1 below shows this declining trend of ADF financing of the recurrent cost, while the Government's financing of the cost increases gradually. Government will finance these increasing recurrent costs through its annual budget, and from fishing levies, boat licensing and income taxes to be generated from the project.

Table 6.1: Financing of Recurrent Costs (UA millions)

| Source of Finance | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | Total |
|--------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| ADF | 0.19 | 0.16 | 0.13 | 0.09 | 0.06 | 0.63 |
| Beneficiaries | 0.06 | 0.10 | 0.13 | 0.10 | 0.06 | 0.44 |
| Government | 0.11 | 0.14 | 0.19 | 0.24 | 0.28 | 0.96 |
| Total | 0.36 | 0.40 | 0.45 | 0.43 | 0.40 | 2.03 |

6.1.2 The commercially oriented infrastructural investments such as the landing sites, ice plants, and chill rooms will be placed under the management of the local authorities. The local authorities together with the village beach committees will be required to put in place cost recovery mechanisms for the investments and charge economic fees to cover the full operation and maintenance costs of the facilities even after the end of the project life.

6.2 Project Sustainability

6.2.1. The project is designed to ensure ownership of the investments by the beneficiaries. The fishing boats and equipment will be operated and maintained by the beneficiaries to ensure their sustainability. Other facilities such as the ice making plants, chill rooms, fish landing facilities, will be provided by the project. This would give the beneficiaries a sense of ownership, and ensure their sustainability.

6.2.2 The project management and capacity building support provided in the form of short and long-term training for project staff at all levels and fishers, fish processors, and community members will ensure the availability of capable staff and informed beneficiaries who will further ensure sustainability of project activities. Project beneficiaries will be empowered through assistance that is provided under the project to assist them organize themselves into associations. These associations will strengthen their bargaining/negotiating power vis-à-vis other stakeholders to gain better terms and to have more equitable access to resources and other benefits.

6.2.3 It is envisaged that with the capacity building of the beneficiaries under the project, which will focus among others on entrepreneurial development, the beneficiaries will be able to run their individual business successfully and on a sustainable basis. This equally applies to the investments to be managed by the local authorities on behalf of the communities. As stated earlier they will be encouraged to charge economic rates for the use of the facilities. The local authorities will be made to provide an undertaking to ensure that fees collected for the use of the facilities are placed in a separate account to be used solely for the operation, maintenance and future replacement of the facilities.

6.2.4 The Revolving Fund that will be created by the project from loan repayment and interest will ensure that fishing and processing equipment are replaced whenever due and new entrants into the industry will be granted access to credit.

6.3 Critical Risks and Mitigating Measures

6.3.1 The major assumptions made and risks envisaged under project outputs and activities include the willingness of clients, traditional leaders and communities to participate in the

project. The project will build on the experience that shows that involving the traditional leaders and community members in training programs and providing follow-up refreshers courses will assure that project objectives are met.

6.3.2 The major risks in capture fishery include boat capsizing, engine breakdowns and net damage. Risks mitigation will be accomplished through a group insurance scheme to be administered by the selected MFI. Each client group will contribute 2.5% of net income deducted at source into a community solidarity life and risk insurance account operated to the benefit of all. Boat and engine suppliers will share in the risks by depositing guarantees and warranty bonds into a special insurance account to be operated by the selected MFI.

6.3.3 Loan default by the migratory nature of fishers poses a risk to credit repayment. The emphasis placed on group formation, as a prerequisite to obtaining credit and the notion of group repayment will mitigate this risk. Loan default will be minimal as the group bears responsibility.

6.3.4 Concentration of fish landings, processing, trade and other commercial activity poses low-level pollution and public health risks. If adverse impacts become evident, mitigation will be considered for corrective action by officers-in-charge. Constant monitoring using the ESMP as guidelines will be carried out.

7. PROJECT BENEFITS

7.1 Financial Analysis

7.1.1 Financial analyses have been carried out from the point of view of the beneficiaries, the objective being to assess whether the magnitude of the incremental net benefit would be enough to encourage them to participate in the project. The financial prices of the inputs and outputs of the project were derived from information obtained during field visits and discussions with the fishers, fish processors, community members, and Government officials. All prices are assumed to remain constant in real terms throughout the life of the project. The analyses have been carried out for three categories of direct beneficiaries namely the fishing crew, the fish processors and traders, as well as the operations of the ice making plants.

7.1.2 A fishing crew fully equipped with a boat, an engine and appropriate gear will earn an annual net income of UA1,746 (MWK171,000) over the economic life of the investment. The crew will be able to pay for the loan acquired for the investment within a 2-year period. The average annual net cash flow amounts to UA2,338 (MWK229,000). The investment will yield a financial internal rate of 57%, which compares favorably with the market interest rate of 48% prevailing in the country. An individual crewmember will have his average daily net income increase from UA0.95 (MWK93.25) to UA1.79 (MWK175.20) from year 3 of the project.

7.1.3 A fish processor/trader who is granted a working capital loan of UA153 (MWK15,000) will be making an average net annual income of UA686 (MWK67,250). He/she will be able to repay the credit facility within a period of 6 months. As regards the operations of the flake ice making plants, the average annual net income amounts to UA50,000 (MWK4.9 million). An average annual net cash flow of UA59,200 (MWK5.8 million) will be generated, with an FIRR of 56%. It is difficult to quantify benefits of fish landing sites development to individual

beneficiaries. This component will however generate benefits through improvements in quality and price of fresh fish landed, better hygiene and post harvest handling of fish thereby reducing post harvest losses of fish.

7.2 Economic Analysis

7.2.1 A major benefit considered for the economic analysis is the incremental output generated with the introduction of the new boats. There will be a total fish catch of 11,000mt per annum starting from year 4 of the project. Through proper monitoring and surveillance measures to be put in place, the project will reduce over-fishing and conserve Lake Malawi's fisheries resources.

7.2.2 As regards the watershed management support activities the major quantifiable benefits include the annual incremental fuelwood yield estimated at 27,333mt from year 5 of the project for the natural woodlands. The communal woodlot and the forest plantation to be established on the Likoma Island will yield 2,055mt and 540mt, respectively, annually from year 6 to year 10 of the project. It is further estimated that an incremental benefit of UA4.1 (MWK400) per ha annually will be generated from non-timber forest products such as thatch grass, wild fruits and mushrooms.

7.2.3 In carrying out the economic analysis, the financial prices of the project cost items have been converted in economic values by excluding taxes and price contingencies on input and investment cost as well as transfers. The cost of the credit fund has also been excluded since it is envisaged that this will be recovered with the accumulated interest at the end of the project. Local cost components have been adjusted to the economic values using a Standard Conversion Factor of 0.9. In estimating the economic values of the outputs of the project - fish and forestry products (fuelwood, wild fruits, etc.), their market prices have been assumed to reflect their true economic values, since these outputs are produced solely for the domestic market and can be considered as internationally non-traded commodities. The principle of "consumer willingness to pay" the market prices is therefore applied in assuming that these prices do reflect the economic values of the outputs. The Economic Internal Rate of Return (EIRR) is estimated at 28%, which is above the assumed economic opportunity cost of capital of 12%. A summary of the analysis is presented in Annex 5.

7.3 Social Impact Analysis

7.3.1 The project is expected to directly benefit 7,640 low-income small-scale fishing families who would be involved in fishing, processing and marketing; a further 10,280 households will be involved in watershed management support activities. They will be assisted to form solidarity groups for the purpose of receiving credit but also for receiving other assistance such as extension, training on management of their finances, management of fish resources and for marketing purposes. This would create cohesion and empowerment for credit negotiations and to source funds from various financiers. The refresher courses in gender sensitization, community mobilization and development, group dynamics, leadership and negotiation skills, HIV/AIDS awareness campaigns, and the deliberate collection gender disaggregated data by the MFI will empower the women beneficiaries.

7.3.2 The project will contribute to poverty reduction by providing opportunities for increased employment and income, especially for the rural poor. Higher incomes will increase their ability

to purchase food, thereby contributing to enhance household food security. The economy at large will benefit from the project's activities which will provide long term employment, income and food security for the targeted beneficiaries in the lake shore districts, thus assisting in reducing poverty in the project area. Increased production and improved marketing of higher quality fish targeted to the middle class will result in import substitution as fish are being imported from Zimbabwe and Namibia.

7.3.3 Facilities such as the fish receiving facilities with water and electricity, as well as improved roads will assist fishers improve the quality of their fish, which would fetch higher prices and improve their incomes. Water provided at the fish receiving sites will provide fishers with clean water for home consumption. Women are mainly involved in fish processing and marketing, although some of them own boats for which they employ fishermen. It is also women who fetch water for the family. Improvement of these facilities will therefore greatly benefit women who form more than 60% of fish processors and marketers.

7.3.4 The rehabilitation of access roads will improve transport of goods and persons and facilitate communication in the project area and with other areas. Improved supply of potable water and sanitation facilities will improve the health status of the beneficiaries, thus improving their productivity. These improvements will be of particular importance to women as the time they spend carrying out such activities as taking care of the sick, and fetching water, which are not directly productive will be reduced. This will provide them more time in directly productive activities. In addition, participating women will be treated equally with men in respect of the allocation production inputs, thus alleviating the problem of inadequate access to funds that often constrain production by women.

7.4 Sensitivity Analysis

Sensitivity analysis has been done for various possible situations. An assumption of an increase of 10% in costs would reduce the EIRR to 24.1%, while a decrease of 10% in benefits would reduce the EIRR to 23.7%. On the other hand, a delay in project benefits by one year would have an effect of reducing the ERR to 18.7%. The sensitivity analysis shows that the project is only moderately sensitive to changes in costs, but more to changes in benefits. The switching values method has also been used to estimate the level of increase in project costs and decrease in project benefits that will bring the level of the net present value of the project to zero. The results indicate that project costs will have to rise by as much as 55% or project benefits will have to fall by 36%. In all cases, the rates of return remained at acceptable levels and indicate that the project is quite robust and will be able to withstand a good number of adverse shocks.

8 CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusions

8.1.1 The Government of Malawi is committed to reducing rural poverty through improvement of all sectors of the economy and also addresses the issue of food insecurity. Malawi is a food insecure country, subject to recurrent droughts and floods, which lead to drastic shortages in the production of its staple crop, maize. The fisheries subsector is one of the most important economic subsectors of the country. Fish from Lake Malawi is an essential source of protein,

well accepted by everyone in Malawi. Support to the subsector will therefore enhance the welfare of part of the population engaged in the fishery industry and contribute to enhancing food security in the country. The project has chosen to start small due to the huge level of investment required. A second phase of the project that will draw from the lessons learned under this phase would be undertaken, covering a larger area and population. The project also builds important synergies with other donor-funded projects.

8.1.2 It is estimated that annual fish production will increase as a result of the activities of this project, progressively from the present level by 1,750mt in Year 1, by 2,100mt in Year 2 and by up to 11,000mt from Year 4. The increased availability of fish will impact positively on the income of the fishers and processors and further improve the health status of Malawians. The annual increment in wood and wood-related products of about 30,000mt from year 5 and the adoption of fuelwood efficient stoves will reduce the impact of human encroachment into protected watershed areas and conserve the environment where the fishers derive their livelihood. The project is technically feasible, economically viable, and socially and environmentally sound. It is in line with the priorities retained under the PRSP and the Bank Group's CSP for Malawi

8.2 Recommendations and Conditions for Loan Approval

It is recommended that an ADF loan not exceeding UA6.93 million and a TAF grant not exceeding UA0.84 million should be granted to the Government of Malawi for the purpose of implementing the project as described in this report subject to the following particular conditions:

- A. Conditions Precedent to Entry into Force of the Loan Agreement:** The entry into force of the Loan and Grant Agreements shall be subject to the fulfillment by the Borrower of the conditions set forth in Section 5.01 of the General Conditions Applicable to Loans and Guarantee Agreements of the ADF.
- B. Conditions Precedent to First Disbursement of the Loan:** The obligations of the Fund to make the first disbursement shall be conditional upon the entry into force of this Agreement as provided in Section 5.01 above and the fulfillment by the Borrower of the following conditions. The Borrower shall have to the satisfaction of the Fund:
- (i) opened and undertaken to maintain two (2) interest bearing Special Accounts (SAs) in foreign currency in a bank acceptable to the ADF into which the proceeds of the loan will be deposited (Section 5.5)
 - (ii) opened two (2) Local Currency Accounts (LCAs) in a bank acceptable to the ADF. The first LCA will be used to receive transfers from the first Special Account for operating costs while the second LCA will receive the Government counterpart contribution; (Section 5.5)
 - (iii) submitted written evidence of the establishment of a Project Steering Committee (PSC) that will consist of the following members: Principal Secretary of MONREA (Chairperson), Controller of Planning Services of MONREA, Director of Fisheries of MONREA, Director of Forestry of MONREA; a senior official from the Ministry of Finance and Economic Planning, Principal Secretary of the Department of Local Government and District Administration, District

Commissioners or Chief Executives of the five relevant District Assemblies, and selected Community Leaders (paragraph 5.2.1)

- (iv) submitted written evidence of the establishment of the Project Coordinating Unit (PCU) and the posting of a Project Coordinator and key counterpart staff to the PCU whose curriculum vitae are acceptable to the Fund (paragraphs 5.2.2 and 5.2.3)

C. Other Conditions: The Borrower shall:

- (i) within six (6) months from the date of effectiveness of this Agreement, open a local currency account which will be used to receive repayment of the principal and interests earned on input loans extended to Project beneficiaries and which will function as a Revolving Fund from the third year of the Project's life (Section 5.5)
- (ii) within four (4) months from the date of effectiveness of this Agreement, submit written evidence of the conclusion of a Memorandum of Understanding (MOU) with a Micro-Finance Institution (MFI) that will be selected to administer the input loans to the Project beneficiaries (paragraph 5.2.9).

D. Undertakings: The Borrower shall undertake that:

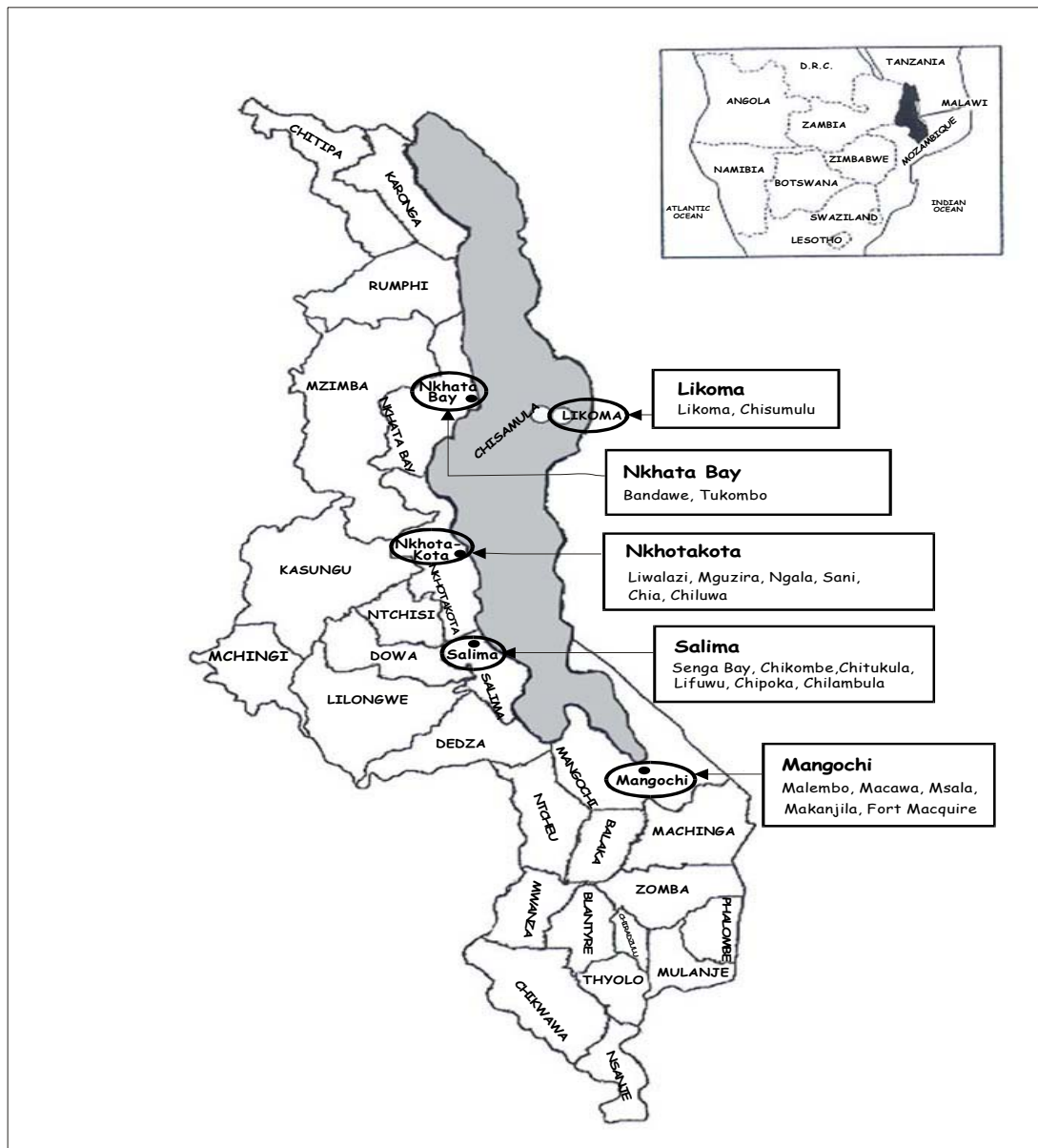
- (i) roads to be rehabilitated with project financing will be included in the National Road Authority's annual infrastructure maintenance program as from year three of project (paragraph 4.5.5)
- (ii) a formula for sharing revenue that will accrue from the environmental management support activities shall be agreed upon by the Government and the communities before year 5 of the project (paragraph 4.7.4)
- (iii) at least 40% of the beneficiaries will be women who will have an equitable access to the project resources

E. Conditions Precedent to Entry Into Force and Disbursement of the TAF Grant

The Protocol of Agreement shall enter into force on the date of signature by the Recipient and by the Fund.

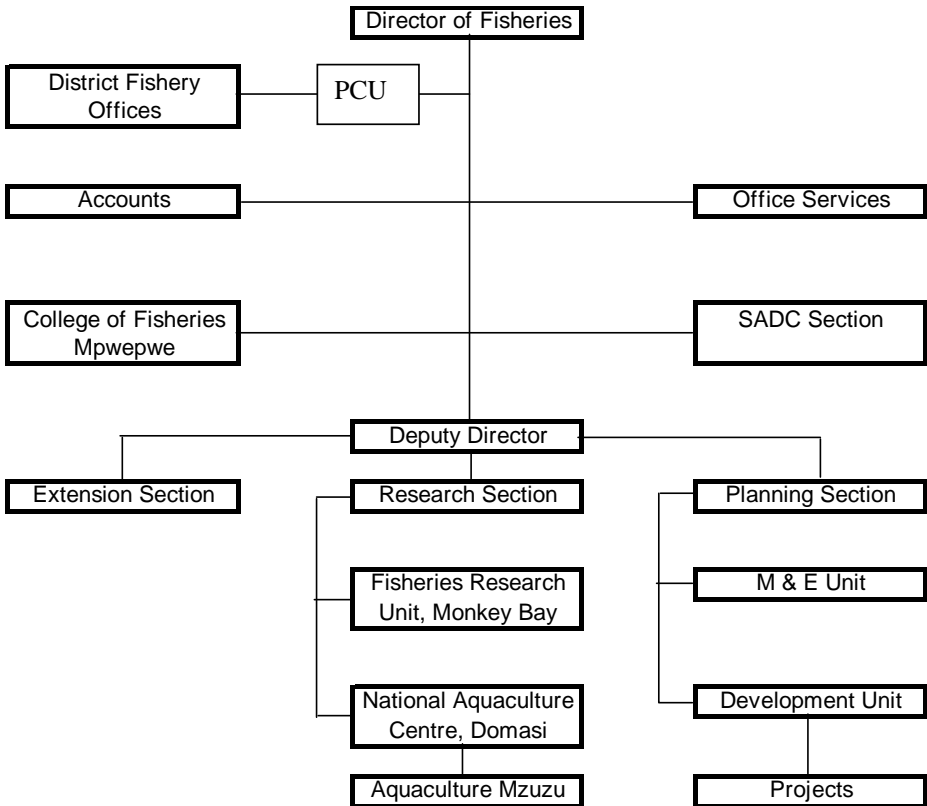
- (i) the Fund's obligation to disburse the amount of the Grant to the Recipient shall be subject to the entry into force of the Protocol of Agreement and the opening of a Special Account in a bank acceptable to the Fund and the submission by the MONREA of an acceptable training programme, implementation schedule and budget for all training to be undertaken using the Grant resources (paragraph 4.9.1)

MALAWI
LAKE MALAWI ARTISANAL FISHERIES DEVELOPMENT PROJECT
PROJECT AREAS AND SITES



This map was provided by the African Development Bank exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank and its members any judgement concerning the legal status of a territory nor any approval or acceptance of these borders.

MALAWI
LAKE MALAWI ARTISANAL FISHERIES DEVELOPMENT PROJECT
ORGANOGRAM OF THE DEPARTMENT OF FISHERIES



Source: Fisheries Department

MALAWI
LAKE MALAWI ARTISANAL FISHERIES DEVELOPMENT PROJECT
EVALUATION OF MICRO-FINANCE INSTITUTIONS IN MALAWI

1. Criteria for Evaluation

A representative sample of MFIs participated in a one-day focus group interview session organized to share in the experiences, lessons learned and best practices of MFIs and determine their potential roles in the credit delivery component. The same MFIs representatives participated in a 4-hour exit conference organized at the end of the study. Primary data provided by the respondent MFIs were discussed and verified in two workshops held in Lilongwe, Malawi in June 2002. The key criteria for scoring and selecting MFIs include:

- Number of years in existence (3 points)
- Legal recognition to work on savings and loans as a Credit Union (10 points)
- Good accounting, audit, and good governance rating (10 points)
- Stability and diversity of funding sources (5 points)
- Staff composition and capacity (5 points)
- Management, technical and organizational capacity (5 points)
- Existence of clear development strategies and good planning (10 points)
- Scope of existing or future social agenda (7 points)
- Client base and geographic coverage particularly within the lakeshore area (5 points)
- Capacity to accomplish decentralized operations (10 points)
- Experience in male, female, and group credit delivery processes (10 points)
- Experience in extension work for monitoring and community empowerment through transformational development (10 points)
- Willingness and flexibility to change or adapt new approaches and strategies (10 points)

2. Classification of MFIs in Malawi

| CATEGORY | INSTITUTION | MODUS OPERANDI |
|--|---|--|
| 1: Exclusive MFI (Limited Company or Trust) | 1. FINCA 2. PRIDE 3. MUSSCO | Lending methods not in conformity with Bank's guiding principles for lending Full cost recovery and profit maximization objective with strict adherence to operating ratios and returns on investment. |
| 2: Evolving MFI from Public to Private structure | 1. DEMAT 2. MRFC | Monitoring is limited to financial performance Limited capacity building is provided and considered as business expense |
| 3: Sideline MFIs and NGO's practicing loan retailing as a sideline | 1. ECLOF 2. WWB 3. World Vision 4. NABW 5. OTHER NGOS | Flexible lending practices. Mainly non-profit organizations but sensitive to cost recovery and committed to a broad social agenda. Capacity building is limited and not necessarily considered as a business expense |

The ideal institutions are those serving as MFIs and NGOs such as NABW, WWB, DEMAT, and World Vision.

ANALYSIS OF MFIs

| CREDENTIAL | DEMAT | NABW | PRIDE |
|-----------------------------------|--|--|--|
| Full Name | Development of Malawian Enterprises Trust | National Association of Business Women | Promotion of Rural Initiatives and Dev Enterprises |
| Date Of Establishment | 1979 | 1990 | 2000 |
| Address | P.O. Box 1540, Blantyre: | Private Bag 56, Blantyre | Box 2131 Blantyre |
| Telephone/Fax | 621466; Fax 636302 | 677812, 674106; Fax: 674805 | 625023, 640661; Fax: 625023 |
| Email | demat@malawi.net | nabw_bt@sdp.org.mw | prideafrica@sdp.org.mw |
| Key Contact Person: | Mayinga Nkandawire: General Manager | Ms. Mary F. Malunga: Executive Director | Mrs. Mary Likwelile: Technical Advisor |
| Total Employees | 15 | 18 | 58 |
| Management Staff | 2 | 4 | 8 |
| Admin Staff | 4 | 6 | 4 |
| Operations Staff | 9 | 8 | 43 |
| Computers | 8 | 3 | 29 |
| Vehicles | 2 | 1 | 2 |
| Intervention Zone | Nationwide (Fisheries experience) | Nationwide | Nationwide |
| Loan Type & Activities | Business Loans & Capacity Building | Business Loans & Capacity Building | Business Loans & Capacity Building |
| Interest Rate | 48% | 40% | 30% |
| Budget 2001 | 6.5 million MWK | 6 million MWK | 1.3 million US\$ |
| Budget 2002 | 9.0 million MWK | 7 million MWK | NA |
| Total Loans 2000 | 4.2 million MWK | 1.2 million MWK | 18.0 million MWK |
| Total Loans 2001 | 11.0 million MWK | 1.5 million MWK | 158.0 million MWK |
| Total Loans 2002 | 19 million MWK | 3.2 million MWK | 234 million MWK |
| Loan Recovery Rate | 98% | 88% | 98% |
| Total Individual Clients | 4,500 | 3,000 | 9,710 |
| Total Group Clients | 450 | 406 | 246 |
| Total Men Clients | 25% | 50% | 60% |
| Total Women Clients | 75% | 50% | 40% |
| Interest In ADB Project | Yes | Yes | Yes |
| Support Requested | Yes | Yes | Yes |

| CREDENTIAL | WWB | MEDI | SEDOM |
|----------------------------------|--|--|---|
| Full Name | Women's World Banking | Malawian Entrepreneurs Development Institute | Small Enterprise Development Organisation of Malawi |
| Date Of Establishment | 1990 | 1985 | 1983 |
| Address | 67 Trade Fair Grounds: Blantyre | P/Bag 2: Mponela | 622555: 622536: Fax: 622781 |
| Telephone/Fax | 672365 Fax 672365 | 286263: 286279: 850360: Fax 286412 | Aquarius House: P.O Box 525 Blantyre |
| Key Contact Person: | Mrs. M. Nyandovi Kery: Executive Chairperson | Mr. C.C. Kazembe: Chief Executive | Mrs. E. Chioko: General Manager |
| Total Employees | 10 | 15 | 12 |
| Management Staff | 4 | 5 | 2 |
| Admin Staff | 4 | 4 | 5 |
| Operations Staff | 2 | 6 | 6 |
| Computers | 2 | 6 | 2 |
| Vehicles | 2 | 8 | 2 |
| Intervention Zone | Nationwide | Nationwide | Nationwide (experience in fisheries) |
| Loan Type& Activities | Business loans & capacity building | Entrepreneurial Training Institute | Business loans and capacity building |
| Interest Rate | 15% | - | 60% |
| Budget 2001 | 1.5 million MK | 65 million MK | - |
| Budget 2002 | 2 million MK | - | - |
| Total Loans 2000 | - | - | - |
| Total Loans 2001 | - | - | - |
| Total Loans 2002 | - | - | - |
| Loan Recovery Rate | - | - | - |
| Total Individual Clients | 65,000 | 4,000 Trained | - |
| Total Group Clients | 35 | - | - |
| Total Men Clients | - | - | - |
| Total Women Clients | - | - | - |
| Interest In ADB Project | Yes | Yes | - |
| Support Requested | Yes | Yes | - |

| CREDENTIAL | ECLOF | FINCA | WORLD VISION |
|----------------------------------|--|---|--|
| Full Name | Ecumenical Church Loan Fund | - | World Vision International |
| Date Of Establishment | 1980 | 1994 | 1982 (Credit scheme initiated in 1999) |
| Address | Claim Building, Box 1897 Blantyre | - | Box 2050 Blantyre |
| Telephone | 623717: Fax 633053: cell 926951 | - | 670311 fax 672030 Cell: 823953 |
| Email | eclofmw@malawi.net | - | Albert_thindwa@mwi.org |
| Key Contact Person: | Priscilla M'dala Program Manager | Joseph Simeon Mononga: Managing Director | Albert Thindwa (Program Manager) |
| Total Employees | - | - | - |
| Management Staff | - | - | - |
| Admin Staff | - | - | - |
| Operations Staff | - | - | - |
| Computers | - | - | - |
| Vehicles | 1 vehicle 1 motor | - | - |
| Intervention Zone | Nationwide | Nationwide | Karonga district (experience in fisheries) |
| Loan Type& Activities | Business loans & capacity building | Group loans and capacity building | Business loans and social services |
| Interest Rate | 48% | - | 66% |
| Budget 2001 | - | - | - |
| Budget 2002 | - | - | - |
| Total Loans 2000 | - | - | - |
| Total Loans 2001 | - | - | - |
| Total Loans 2002 | - | 80 million MK | - |
| Loan Recovery Rate | 75% | - | - |
| Total Individual Clients | - | 20,000 | - |
| Total Group Clients | 250 | - | - |
| Total Men Clients | - | - | - |
| Total Women Clients | - | - | - |
| Interest In ADB Project | Yes | Yes | Yes |
| Support Requested | Yes | Yes | Yes |

LAKE MALAWI ARTISANAL FISHERIES DEVELOPMENT PROJECT
PROJECT IMPLEMENTATION SCHEDULE

| Milestones/Components | 2003 | | | | 2004 | | | | 2005 | | | | 2006 | | | | 2007 | | | | 2008 | |
|--|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|
| | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd |
| Board Approval: January 2003 | | | | | | | | | | | | | | | | | | | | | | |
| Entry Into Force: July 2003 | | | | | | | | | | | | | | | | | | | | | | |
| Launching: August 2003 | | | | | | | | | | | | | | | | | | | | | | |
| 1. Fisheries Production/Marketing | | | | | | | | | | | | | | | | | | | | | | |
| Short-term Consultancy | | | ■ | ■ | | ■ | | | ■ | | | ■ | | | | | | | | | | |
| Access Roads | | | | | ■ | ■ | ■ | | | ■ | ■ | ■ | | ■ | | | ■ | | | ■ | ■ | |
| Fish Stations | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | |
| Water Systems | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | |
| Refrigeration Equipment | | | | | ■ | ■ | ■ | | | ■ | ■ | ■ | | | | | | | | | | |
| Short-term Consultancy | | | ■ | ■ | | ■ | ■ | | | ■ | | | | ■ | | | | | | | | |
| Rehabilitation of Buildings | | | | | ■ | ■ | ■ | ■ | ■ | | | | | | | | | | | | | |
| Construction of Boreholes | | | | | ■ | ■ | ■ | ■ | | | | | | | | | | | | | | |
| Nursery/Field Tools | | | | ■ | ■ | | | | | | | | | | | | | | | | | |
| Audio Visual Equipment | | | | | | ■ | | | | | | | | | | | | | | | | |
| 2. Credit Administration | | | | | | | | | | | | | | | | | | | | | | |
| MFI Consultancy | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Credit Fund | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | |
| 3. Capacity Building | | | | | | | | | | | | | | | | | | | | | | |
| Vehicles, motorcycles and bicycles | | | | | ■ | ■ | ■ | | | | | | | | | | | | | | | |
| Patrol Boats/Rehabilitation | | | | | | ■ | ■ | | | | | | | | | | | | | | | |
| 4. Project Management | | | | | | | | | | | | | | | | | | | | | | |
| Office Equipment/Furniture | | | ■ | ■ | | | | | | | | | | | | | | | | | | |
| Baseline Survey/Reviews | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Technical Assistance | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Training | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Audit | | | | | | ■ | | | | | ■ | | | | ■ | | | | ■ | | | ■ |

MALAWI
LAKE MALAWI ARTISANAL FISHERIES DEVELOPMENT PROJECT
PROVISIONAL LIST OF GOODS AND SERVICES

| Project Category | Foreign Cost (000' UA) | Local Cost (000' UA) | Total Cost (000' UA) |
|--|-----------------------------------|---------------------------------|---------------------------------|
| <u>1. CIVIL WORKS</u> | | | |
| Rehabilitation of access roads | 0.00 | 0.59 | 0.59 |
| Rehabilitation of buildings | 0.00 | 0.10 | 0.10 |
| Construction of fish receiving stations | 0.56 | 0.02 | 0.58 |
| Construction of fish station water systems | 0.29 | 0.02 | 0.31 |
| Construction of boreholes | 0.00 | 0.13 | 0.13 |
| <u>2. GOODS</u> | | | |
| Refrigeration equipment | 0.52 | 0.00 | 0.52 |
| Office equipment and furniture | 0.13 | 0.00 | 0.13 |
| Motor vehicles, motorcycles, bicycles | 0.21 | 0.08 | 0.29 |
| Patrol boats | 0.21 | 0.00 | 0.21 |
| Patrol boat rehabilitation | 0.00 | 0.02 | 0.02 |
| Watershed Management equipment and tools | 0.17 | 0.04 | 0.21 |
| <u>3. CONSULTANCY SERVICES</u> | | | |
| Short-term consultancy | 0.00 | 0.18 | 0.18 |
| Baseline survey, plans, reviews and audit | 0.00 | 0.18 | 0.18 |
| Technical Assistance | 0.41 | 0.21 | 0.62 |
| Training | 0.57 | 0.22 | 0.79 |
| <u>4. MISCELLANEOUS</u> | | | |
| Credit fund | 1.16 | 0.39 | 1.55 |
| Operation and maintenance | 0.30 | 0.02 | 0.32 |
| Contingencies | 0.44 | 0.59 | 1.03 |
| TOTAL | 4.98 | 2.79 | 7.77 |

MALAWI: SUMMARY OF BANK GROUP OPERATIONS
(As at September 2002)

| | Projects/Studies | Date Approved | Date Signed | Date Entry in Force | Disburs'n Deadline | Amount Net of Cancel'n | Amount Disbursed | Disbur't Rate | Remarks |
|---|---|---------------|-------------|---------------------|--------------------|------------------------|------------------|---------------|-----------|
| Agriculture Sector | | | | | | | | | |
| 1 | Namwera Rural Dev. (ADF) | 26/10/76 | 10/12/76 | 10/10/77 | 31/12/82 | 4.60 | 4.60 | 100.00% | Completed |
| 2 | Blantyre-Shire Rural Dev. (ADF) | 16/12/83 | 09/05/84 | 23/03/85 | 31/12/96 | 9.62 | 9.62 | 100.00% | Completed |
| 3 | Zomba Rural Dev. Proj. (ADF) | 25/11/87 | 22/02/88 | 25/09/89 | 30/06/99 | 6.21 | 5.7 | 91.79% | Completed |
| 4 | National Livestock Dev. (ADF) | 18/01/88 | 22/02/89 | 10/05/90 | 30/09/02 | 10.98 | 5.65 | 51.46% | On-Going |
| 5 | Insitit'1 Support to SDA (TAF) | 28/08/90 | ½/91 | 10/02/93 | 31/12/96 | 0.54 | 0.54 | 100.00% | Completed |
| 6 | Macadamia Nuts Study (TAF) | 18/12/90 | 01/03/91 | 18/06/91 | 30/06/95 | 0.46 | 0.46 | 100.00% | Completed |
| 7 | Agricultural Sector Study (TAF) | 18/03/91 | 31/01/92 | 20/11/92 | 31/12/97 | 1.44 | 1.41 | 97.92% | Completed |
| 8 | Mwanza Rural Dev. Proj. (ADF) | 27/08/91 | 13/05/92 | 11/03/93 | 30/06/03 | 8.01 | 3.10 | 38.70% | On-Going |
| 9 | Lilongwe Forestry Proj. (ADF) | 29/10/92 | 05/03/93 | 24/02/95 | 31/12/03 | 3.87 | 2.42 | 62.53% | On-Going |
| 10 | Lower Shire Irrig. Study (TAF) | 29/10/92 | 15/01/93 | 10/03/93 | 28/02/98 | 0.68 | 0.68 | 100.00% | Completed |
| 11 | Agric. Sector Adj. Prog. (ADF) | 03/09/93 | 01/10/93 | 19/05/94 | 31/12/97 | 15.29 | 15.29 | 100.00% | Completed |
| 12 | Agric. Services Proj. (ADF) | 03/09/93 | 01/10/93 | 05/10/94 | 31/12/01 | 9.21 | 5.76 | 62.54% | On-Going |
| 13 | Smallholder Sugar Cane Study (TAF) | 19/12/90 | ½/91 | 19/06/91 | 31/12/94 | 0.20 | 0.20 | 100.00% | Completed |
| 14 | Rural Income Enhancement Proj. (ADF) | 10/12/97 | 27/05/98 | ½/00 | 30/06/04 | 7.06 | 0.75 | 10.62% | On-Going |
| 15 | Macadamia Smallholder Dev. Proj. (ADF)* | 15/07/98 | 13/01/99 | 07/11/00 | 31/12/04 | 6.85 | 0.81 | 11.82% | On-Going |
| 16 | Smallholder Irrig. Proj. (ADF) | 26/11/98 | 24/05/99 | ½/00 | 31/07/05 | 5.02 | 0.08 | 1.59% | On-Going |
| 17 | Small Scale Irrig. Study (TAF)* | 26/11/98 | 13/01/99 | 19/11/99 | 30/09/02 | 1.12 | 0.12 | 10.71% | On-Going |
| 18 | Horticulture & Food Crops Dev. (ADF) | 15/12/98 | 24/05/99 | ½/00 | 30/06/05 | 6.65 | 0.09 | 1.35% | On-Going |
| 19 | Horticulture & Food Crops Dev. (TAF) | 15/12/98 | 24/05/99 | ½/00 | 30/06/05 | 0.84 | 0.00 | 0.00% | On-Going |
| 20 | Smallholder Outgrower Sugar Production (ADF VIII)* | 15/12/99 | 10/02/00 | 08/03/01 | 30/06/04 | 8.93 | 1.04 | 11.65% | On-Going |
| 21 | Special Program for Food security (TAF)* | 19/06/00 | 21/12/00 | 08/03/01 | 30/06/04 | 0.73 | 0.73 | 100.00% | On-Going |
| | | | | | Total | 108.31 | 59.05 | 54.52% | |
| Transport Sector | | | | | | | | | |
| 1 | John-Mzumara-Ekwendeni Road (ADF) | 28/02/79 | 17/05/79 | 22/08/79 | 31/12/82 | 7.37 | 7.37 | 100.00% | Completed |
| 2 | Road Maintenance and Construction(ADB) | 25/01/84 | 09/05/84 | 20/09/84 | 30/06/89 | 11.11 | 11.24 | 101.17% | Completed |
| 3 | Champoyo-Mbowe Road (ADF) | 24/10/85 | 24/03/86 | 12/07/86 | 31/12/94 | 11.79 | 11.79 | 100.00% | Completed |
| 4 | Road maintenance/ Institutional Strengthening (TAF) | 15/02/90 | 29/05/90 | 23/05/91 | 31/12/98 | 2.39 | 1.97 | 82.43% | On-going |
| 5 | Road Maintenance and construction Project II (ADF) | 15/02/90 | 30/11/90 | 23/10/90 | 31/12/99 | 18.42 | 12.00 | 65.15% | On-going |
| 6 | Mchinji-Kasungu-Msulira Road (ADF) | 18/12/90 | 31/01/91 | 28/02/91 | 31/12/01 | 15.10 | 14.75 | 97.68% | On-going |
| 7 | Msulira-Nkhotakota Road (ADF) | 25/11/91 | 13/05/92 | 22/09/93 | 31/12/03 | 12.07 | 5.65 | 46.81% | On-going |
| 8 | Mchinji-Kasungu Road Studies (TAF) | 23/09/86 | 17/03/87 | 12/10/87 | 31/12/96 | 1.31 | 1.31 | 100.00% | Completed |
| 9 | Mchinji-Kasungu Supplementary Loan (ADF) | 02/10/97 | 25/03/98 | 05/05/98 | 31/12/99 | 6.60 | 4.66 | 70.61% | On-going |
| 10 | Karonga-Chitipa Road (ADF) | 15/12/99 | 10/02/00 | 16/11/00 | 21/01/05 | 13.54 | 0.00 | 0.00% | On-going |
| 11 | Lilongwe International Airport I (ADB) | 23/02/77 | 23/03/77 | 23/11/77 | 31/12/80 | 4.98 | 4.98 | 100.00% | Completed |
| 12 | Lilongwe International Airport II (ADB) | 28/12/77 | 25/01/78 | 30/06/78 | 31/12/81 | 4.96 | 4.96 | 100.00% | Completed |
| 13 | Kamuzu International Airport III (ADB) | 09/11/82 | 31/01/83 | 02/08/83 | 31/12/94 | 14.78 | 14.78 | 100.00% | Completed |
| 14 | Engineering Serv. Lilongwe Airport Study (ADB) | 08/05/74 | 01/07/74 | 14/12/74 | 30/06/76 | 0.50 | 0.50 | 100.00% | Completed |
| 15 | Muzuzu-Muhuju Road Studies (ADF) | 30/04/75 | 19/08/75 | 21/06/76 | 31/07/87 | 0.28 | 0.28 | 100.00% | Completed |
| | | | | | Total | 125.20 | 96.24 | 76.87% | |
| Industry/Mining/Quarrying Sector | | | | | | | | | |
| 1 | Industrial Sector Opportunities (TAF) | 19/11/90 | 31/01/91 | 04/07/91 | 31/12/97 | 0.69 | 0.53 | 76.81% | Completed |
| 2 | Mulanje Bauxite Study (TAF) | 25/11/92 | 15/01/93 | 21/10/93 | 31/12/95 | 0.64 | 0.64 | 100.00% | Completed |
| | | | | | Total | 1.33 | 1.17 | 87.97% | |
| Financial Sector | | | | | | | | | |
| 1 | Line of Credit to MDC (ADB) | 22/11/72 | 11/12/72 | 16/04/73 | 31/12/78 | 1.49 | 1.49 | 100.00% | Completed |
| 2 | Line of Credit to INDEBANK (ADF) | 12/12/96 | 08/01/98 | 31/03/99 | 30/06/03 | 5.00 | 0.68 | 13.60% | Cancelled |
| 3 | Industrial Line of Credit | 19/10/82 | | 31/03/99 | | 0.00 | 0.00 | 0.00% | On-going |
| | | | | | Total | 6.49 | 2.17 | 33.44% | |

| Projects/Studies | Date Approved | Date Signed | Date Entry in Force | Disburs'n Deadline | Amount Net of Cancel'n | Amount Disbursed | Disbur't Rate | Remarks |
|--|---------------|-------------|---------------------|--------------------|------------------------|------------------|----------------|-----------|
| Power Sector | | | | | | | | |
| 1 Tedzane Falls Hydro Power (ADB) | 15/12/69 | 09/03/70 | 23/09/71 | 30/09/73 | 3.11 | 3.11 | 100.00% | Completed |
| 2 Nkula Lilongwe Electricity Lines (ADB) | 24/06/75 | 08/08/75 | 22/05/76 | 31/12/79 | 5.00 | 5.00 | 100.00% | Completed |
| 3 Nkula Falls "B" Hydro Elec. Power (ADB) | 07/06/77 | 16/07/77 | 02/08/77 | 31/12/85 | 4.23 | 4.23 | 100.00% | Completed |
| 4 Kapichira Hydroelectric Project | 15/12/93 | | 17/02/81 | | 0.00 | 0.00 | 0.00% | Cancelled |
| 5 Rural Electrifications (ADF) | 17/06/80 | 24/06/80 | 17/02/81 | 30/04/97 | 5.49 | 5.49 | 100.00% | Completed |
| | | | | Total | 17.83 | 17.83 | 100.00% | |
| Water Supply and Sanitation Sector | | | | | | | | |
| 1 Malawi District Water supply (ADF) | 14/12/76 | 07/02/77 | 07/07/77 | 31/12/81 | 4.61 | 4.61 | 100.00% | Completed |
| 2 Blantyre Water Supply | 19/9/77 | 07/10/77 | 02/02/78 | 31/12/82 | 4.60 | 4.60 | 100.00% | Completed |
| 2 Study of District Water Supply (TAF) | 25/08/83 | 09/05/84 | 08/11/84 | 31/12/93 | 0.48 | 0.48 | 100.00% | Completed |
| 3 Maira Balaka Water Supply (ADF) | 19/11/84 | 01/07/85 | 10/09/86 | 31/12/99 | 11.59 | 11.59 | 100.00% | Completed |
| 4 District Water Supply II (ADF) | 12/06/90 | 01/02/91 | 26/05/92 | 30/06/99 | 11.35 | 13.31 | 117.27% | Completed |
| 5 District Water Supply and Sanitation II Study (TAF) | 12/06/90 | 31/01/91 | 26/05/92 | 30/06/99 | 0.87 | 0.84 | 96.55% | Completed |
| 6 Integrated Rural Water Supply and sanitation (ADF)* | 05/12/01 | | 30/12/93 | 22/06/94 | 8.49 | 0.00 | 0.00% | On-going |
| 7 Integrated Rural Water Supply and sanitation (TAF)* | 05/12/01 | | 30/12/93 | 22/06/94 | 1.10 | 0.00 | 0.00% | On-going |
| 8 Blantyre Sanitation Masterplan Study (TAF) | 21/04/92 | 05/03/93 | 13/02/95 | 31/12/96 | 0.68 | 0.68 | 100.00% | Completed |
| 9 District Water Supply III (ADF) | 03/12/97 | 27/05/98 | 23/12/99 | 31/12/03 | 12.42 | 1.09 | 8.78% | On-going |
| 10 District Centres Sanitation Study (TAF) | 18/11/98 | 13/01/99 | 01/08/00 | 31/12/02 | 1.28 | 0.28 | 21.88% | On-going |
| 11 Blantyre Water Supply II Phase VII (ADF) | 21/04/92 | 05/03/93 | 30/12/93 | 31/12/01 | 7.64 | 7.20 | 94.24% | Completed |
| | | | | Total | 65.11 | 44.68 | 68.62% | |
| Communications Sector | | | | | | | | |
| 1 Telecommunications I (ADB) | 08/11/83 | 09/05/84 | 08/11/84 | 30/06/94 | 7.93 | 7.93 | 100.00% | Completed |
| 2 Telecommunications II (ADB) | 22/05/91 | 02/08/91 | 10/02/94 | 31/07/01 | 15.00 | 15.00 | 100.00% | Completed |
| 3 Telecommunications II (ADF) | 22/05/91 | 13/05/92 | 10/02/94 | 31/07/01 | 11.05 | 11.01 | 99.64% | Completed |
| | | | | Total | 33.98 | 33.94 | 99.88% | |
| Social Sector | | | | | | | | |
| 1 Primary and Tertiary Education(ADF) | 24/04/80 | 24/06/80 | 16/01/81 | 30/06/98 | 7.32 | 7.32 | 100.00% | Completed |
| 2 Rural Health (ADF) | 04/12/81 | 12/02/82 | 24/09/82 | 31/12/99 | 7.35 | 7.35 | 100.00% | Completed |
| 3 Second Rural Health (ADF) | 17/12/84 | 01/07/85 | 24/04/86 | 31/06/00 | 10.13 | 8.00 | 78.97% | Completed |
| 4 Primary and Secondary Education (ADF) | 23/09/86 | 17/03/93 | 10/08/87 | 31/12/00 | 15.66 | 15.59 | 99.55% | Completed |
| 5 Women in Development (ADF) | 29/10/93 | 05/03/93 | 08/07/94 | 30/06/01 | 5.00 | 5.00 | 100.00% | Completed |
| 6 Education III (ADF) | 05/05/97 | 29/05/97 | 05/08/98 | 31/12/03 | 12.00 | 7.72 | 64.33% | On-going |
| 7 Health Study (TAF) | 20/11/97 | 27/05/98 | 13/11/98 | 01/05/02 | 1.00 | 0.66 | 66.00% | Completed |
| 8 Poverty reduction & Instit. Support (ADF) | 10/12/98 | 24/05/99 | 08/05/00 | 31/03/06 | 7.00 | 0.58 | 8.29% | On-going |
| 9 Poverty reduction & Instit. Support (TAF) | 10/12/98 | 24/05/99 | 08/05/00 | 31/03/05 | 2.00 | 0.36 | 18.00% | On-going |
| 10 Support to the National AIDS Control Program (TAF) | 15/12/99 | 10/02/00 | 20/12/00 | 30/11/03 | 1.00 | 0.34 | 34.00% | On-going |
| 11 Rural Health Care Project III (ADF)* | 08/11/00 | 26/03/01 | 02/10/01 | 31/12/05 | 10.00 | 0.13 | 1.30% | On-going |
| 12 Education IV (ADF) | 21/11/01 | Not yet | 05/08/98 | | 15.00 | 0.00 | 0.00% | On-going |
| 13 Skills Dev. & Income generation Project (AD VIII) | 01/16/02 | Not yet | 08/07/94 | | 9.58 | 0.00 | 0.00% | On-going |
| | | | | Total | 103.04 | 53.05 | 51.48% | |
| Multisector | | | | | | | | |
| 1 Industry-Trade Policy Adjust. Prog. (ADF) | 23/02/89 | 22/09/89 | 16/11/89 | 30/06/94 | 13.85 | 13.85 | 100.00% | Completed |
| 2 Entrepreneurship-Capital Markets Adjust. Prog. (ADF) | 30/10/91 | 31/01/92 | 23/11/92 | 30/06/94 | 9.21 | 9.21 | 100.00% | Completed |
| 3 Structural Adjustment Loan (ADF) | 15/12/98 | 13/01/99 | 16/02/99 | 31/12/00 | 10.00 | 10.00 | 100.00% | Completed |
| 4 Institut'n Support for Aid-Debt Manag't & Gov'ce (TAF) | 18/10/00 | 26/03/01 | 26/03/01 | 31/12/03 | 1.00 | 0.14 | 14.00% | On-going |
| 5 Supplementary Financing Mechanism | 25/01/99 | | | | 0.77 | 0.00 | 0.00% | Completed |
| TOTAL | | | | | 496.12 | 341.33 | 68.80% | |

Annex