EVALUATION OF USAID/MALAWI'S STRATEGIC OBJECTIVE 1: INCREASED AGRICULTURAL INCOMES ON A PER CAPITA BASIS 1993 TO 2001

I. BACKGROUND

A. INTRODUCTION

The following evaluation was conducted, over a seven-week period from October to December 2002, by a team of four agricultural economists with over 125 years of accumulated development experience in the region and elsewhere in the developing world. It covers an unusually long period (11 years) for USAID programs, for reasons that will be explained below, as well as a broad range of project and non-project activities.

The purpose of the evaluation is to: assess the development impact of project assistance (PA) initially included in Strategic Objective One (SO1), "Increased Agricultural Incomes on a Per Capita Basis", which has now become Strategic Objective Six (SO6); assess the success of Non-Project Assistance (NPA) on the Government of Malawi's (GOM's) agricultural policy reform efforts that are undertaken in exchange for cash transfer payments; and, identify design and implementation strengths and weaknesses and lessons learned for future activities of this nature. For programmatic purposes, SO1 and SO6 are more commonly referred to as the Mission's Agricultural Sector Assistance Program (ASAP) with a first phase beginning in 1991 and ending in 1994, and a second phase picking up in 1994 and ending in 2003. While this evaluation covers both phases in a general sense, it concentrates on the second phase.

The ASAP was authorized on September 26, 1991, with a total funding level of $30 million of which $ 20 million was allocated to Non-Project Assistance and $ 10 million to Project Assistance, for a three-year period. Following a program evaluation in March 1993, the first phase of ASAP was amended in September 1994, creating ASAP II and extending the program assistance completion date (PACD) by four years to September 1998. This amendment increased the authorized levels of NPA and PA funding by $ 35 million and $ 5 million, respectively, to a new total of $ 55 million and $ 15 million respectively -- although only $ 49 million in NPA funding was ever obligated. Further amendments extended the PACD to September 2003 and increased the life-of-project funding to almost $ 46 million in PA obligations. Lastly, in 1997, $ 6 million in NPA was de-obligated.

According to the Country Strategic Plan (CSP) 1995-2000, the SO1 goal of increased agricultural incomes on a per capita basis was to have been achieved through the Intermediate Results (IRs) of liberalized input and output markets, expanded rural agribusiness and marketing activities, and reduced transportation costs of agricultural inputs and outputs. The CSP for 2001-2005 alters this slightly by changing the IRs for SO1 to: sustainable increases in agricultural productivity; increased off-farm earnings by rural households; and, increased local participation in natural resource management.[1] This evaluation is concerned with the activities and projects

[1] Natural Resource Management is not the subject of this evaluation and has recently become part of a separate SO concerning the environment.

directed at achieving the first two IRs, but not the last one concerning natural resource management. (See Delivery Order Scope of Work, Annex C.)

The following table depicts the PA and NPA activities that are the subject of this evaluation, the contractors/partners involved, the dates during which implementation took, and continues to take place, and the various funding levels obligated.

TABLE 1
Projects, Implementation Periods, Contractor/Partner and Funding Levels

Activity/Project	Implementation Period	Contractor/Partner	Obligated Funding Levels
Non-Project Assistance	9/91-9/03	Mission Monitored	$ 43,000,000[2]
Agricultural Policy Reform	10/98-12/00	HIID[3]	$ 1,020,000
Smallholder Burley Club Strengthening Project Smallholder Agribusiness Development Project	10/93-9/00[4]	ACDI/VOCA	$ 8,457,255
NASFAM Strengthening Project	10/00-9/03	ACDI/VOCA, NASFAM	$ 5,448,790
Malawi Dairy Business Development Program	3/99-3/03	Land 'O Lakes	$ 3,656,707
Malawi Union of Savings and Credit Cooperatives	9/99-3/02	MUSCCO and Barents Group	$ 1,175,048
Central Region Livelihood Security Program	9/99-9/02	CARE International	$ 1,279,958
Famine Early Warning System Network	7/00-9/03	Chemonics International	$ 872,659[5]
Groundnut and Pigeon Pea Multiplication	8/99-1/02	ICRISAT	$ 677,350
Cassava and Sweet Potato Multiplication	12/98-5/01	IITA/SARRNET	$ 382,334
Fertilizer for Work Program	5/01-5/03	Evangelical Baptist Church of Malawi and Emmanuel International	$ 744,900

B. SALIENT ISSUES OF OVERARCHING IMPORTANCE

Malawi is one of the five poorest countries in the world with the second highest population density in the world. In 2001, overall GDP increased by 2.3[6] percent. Per capita GDP in 1994

[2] $ 1million remaining.
[3] Support to NPA activities. Not included in this evaluation.
[4] Includes two consecutive "projects".
[5] Centrally funded regional program.

was less than $150 and this has risen to only $180 in 2002. As such, 63 percent of its population lives in extreme poverty earning less than $ 30 per capita per year; female-headed households, which represent 30 percent of the population, are disproportionately represented in the bottom 25 percent of the country's income distribution. Additionally, the country has suffered at least four severe droughts in the past ten years and the level of HIV/AIDS is one of the highest in the world.

Additional economic factors serve to exacerbate this situation. GOM spending to ameliorate this situation, combined with inefficient management, and alleged corruption has led to excessive government spending and borrowing leading to bank interest rates in excess of 50 percent, inflation rates of over 30 percent per year, and a devaluation of the Malawian Kwatcha from MK 2.5 to the dollar in 1991 to MK 90 at present. The significance of this is that agricultural credit is out of the reach of most smallholders, and the nominal prices of imported hybrid seed and fertilizers have increased astronomically and cannot be afforded by most smallholders, thereby lowering potential yields significantly.

Given this situation, the GOM feels forced to offer free and highly subsidized commodities to its "targeted" poor, although this targeting at times becomes universal. For example, the import "parity" price of maize, the principal staple of the Malawian diet, is MK 28 per kilogram (kg.), while it is being sold through government facilities for MK 17 per kg. The situation is similar for fertilizer sales. Additionally, this year the GOM, with financial support from the World Bank and British Aid (DFID) are again supplying free "starter packs" containing small amounts of hybrid maize seed and fertilizer. Under this program three million smallholder farm families will be assisted. This is in addition to the hundreds of thousands of tons of food aid and other free commodities that are being supplied by the World Food Program, the European Union, USAID and a plethora of other donors and international NGOs.

In this environment of free and subsidized commodities and other goods and services, it is extremely difficult, if not all but impossible, for USAID to attempt to promote a liberalized free market economy as it has tried to do, mostly through its NPA program. Humanitarian aid, which Malawi direly needs, is almost impossible to distinguish from development aid, especially in the minds of the smallholder sector. This intractable problem will be mentioned and referred to throughout this evaluation, and has served as a compelling negative influence on the success of the Mission's project assistance and non-project assistance alike.

Of lesser importance, but of significance nonetheless, is the relatively high turnover of Mission personnel, including both US direct hire personnel and Foreign Service Nationals (FSNs). During the roughly ten-year period covered by the evaluation, there have been four Mission Directors and five Agricultural Officers. While it is assumed that the Mission's program, planning, and implementation processes were all followed according to Agency policy and guidelines, the evaluation team cannot help but question the impact of this level of turnover on the Mission's priorities, emphasis, and working relationship with GOM counterparts.

Another administrative matter that deserves mention, if only in passing, since it is not within the scope of this evaluation, is the relatively high number of affirmations and complaints

[6] This is the official GOM estimate. The World Bank and others estimate that GDP growth was negative in 2001 and will most likely continue to be in 2002.

surrounding the length of time that the Contracting Office in Gaborone takes to approve and process contracts, payments, and other documents. The delay of this evaluation by almost a full year is but one example.

II. METHODOLOGY

The methodology used in this evaluation consisted of an initial orientation by Mission staff and a review of pertinent documents, including those in the Mission's library, as well as file documents. This was then followed by in depth interviews with the staff of all eight projects under evaluation and a further review of their document files. In the case of non-project activities, interviews were held with selected officials in the Ministry of Agriculture and Irrigation (MOAI), other government of Malawi (GOM) representatives, private sector traders, processors, and suppliers of agricultural inputs, and other international donors and NGOs.

An initial draft of this document was then prepared. Appropriate sections were then circulated among the eight partners, in order to correct any error of fact or omission. The entire first draft was then presented to Mission staff and a verbal presentation was made to the Mission Director. Feedback was then received from the Mission and incorporated into the final draft evaluation document.