
EXECUTIVE SUMMARY

I. INTRODUCTION

The following evaluation was conducted over a seven-week period, October - December 2002, by a team of four agricultural economists who had over 125 years of accumulated development experience in the region and elsewhere in the developing world. The evaluation covers an unusually long period (11 years) for USAID programs, 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; \$ 20 million in Non-Project Assistance (NPA) and \$ 10 million in Project Assistance (PA), 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 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. This evaluation is concerned with the activities and projects directed at achieving the first two IRs, but not the last one concerning natural resource management.

II. PROJECT ASSISTANCE

Eight separate projects, under the umbrella of the Agricultural Sector Assistance Program (ASAP), were the subject of this evaluation. The following table provides basic information.

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

Activity/Project	Implementation Period	Contractor/Partner	Obligated Funding Levels
Smallholder Burley Club Strengthening Project Smallholder Agribusiness Development Project	10/93-9/00	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
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

Brief descriptions of the activities and impacts of these eight projects, plus the NPA program follow:

A. THE NATIONAL SMALLHOLDER FARMERS ASSOCIATION OF MALAWI (NASFAM)

Over the course of time since USAID first started supporting smallholder farmer incursions into the marketing of high value crops, a national organization. The National Smallholder Farmers Association of Malawi (NASFAM) has been created which has allowed member farmers to organize, to develop their business skills, and to retain for themselves and for their member-owned businesses a significant fraction of the wide margins formerly enjoyed by intermediate buyers. Initial support resulted in NASFAM's meeting its original goal of assuring smallholders a role in the national economy and in meeting the objectives of strengthening smallholder clubs and helping them operate in a more businesslike fashion.

Initial project support to these clubs has been transformed into support for the development of NASFAM, which has been instrumental in assisting smallholder farmers in the marketing of their crops, in taking advantage of economies of size on both the product and input sides, and in developing an organization capable of analyzing the challenges facing (and opportunities available to) smallholders, and in representing their interests in public fora. The impact on

member incomes has been positive and significant, in the process of turning farming from a way of life into a business which produced income significantly higher than farmers had ever achieved before -- and higher than incomes now obtained by non-member farmers with similar resources.

Farmer associations have had a positive impact on communities, from a commercial standpoint by raising farmer incomes, as well as contributors to local development through their cooperation with schools and other community projects, and through the provision of services otherwise unavailable (private health clinics, farm supply shops and paraffin pumps). As farmer associations' ability to make money from the crops they produced improved through better marketing, interest surged in improving crop production practices; moreover farmer efforts have been supported by crop production and marketing efforts of Association Field Officers, whose private extension efforts helped farmers increase the volume of products that they could then market through their associations. The associations also contribute by their example as democratically run, transparent and financially responsible institutions and act as a model for other community institutions to operate in a similar fashion. NASFAM clubs and associations have also been heavily involved in community development efforts (school construction, bridge rehabilitation, etc.) and in literacy efforts not directly tied to turning farming into a business.

Donors other than USAID, who have come to cover an increasing proportion of the costs of developing NASFAM and of expanding its coverage to other areas, have perceived of the initial investment of USAID which was instrumental in its creation, as a good one. They have financed the construction of permanent offices, warehouses, and marketing centers, lending an air of permanence to NASFAM's operations. NASFAM still runs its headquarters operations out of rented premises; however, the organization is seeking to construct its permanent headquarters building and has purchased a plot in Lilongwe for that purpose. The Government recognizes NASFAM's contribution to raising smallholder incomes and improving their status, and is constantly putting pressure on the organization to expand its membership and geographical coverage.

Within the past year, new corporate structures have been developed which clearly delineate NASFAM's commercial operations and separate them from its developmental activities. NASFAM has set up a holding company (NASDEC) to control the two companies established to manage its two different types of operations: the NASFAM Commodity Exchange (NASCOMEX), a commercial trading company able to carry out a broad range of trade operations with members and with the general public, and the NASFAM Center for Development Support (NASCENT), focusing on advocacy and communications, training and human resource development, and information services. The mandate of NASCOMEX has been broadened to allow it to engage in any kind of commercial operations in agricultural marketing or processing, which after analysis appear to be profitable. Though new, it is becoming a large enough force in marketing in Malawi to generate criticism from traders, whose privileged control of markets and monopoly profits are being affected and who are being forced to lower prices for inputs and to raise prices for the products that they purchase in markets where NASCOMEX is active. Nevertheless, after less than one full season of operation, the new structure cannot be said to have proven itself to be fully established in markets that have been long dominated by a few, financially powerful traders.

B. THE MALAWI DAIRY BUSINESS DEVELOPMENT PROGRAM (MDBDP)

The program has been successful in increasing milk production and sales through milk bulking groups (MBGs) and in stimulating interest in dairy production. Potential interest is increased by falling prices for tobacco. The program has also stimulated a high degree of interest in dairy farming. However, a long-term effort will be required to meet the expectations that have been created.

Assisting potential members who are interested in dairy production but who own no cows can best be stimulated by purchasing local Zebu cattle and by artificially inseminating them to produce crosses which combine vigor with reasonably high levels of milk production; this is the best way for a long-term development program to reach large numbers of participants at reasonable costs.

Women tend to have less interest in producing tobacco and other cash crops, and generally do a better job in managing milk cows. Women constitute a high percentage of potential members of the dairy production program and are willing to take the time and effort necessary to start up dairy production based on local cows and artificial insemination.

The lack of competition in the dairy processing industry gives processors an unfair edge in setting milk prices at low levels and in failing to raise producer prices to milk bulking groups for extended periods of time, despite increases in retail prices to consumers. Thus far, program efforts have not succeeded in fully addressing this issue and have not offset the farmers natural tendency to sell all, or part of their milk in raw form and without processing (except for dilution with water) to bicycle traders for sale to final consumers -- with the attendant health risks. Until competition is increased in the dairy processing industry, the program needs to deal more forthrightly with this situation in its promotion efforts with members, which at present consist of coercive measures applied to those engaged in vending. Where dairy farms are located in close proximity to urban areas and where rural demand among neighboring families and in the trading centers is significant, vending will continue to occur and needs to be analyzed and dealt with as part of the development of the dairy industry.

C. MUSCCO FINANCIAL AND FIELD SUPPORT ACTIVITY

While the Malawi Union of Savings and Credit Cooperatives (MUSCCO) has been funded through various mechanisms since 1980, the specific project under evaluation is the Smallholder SACCO Development Program (SSDP). A Savings and Credit Cooperative Society (SACCO) is similar to a credit union.

The SSDP has achieved its objectives of improving MUSCCO's financial management, and of increasing its financial self-sufficiency, through the appropriate use of the Central Finance Facility. The numbers of rural SACCOs have been increased (in partnership with NASFAM) and some existing SACCOs have been strengthened. There is also a heightened awareness of the importance of savings and the ability to do so through rural SACCOs ; this results from a media campaign carried out as part of the support provided by the SSDP.

Some common bond SACCOs have yet to seriously consider the possibility of opening up their membership to a broader spectrum of the community, in order to increase membership and, potentially, their ability to provide more and better services to existing and new members.

Marketing efforts in some SACCOs, despite assistance from MUSCCO to enlarge membership through special loan funds from its Central Finance Facility (CFF), are insufficient, and only a small fraction of possible members are joining. DANIDA had planned to provide assistance in marketing, but unfortunately did not do so before leaving Malawi. MUSCCO needs to do more to market the kinds of services that SACCOs can provide in both urban and rural areas.

As part of these efforts, a better understanding is needed of the potential market for members' crops, which marketing studies could contribute to clarify. SACCOs do not have either the human or financial resources to carry out such studies on their own. MUSCCO's own resources are inadequate to finance the kind, level and duration of a media campaign that would be required to make a meaningful contribution to the public awareness of SACCOs, the services that they can provide, and as to their benefits to members.

The present supervision of savings and credit cooperative societies is insufficient. Though MUSCCO does a good job of providing advice, this advice is often ignored. Where members' savings are put in jeopardy by the improper management or operation of a SACCO, outside supervision and the imposition of sanctions are necessary.

D. CENTRAL REGIONAL SECURITY LIVELIHOOD PROGRAM (CRLSP)

The CRLSP met or exceeded most of the targets related to Community Based Organization (CBO) formation and as to their use in achieving social, educational, health and environmental improvements. However, results for crop productivity and marketing related goals were mixed. Significant increases in area planted to groundnuts and beans occurred during the first year, (as against the baseline), but area planted to groundnuts declined the second year. Area planted to cassava increased slightly over the baseline the first year, but was lower than the baseline the second year, while sweet potato plantings declined each year. Very significant yield increases were recorded for all four crops over the baseline during the first year, but results were very disappointing for the second year. At least in part, the yield reductions were related to crops being harvested early or stolen from the fields, due to the severe hunger experienced during the 2001/02 hunger period. Moreover, the experience of marketing produce (primarily groundnuts) through Group Village Head (GVH) CBO marketing associations was not very successful. Farmers operating as individuals, or through smaller village structures, usually fared better than farmers selling through the group village head marketing associations.

The general success of the socially oriented community based organization activities, when compared with the mixed results of the economic activities carried out by the same organizations, suggests that perhaps CARE or MOAI Extension staff could have provided additional technical support during the 2001-2002 season in order to consolidate some of the area planted and yield results of the first year.

In addition:

- ▶ The village seed groups provided the structure for distributing improved seeds and other planting materials for either initial or expanded plantings to approximately 35,000 farmers. Distribution of groundnuts (20,706 farmers) was the largest program, with 11,100 farmers receiving bean seed, 1,005 receiving cassava cuttings, 1,189 receiving sweet potato vines and 484 receiving Irish potato sets.
- ▶ The formation or reactivation of 375 CBOs provided the organizational base for implementing more than 300 village level activities that addressed:
 - Village development through: road construction, shallow well and borehole construction and maintenance, road rehabilitation, and village security;
 - Social and health improvement through: adult literacy training, dissemination of HIV/AIDS messages, and school block construction;
 - Environmental protection through: construction of dams, weirs, gully protection structures, and hillside reforestation;; and
 - Increased household economic well-being through: seed groups, marketing associations, and wetland crop cultivation.
- ▶ Almost 2,500 residents became members of functioning village savings and loan groups, with average savings of MK 709 per participant and loans averaging MK 972 per participant. Some 92 percent of the Village Savings and Loan (VS&L) members were women. The VS&L membership was more popular with poorer households than with those who were economically better off. At the same time, VS&L members did not feel that the existing formal credit institutions, especially the Malawi Rural Finance Corporation, were able to meet their credit needs.
- ▶ Cash for Work activities provided an important source of cash income to almost 2,500 individuals (67 percent women), and in the process contributed to the strengthening of fragile wetland environments, to expanding winter crop production, and to improving road infrastructure.

E. FAMINE EARLY WARNING SYSTEM NETWORK (FEWS NET) MALAWI

The Famine Early Warning System (FEWS) Project has operated in Malawi since 1993, and the current Country Representative has been with the Project since its inception. The Malawi FEWS component is part of a 17-country management information network (FEWS NET) managed by Chemonics International. Data and analytical reports compiled monthly by each of the 17 country teams is submitted to Washington for integration into a regional data and information base designed to provide reliable and systematic reports and analysis of existing and projected food security and related issues. Project objectives also indicate that country data should be useful for monitoring USAID program and GOM policy objectives.

Summary conclusions include:

- ▶ Users of the FEWS NET monthly reports indicate that it provides a useful presentation and analysis of the Malawian food security situation within the limitations imposed by the accuracy of the supporting database.
- ▶ FEWS NET staffs are closely associated with, and are major contributors to vulnerability assessment monitoring (VAM) and to vulnerability assessment committee (VAC) activities.

- ▶ Since mid 2000, FEWS NET reports have been distributed monthly to almost 100 donor, NGO, GOM and private sector staff and officials. These reports can also be downloaded from the FEWS NET web site. Individuals receiving the reports generally indicated that these were the only systematic source of information and analysis addressing the wide range of indicators influencing agricultural production, marketing, and food security issues. However, some respondents on the mailing list indicated that they did not receive reports on a regular basis.
- ▶ The major data source for preparing the national food balance sheet that is included annually in the FEWS NET report is the Ministry of Agriculture and Irrigation's (MOAI's) managed National Crops Estimates Survey. The data from this survey are viewed with varying degrees of skepticism by many users, as data collection, data aggregation, and survey supervision is done by MOAI district and local officials, who are also responsible for implementing the MOAI normative development programs. Moreover, field assistants responsible for primary data collection often lack training in the survey methodology and also lack equipment such as scales and calculators, which can assist in providing accurate crop yield estimates.
- ▶ Components of the annual food balance sheet are not consistent over the past three years, suggesting that an effective methodology for developing this indicator is not yet in place. The FEWS NET Project provided \$20,000 in 2001 to purchase calculators and scales for local level extension Field Assistants to improve the measurement of crop yields and the aggregation of primary data; this equipment also was provided to enumerators to improve market price data collection and compilation.
- ▶ Concerns about the overstatement of the food availability situation, as reported in the national food balance sheet, led to a multi donor effort, starting in late 2001, to carry out separate field household economic assessments. These surveys confirmed that potentially serious food shortages existed among a large number of low-income rural households. The GOM, through the National Economic Council, is now coordinating the effort to identify food deficit areas, with full involvement by the FEWS NET professional staff.

Overall, the Malawi FEWS NET team has successfully met the assigned data compilation, analysis, and reporting objectives. Moreover, the professional capabilities and insights of the FEWS NET local staff are well respected by the NGO, donor, and GOM officials with whom they work. However, the project has not provided survey methodology and staff training and related support activities to MOAI staff, as identified in the scope of work. At the same time, it should be noted that the GOM was not initially responsive to substantiated concerns raised in 1999 by donor organizations, including USAID, that existing survey design and implementation deficiencies resulted in an overstatement of the actual food availability situation for the rural population. However, by late 2002 the weaknesses of the data collection and compilation system have become a major concern for both government and the donor and NGO community.

F. GROUNDNUT AND PIGEON PEA MULTIPLICATION PROJECT (GPM)

The GPM Project was designed to meet the expanding need for improved quality groundnut and pigeon pea seed for use by small farmers to supplement dietary protein intake and to increase cash income. It marked the initial effort by the MOAI and the donor community to systematically support the use of improved seeds to increase the production of these two crops. Conclusions from this two-year project are summarized as follows:

- ▶ The area planted to groundnuts and pigeon peas has increased significantly in recent years; the area planted to groundnuts has doubled between 1997 and 2002 and has increased by about 24 percent for pigeon peas;
- ▶ The improved basic seed provided by the project was sufficient to plant some 3,650 ha. of groundnuts and some 5,300 ha. of pigeon peas;
- ▶ Ninety five percent of Malawi's pigeon pea production is concentrated in the three southern Agricultural Development Divisions (ADDs) of Machinga, Blantyre, and Shire Valley, where this product is consumed in the local diet and where the food industry is processing pigeon peas into dhal for export markets;
- ▶ Seventy five percent of Malawi's groundnut production is concentrated in the central and southern ADDs of Kasungu, Lilongwe, Machinga, and Blantyre;
- ▶ Seventy one percent of the groundnut seed produced by the project was purchased by NGOs to support their small farmer food security and income generation activities;
- ▶ Eighty one percent of the pigeon pea seed produced by the project was purchased by NGOs to support their small farmer food security and income generation activities;
- ▶ The project exceeded its target production of groundnut basic seed by 97 percent, but met only 53 percent of targeted pigeon pea basic seed production;
- ▶ About 10 percent of the basic seed produced by the project was sold to NGOs and donors in the neighboring states of Zambia and Mozambique to meet pressing shortages for improved seed in those countries;
- ▶ The project effectively provided technology transfer activities to more than 13,000 farmers, by holding 100 field days and 2,185 on-farm demonstrations, in collaboration with the Extension Department and eight NGO or donor projects. Almost one half of the field day attendees were women;
- ▶ Four training courses were provided for some 200 MOAI (DARTS, Extension Service) and NGO staff to update and augment the technical skills for conducting seed production quality inspections and to provide training to farmers in groundnut and pigeon peas cultivation; and,
- ▶ USAID received a direct and indirect return on their investment in the expanded multiplication of groundnut and pigeon pea of approximately 1:1.3 over the three-year project period. That is, for each dollar spent by USAID on this project, the returns from sales of basic seed and from increased yields obtained by farmers who planted these seeds were about \$1.31. This figure does not include the added value from future production of basic seed from the revolving fund, nor the added value from the use of own groundnut seed by farmers for the next three years.

G. CASSAVA AND SWEET POTATO MULTIPLICATION PROJECT (CSPM)

The CSPM Project has made a major contribution toward increasing the production and consumption of cassava and sweet potato in the diet of rural Malawians. The inauguration of the USAID funded regional Southern Africa Regional Crops Research Network (SARRNET) research and development system in the early 1990s, provided the initial impetus for small grower expansion of cassava and sweet potato. From the early 1990s through 1998, new varietal improvement was undertaken for both crops. Some 10 cassava varieties and 12 sweet potato varieties had been improved and distributed in all agricultural development divisions (ADDs) for on-farm testing, prior to the start of the current project. From this work, four cassava and four sweet potato varieties were introduced for rapid multiplication.

Early projections, based on survey data collected by the MOAI, that cassava and sweet potatoes have become highly significant consumption items in the diets of rural Malawians, have proven to be overly optimistic. Similarly, leaders of most private sector companies that would utilize cassava for industrial processing remain skeptical that bitter cassava can rapidly become a major new cash crop for smallholder rural households.

These initial results suggest that the further introduction of processed cassava in human food products, for animal and poultry feeds and for starch substitutes, are possible. However, the lack of raw material supply for industrial application, limited direct consumer demand in Malawi, and the lack of readily availability export markets, continue to hamper the short-term expansion in the industrial use of cassava.

At the same time, the impact of the project on the introduction of cassava and sweet potato into the diet of rural households, as commodities that can provide needed caloric intake during the November to March hunger season, is significant. Operating within the SARNET umbrella the CSPM project:

- ▶ Increased the awareness of government, private sector leaders and farmers of the positive nutritional qualities of cassava and sweet potato, when appropriately processed;
- ▶ Strengthened the GOM policy support for continued expansion of cassava and sweet potato as a source of rural household nutrition and cash income;
- ▶ Provided multiplication of the new varieties to almost 300,000 farm families, by expanding primary, secondary and tertiary nursery sites;
- ▶ Expanded the existing three secondary multiplication sites to 15 sites comprising some 46.4 ha. of planted nursery, and formed 16 secondary nurseries with 135 ha.;
- ▶ Distributed some 8,131,200 meters of cassava stems and 3,816,000 of sweet potato stems to farm families;
- ▶ Trained more than 1,000 government, NGO and private sector technical staff in the production and processing techniques of cassava and sweet potato for food and commercial use;
- ▶ Increased the use of cassava and sweet potato by rural households to augment rural nutrition during the annual hunger periods;
- ▶ Introduced low cost hand and power driven farm level processing equipment to expand the food and processing uses of cassava;
- ▶ NGOs, DARTS, and Extension staff held field days in 11 sites, where some 14,000 persons were provided with an understanding of using the new processing equipment;
- ▶ Increased farmer and private sector entrepreneurial awareness of industrial uses for cassava as a source of household income.

While the project successfully maintained the three existing primary cassava and sweet potato nurseries, and added one more -- it did not meet the stated objective of forming 30 secondary sites. This was largely because a greater emphasis was placed on the formation of tertiary nurseries able to directly provide farmers with new planting materials.

Cost comparisons for producing planting material in farmer managed community nurseries and in tertiary nurseries maintained by project and government staff, show that farmer nurseries were more cost effective producers, earning from 12 to 18 percent greater net income from the sales of planting materials grown on similar sized plots. However, it is noted that the government

managed secondary nurseries produced a greater amount of planting material per ha. and did return a significant surplus over production costs.

The Cassava and Sweet Potato Multiplication Project (CSPM) spent for all project activities the equivalent of about \$1.36 for each farmer who was directly or indirectly impacted by the improved cassava planting materials. The ratio of USAID Project funds to increased total crop value resulting from increased yields from direct and indirect farmer plantings of improved cassava and sweet potato varieties, is 1:6.7. That is to say, for each dollar of USAID project funds provided to the project, directly and indirectly impacted farmers gained an additional \$6.70 in added value from the harvest of improved cassava and sweet potato varieties.

H. FERTILIZER FOR WORK PROGRAM

Building on the credibility and years of experience that the Evangelical Baptist Church of Malawi (EBCM) has had in the area, the Fertilizer for Work Program has succeeded in its dual objectives of rehabilitating a significant extension of roads in the rural Balaka and Machinga districts and of improving food security dramatically. In all around 270 kilometers of roads were improved in the USAID project, and a further 100 km of roads were improved with Tearfund/Disaster Emergency Committee (UK) funds. In addition to road rehabilitation carried out with hand-tools, water-crossings that frequently interrupt road transit during the rainy season, were also addressed. Additionally, more than 220 culvert crossings were built and 15 small bridges were rehabilitated.

Food security increased dramatically, as the increased production of maize was sufficient to cover more than three months of additional family needs for food. For many families, this meant the difference between covering their food needs year-round and depending on handouts of food aid. Indeed some of the participants working on the project were so short of food that they were barely able to do the roadwork that requires considerable physical exertion.

This program provides a model for resolving Malawi's chronic and recurrent food security crises. Most of the country's population is rural and must provide for the bulk of its food requirements for the main staple, by on its own producing the maize. To produce an adequate supply of maize to cover family food requirements on the limited land that people have in this densely populated country, and on the limited area that they can work with hand-labor alone, farm families have to increase yield by using a package composed of improved seed and fertilizer. Farmers understand the value of this package through the extension efforts and experience of the past, but have been unable to purchase these inputs in recent years. Credit is not the solution, because hardly any of the increased production will be sold, since it is used for family consumption in most years, and therefore, funds will not be available for the repayment of loans. The model of seed-and-fertilizer-for-work pioneered by EBCM with the help of USAID is valid. This model will work nationwide to meet chronic maize deficits for poor families willing to participate in the program -- if it is supported by USAID's lead and by the collaboration of the World Bank and other donors. Unlike the Starter-Pack program that is inadequate in amount and wasteful of resources, the seed-and-fertilizer-for-work program is self-targeting for the poor and directly addresses and resolves their chronic food security problem.

III. NON-PROJECT ASSISTANCE

A major component of USAID's Agricultural Sector Assistance Program (ASAP) in Malawi has been non-project assistance (NPA). This pattern has reflected the recognition, both locally and among the country's international partners, that policy and institutional issues, at least in theory, have been among the most serious constraints to broadly based improvements in productivity and incomes, especially among the country's smallholder farmers. In these circumstances, conventional projects or investments, even if they are well designed and funded, may be far less significant for smallholder incomes and development than directly addressing these policy issues and instituting the necessary reforms.

The intention of the NPA program has been to provide a mechanism for collaboration between USAID/Malawi and the Government of Malawi to identify and address the above constraints. The idea was to jointly design a series of policy and institutional reforms as "Conditions Precedent" (CPs). The NPA approach is that once the specified CPs are verifiably implemented by the relevant GOM or parastatal agency, substantial budgetary transfers are made to the county's Treasury. In cost benefit terms, if policy and institutional issues are significant constraints to improved efficiency and to the growth of incomes and jobs in the sector, the economy-wide benefits accruing from reforms in these areas are potentially far higher, and far more broadly distributed than are the returns from conventional investment projects undertaken without the reforms. It is also thought that conventional projects, such as the development of the institutional and physical infrastructure to sustain and support greater farm productivity, have very much more attractive returns, once the reforms are in place. The NPA component spanned both ASAP I and II, and as of June 2002, had disbursed six tranches totaling US\$ 42 million. (\$1 million remains as an unearmarked balance.)

TABLE 2
NPA Tranches By Date And Amount

Tranche	Date	Amount (US\$ Millions)
1	3/92	4.0
2	8/93	6.0
3	10/94	10.0
4	3/95	5.0
5	11/95	10.0
6	6/02	7.0
Total		42.0

It should be noted that with twenty-one CPs as a part of ASAP I, and fifty-two as part of ASAP II, there is a total of seventy-three conditions to be met. While some of these CPs are of a purely administrative nature, others are programmatic and often mutually reinforcing or additive in terms of their effects. A set of CPs in the early years of the program aimed, for example, at removing the longstanding restrictions on smallholder participation and trading rights in the tobacco market. These changes, among others, now allow smallholder producers and traders access to whichever markets they deem to be most adequate to their needs.

A further set of conditions addresses the liberalization of prices and the opening up of market participation to private sector traders and operatives -- and doing so without discrimination based on gender, religion, ethnicity, or race. Across a range of different commodities, these measures

were designed to change the tradition of control by a pervasive series of state or parastatal authorities, and to reduce the extreme dualism, favoritism, and elitism that had earlier characterized Malawi's agricultural production and marketing system. They were also aimed at improving the competitiveness and performance of these markets. The explicit intention was to broaden both the access to existing income sources and markets, and to enhance both the level and the distribution of incomes and welfare among producers. In such cases where the beneficiaries may be from the same population, with the benefits mutually reinforcing, it is difficult to distinguish the separate effects of each reform component. In these circumstances, the effects of interacting reforms have been grouped together for purposes of the evaluation.

Lastly, as can be seen from the above table, the non-project assistance program progressed well for its first four years, and then stagnated with only one tranche having been disbursed in the past seven years. While many of the reasons for this are discussed in detail in the body of the report, there is a general thread providing an explanation for this situation. It begins with popular pressures building in the early 1990s and especially gathering strength with the advent of multi-party rule in 1994. Democracy was being tested and livelihoods had to increase. Political leaders and donors decided that a 'liberization' of the lucrative, export, estate dominated tobacco sector would be the most efficient way to do this. With insufficient opposition from the 'Estate' tobacco sector, tobacco became a smallholder's crop. In the early NPA tranches the principal focus of the CPs was almost entirely directed at ways to assist this process, as the GOM's goals were in direct agreement with those of the donors, and especially USAID. By 1995, however, the tone and targets of the CPs became more general in their scope, in liberalizing the seed, fertilizer, and agricultural trade sectors, and in doing away with parastatals involved in agricultural services. While more NPA funding was disbursed in 1995 than in any other year of the program, many of the CPs achieved had been in process for some time. What is clear is that from approximately tranche four onward, the policy agenda of the Mission began to diverge from that of the GOM, or at least from the Government's ability to fully implement the accepted CPs. There has also been some 'backsliding' as certain CPs were initially met, funds were disbursed by the Mission, and then the policy(ies) reversed. The following list of factors is an attempt to set fourth a partial reasoning as to why "what didn't work, didn't work".

- ▶ The vast majority of NPA CPs are oriented towards reforms in the economic sector. As such, they do not take into account current or past political realities, nor the socio-cultural ramifications of their implementation.
- ▶ While both expatriate and national advisors, planners, and technicians can agree as to what are the necessary economic reforms to be undertaken, it is not until they are implemented and their impact is known by the intended beneficiaries and by their elected representatives that any reform can be thought to be permanent.
- ▶ External shocks, beyond the control of GOM planners and officials, be they climatic (droughts and floods), economic (declines in the world prices of tobacco, coffee, cotton, etc.), or financial (devaluations and inflation) -- can all separately or individually negate any progress towards the desired reforms.
- ▶ With approximately 65 percent of Malawi's population living below the poverty level, defined as US\$ 30 per person per year, and essentially representing a segment which is outside of the monetary economy, it is unrealistic to expect that this population, or the economy as a whole, will respond to stimuli in ways that economic theory would predict. This is particularly important, given the significant amount of GOM and donor support being provided as humanitarian aid, be it in the form of subsidies or outright grants.