1. Key development issues and rationale for Bank involvement

Malawi’s economy is agro-based. Agriculture contributes around 36% of the Gross Domestic Product (GDP), provides 85% of employment and contributes 90% of foreign exchange earnings. Over 90% of the total agricultural value-added comes from about 1.8 million smallholders who on average own 1.0ha of land. Land pressure is particularly high in the southern region of Malawi where per capita average landholding sizes are less than 0.2 ha. About 1.1 million hectares of land is held in some 30,000 estates, with an average landholding size ranging from 10 to 500 hectares.

One of the key constraints to smallholder productivity in Malawi is the small land holding size. The Poverty and Vulnerability Assessment (PVA) indicates that average cultivable land holding is less than 1 hectare (0.90 ha) and just about 0.2 ha per capita. About 58 percent of the farmers cultivate on less than 1 ha, of which about 11 percent are near landless. Only 13 percent cultivate on more than 2 ha and the majority of these are in the north where population density is still very low (about 50 people per km$^2$).

However, such pressure exists in the face of underutilized land in both the estate and customary sector. Land distribution is sharply unequal and overcrowded arable land exists next to underutilized leasehold land. Based on estimates from land utilization studies undertaken in 1996, about 2.6 million hectares (about 28 percent) of suitable agricultural land under estate and customary tenure remain uncultivated or underutilized. Current Government estimates however indicate that approximately 600,000 hectares are currently idle, and it is this land that has been the target for redistribution under the project.

The major policy issues for the land sector in Malawi evolve around equity of access, security of tenure and sustainability of land use and use of land-based resources. The Government has been
piloting the Community-based Rural land Development Project (CBRLDP) since 2004, in an attempt to introduce policies and strategies that will improve land use efficiency by bringing idle land into production using non-distortionary approaches. The CBRLDP is piloting a ‘transparent, voluntary, legal and resource-supported approach to land redistribution. Its key principles include being market-assisted, community-driven and focusing on rural areas, where poverty is most pervasive.

Rationale for Bank’s Involvement

From 1996 to 1999, the Bank (through an Institutional Development Fund, IDF) supported the Presidential Land Commission of Inquiry on Land Tenure Issues and attracted co-financing from other donors. The Commission made extensive consultations at all levels of society and throughout the country. Its findings and recommendations were presented to the President of Malawi in October 1999. Taking the Commission's findings as a point of departure, Government then proceeded in 2000 to prepare a Draft Land Policy which was submitted to Cabinet in early 2001 and was approved in 2002. The pilot project directly addresses the challenge of reducing rural poverty and promoting growth, through a combination of redistributing underutilized assets (land) in favor of the poor, strengthening the participation of smallholder farmers through community-initiated productive investments, building institutional capacity at various levels of government and civil society, and increasing the consultation and participation of key stakeholders in the implementation of the land policy reform. Moreover, the proposed program is consistent with the Bank’s overall strategy to move towards a programmatic approach to public investments, since it is being prepared with full endorsement of all the key donors in the country.

2. Proposed objective(s)

The project development objective is to increase the incomes of about fifteen thousand (15,000) poor rural families through the implementation of a decentralized, voluntary community-based land reform pilot program on eligible land in the project districts. The objective under the proposed Additional Financing remains unchanged. The approach to land reform piloted under the project includes: (i) voluntary acquisition by communities of land sold by willing estate owners, land transferred to communities by government, or land donated by private individuals; (ii) on-farm development, including the establishment of shelter and the purchase of basic inputs and necessary advisory services; and (iii) land administration, i.e. the regularization, titling, and registration of beneficiaries’ property rights in land. The project will also contribute to strengthening the institutional capacity in land administration (including tenure regularization, titling, and registration). Last, but not least, the project will support the preparation of a broader Land Reform Program to be carried out by the Government of Malawi.

3. Preliminary description

In addition to covering project cost overruns, the additional resources will support expanded activities under the existing categories to enhance the impact of the project and contribute to the project development objective. It is intended to build on the achievements from the pilot project with expanded activities that scale up the project's impact and development effectiveness. The
activities to be supported by the additional financing include (i) coverage of a cost over-run, relating to the additional costs of relocating 1000 households who cannot otherwise be relocated because the current project budget is only adequate for 14,000 households. This will enable the project to reach the original target of 15,000 households while also providing support for activities aimed strengthening complementary services, such as extension, environmental and other capacity building services, that will enhance the newly relocated beneficiaries’ agricultural production activities; (ii) enhancing performance of the Capacity Building component to align it better towards strengthening the capacity of the land administration. This would include the strengthening of surveying and registration services through the procurement of hardware and software, training of staff, digitizing, converting and updating outdated maps and land records at land registries at district, regional and national level; (iii) activities aimed at supporting the implementation of land policy reform such as studies, stakeholder consultations and publicity campaigns for (a) preparation and adoption of an equitable ground rent system and the implementation mechanisms, (b) introduction of a land tax on freehold land, and (c) enactment of a new Land Law; and (iv) carrying out the impact assessment for Year 5, including a comprehensive evaluation of the pilot project and drawing of lessons to inform the design of a scaled-up program, and preparation of a scaled-up Land Reform Program;

The additional financing proceeds will be allocated as follows: Land Acquisition and Farm Development ($ 1.75 million), Land Administration ($3.07 million), Capacity Building (for government land administration institutions ($2.49 million) and for improved systems for more efficient land rent and tax collection), and Project Management ($1.97 million) and M&E ($0.35 million), total $2.32 million.

4. Safeguard policies that might apply

[Guideline: Refer to section 5 of the PCN. Which safeguard policies might apply to the project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?]

The project does not present any major environmental issues as it is being implemented in already established farming areas suitable for intensive agriculture. As anticipated following the Environmental Assessment conducted prior to project approval, minor environmental issues, such as soil erosion, deforestation, wetland cultivation, human/animal conflict have been identified during the implementation of the pilot project, but, in line with the agreed Environmental Management Plan, the Government has consistently put in place adequate mitigation measures to address these. The Project Operational Manual specifies the screening criteria and procedures meant to ensure that appropriate environmental management principles and practices are followed. Because of the small-scale and simplicity of design of the majority of community sub-projects, they do not have a significant effect on the environment. Nevertheless, the project will continue to ensure proper environmental screening, review and enforcement measures to prevent certain types of productive or infrastructure subprojects from producing negative environmental facts. Similarly, the project has ensured that new relocations respect the carrying capacities of the land and are done in accordance with the environmental screening procedures outlined in Environmental Management Plan (EMP).
5. Tentative financing
Source: ($m.)
BORROWER/RECIPIENT 0
International Development Association (IDA) 10
Total 10

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