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**AUSTRIAN FEDERAL
MINISTRY OF FINANCE**



THE FUND FOR AFRICAN PRIVATE SECTOR ASSISTANCE

Technical Assistance Request

October 2016

Malawi Nacala Rail & Port

Value Addition Project

ABSTRACT

Project Goal

The main goal of the TA project is to improve on the efficiency and competitiveness of local businesses situated in the Nacala Corridor in order to enable them to better exploit the newly available transport infrastructure, and to achieve accelerated economic and social development in Malawi. The project is designed to complement the OPSD3 Nacala Rail and Port Project in order to support inclusive and sustainable economic growth along the Nacala Corridor in Malawi. The total project cost is estimated at USD 1.1 million, for which FAPA funding of USD 1 million is requested. This approach is innovative as it moves from the infrastructure corridor construction concept to the development corridor concept by enabling other sectors to maximize their productivity through, for example, in the TA, the development of value chains and sustainable job creation thereby creating the enabling environment for industrialization and private sector development.

Project Objectives

The project will involve three main interventions:

- (i) Building the capacity and facilitating access to markets and financial resources directed to growth oriented agribusiness entrepreneurs in selected rural and semi-rural areas in the Nacala Corridor region. This intervention will enable them to create or strengthen innovative and competitive rural agro-processing small and medium businesses that will develop a strong linkage with smallholder farmers and integrate them in their supply chain.
- (ii) Supporting farmer institutions to improve capacity for advocacy and provision of relevant services to enhance sustainability.
- (iii) Building the capacity of smallholder farmers to catalyze change of mindsets and gain a better understanding of farming as a business.

Alignment with the Bank's Country Strategy Paper and Countries Development Priorities

The project is aligned with the second pillar of the Bank's Malawi Country Strategy Paper 2013 – 2017 of supporting private sector investment and trade, through among others capacity building, skills development and entrepreneurship training. The project is also in line with the development priorities of Malawi as stipulated in the Malawi Growth and Development Strategy (MGDS) 2011-2016 that aims at enhancing productivity and production for domestic and export markets.

Alignment with the Bank's Strategies

The Project is fully aligned with: (i) the first and overarching objective of the Bank's TYS 2013 – 2022 of achieving growth that is more inclusive in addition to alignment to the Bank's High Five priority areas to advance the transformation agenda of Regional Member Countries, in particular, Feed Africa, Industrialize Africa and Improve Quality of Life of Africans; (ii) the third pillar of the Private Sector Development Strategy 2013 – 2017 of enterprise development; (iii) the second pillar of the Bank's gender strategy 2014 – 2018 of women's economic empowerment; (iv) the second pillar of the regional integration policy and strategy (RIPoS) 2014-2023 of Trade and Industrialization ; and (v) the Agriculture and Agribusiness Strategy 2015-19 under the second focus area of agribusiness and innovation.

Alignment with FAPA Objectives

The project is in line with two FAPA focus areas, namely promoting development of MSMEs and trade.

APPLICATION SUMMARY

Processing Stage: FAPA Oversight Committee

SAP No: P-MW-KB0-001

Date: October 2016

Major Sector(s): Agribusiness

Region/Country: Malawi

Grant Recipient: Government of Malawi

Executing Agency: the Malawi Investment and Trade Center (MITC)

Target Beneficiaries: Agro processing SMEs; farmers' support organizations; small holder farmers; extension service workers; financial institutions; and the Government of Malawi.

Project Development Objectives: inclusive, accelerated economic and social growth in Malawi.

Project Main Components

1. Capacity building of key stakeholders
2. Access to market
3. Access to finance

Key Performance Indicators

- (i) Increased agriculture production
- (ii) Increased small holder farmer productivity
- (iii) Increased value addition by agro-processors
- (iv) Increased incomes for small holder farmers
- (v) Increased profitability for SMEs in agro-processing
- (vi) Contribution to a PPP dialogue to improve the enabling environment for industrialization

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Financing Plan (USD)

Financing type, in USD millions	Total	AfDB	GOM
Equity/Loan	0.00	0.00	
Share of Total			
Technical Assistance	1,124,755	1,000,000	124,755
Share of Total		89%	11%
Total Project Cost	1,124,755	1,000,000	124,755

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1. LIST OF ACRONYMS

AfDB	African Development Bank Group
AIDS	Acquired Immune Deficiency Syndrome
AIYAP	Agriculture Infrastructure and Youth Agribusiness Project
ASWAp	Agriculture Sector Wide Approach
BQR	Beneficiary Quarterly Report
CQS	Selection Based on Consultant's Qualification
CSP	Country Strategy Paper
DFID	Department for International Development
EU	European Union
FAPA	Fund for Africa Private Sector Assistance
FM	Financial Management
GDP	Gross Domestic Product
GIZ	German Corporation for International Cooperation
GNI	Gross National Income
GPN	General Procurement Notice
HIV	Human Immunodeficiency Virus
JICA	Japan International Cooperation Agency
LCS	Least Cost Selection Method
MGDS	Malawi Growth and Development Strategy
MITC	Malawi Investment and Trade Centre
MSME	Micro Small and Medium Enterprises
NABW	National Association of Business Women
NASFAM	National Association of Small Farmers in Malawi
NASME	National Association of Small and Medium Enterprises
OITC	Transport and Information Communication Technology Department
OPSD	Private Sector Department
OSAN	Agriculture and Agro-Industries Department
OSBP	One Stop Border Post
PCR	Project Completion Report
PSD	Private Sector Development
QCBS	Quality Cost Based Selection Method
RIPS	Regional Integration Policy and Strategy
SADC	Southern Africa Development Community
SIVAP	Small Irrigation and Value Addition Project
SME	Small and Medium Enterprises
STI	Sexually Transmitted Infection
TA	Technical Assistance
TIPSWAp	Trade Industry and Private Sector Wide Approach
TRC	Technical Review Committee
TYS	Ten Year Strategy
UNDB	United Nations Development Business
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
USD	United States Dollars

2. STRATEGIC CONTEXT AND RATIONALE

2.1. Institutional Background, Country and Sector Issues

2.1.1 Institutional Background

The Nacala Road Corridor is one of the important trade corridors in Southern Africa. The development of the corridor is critical to enhancing regional and international trade competitiveness particularly for landlocked countries such as Malawi. In recognition of the above, the SADC Secretariat has included the development of the Nacala Road Corridor in its Regional Master Plan (2012-2027). The road and rail transport infrastructure along the Corridor is considered to be “anchor infrastructure” along which spatial development in other economic sub-sectors can develop, such as energy, mining, agriculture, agro-forestry, fisheries, and tourism. The Bank taking cognizance of support by EIB and EU has financed sections of the road corridor in three countries (Malawi, Mozambique and Zambia) through the public sector window and the rail in two countries (Malawi and Mozambique) through the private sector window.

The key challenge however in all these developments remains the inability of small and medium businesses, smallholder farmers and communities in the corridor to maximize the potential benefits of these investments. This requires skilled human capacity, enterprising businesses and a sound enabling environment for business. On the other-hand for inclusive growth to happen, apart from the above, there is need for a better information flow across the value chains, strong business support institutions, greater collaboration and enhanced capacity of small businesses to take advantage of the opportunities within the corridor.

This approach is innovative as it moves from the infrastructure corridor construction concept to the development corridor concept by enabling other sectors to maximize their productivity through, for example, in the TA, the development of value chains and sustainable job creation thereby creating the enabling environment for industrialization and private sector development.

The main objective of this TA project is to strengthen the inclusiveness of Bank rail and roads investments in the Nacala corridor, more precisely in Malawi and Mozambique, by enhancing local population¹ benefits along the corridor through:

- capacity building of agribusiness SMEs, farmer groups and smallholder farmers and facilitating access to finance and greater market access in Malawi, and
- Capacity building and business linkages in the construction sector in Mozambique.

This project focuses on the Malawi TA. Another TA request will be prepared for the Mozambique project.

The choice of the agribusiness sector in Malawi was driven by the shallow SME sector (non agriculture oriented) and the dominance of the agriculture sector that presents growth opportunities.

¹ Local population with its diversity, gender, age and social background

The TA project will build synergies with other Bank projects² in Malawi indicated below:

Department	Project Name	Objectives	Status	Synergy
OSAN	Smallholder Irrigation and Value Addition Project (SIVAP)	1. Improve crop production and productivity 2. Improve net farm income of the project beneficiaries	On-going	The TA project will provide advice on private sector management of the processing facilities; link SIVAP small holders to agribusiness entrepreneurs and provide additional capacity to SIVAP beneficiaries where possible. SIVAP will provide technical advice to agribusiness SMEs to improve crop production and irrigation where possible.
OITC	Malawi/Zambia Nacala Road Corridor Development Project Phase IV	Construction of the Liwonde-Mangochi road, including training for women in the 3 road side markets that the project will build along road.	On-going	TA to contribute to the design of the business skills training (funded by OITC) and create linkages with agribusiness SMEs where possible.
OSHD	Competitiveness and Job Creation Support Project	To improve the capabilities and the competitiveness of the private sector as well as increase export diversification and job creation.	On-going	Collaboration on Matching Grants Scheme (MGS) and access to finance to incentivize partnering financial institutions to come up with innovative lending practices for SMEs.

2.1.2 Country Issues and Alignment with CSP and Malawi Development Priorities

Malawi remains one of the least developed countries in the world with a GNI per capita of USD 250³. The Country has to date not been able to diversify the structure of its economy and exports and thus compromised the opportunity to sustain high rates of economic growth. The manufacturing sector is very small at 11% of GDP and declining. Manufacturing comprises mainly agro-processing activities in tobacco, tea and sugar processing. Distribution and services represent about 22% each of GDP. Malawi's economy remains driven primarily by the agriculture sector representing about 33% of GDP with a large smallholder sub-sector that is mainly engaged in subsistence farming. Maize, the staple food, accounts for 80% of cultivated land in the smallholder sub-sector. The main agricultural export crop is tobacco (accounting for 60% of foreign earnings), followed by tea, sugar, coffee and cotton. Besides Maize, the small holder farmers in the Nacala Corridor mainly grow food crops such as rice, sweet potatoes, Irish potatoes, sorghum, millet, cassava, groundnuts, vegetables, soybeans, cowpeas, pigeon peas, sesame seeds, and other oil seeds.

Malawi's business climate is weak as evidenced by its low ranking on the Ease of Doing Business. In 2016, Malawi was ranked 141 out 186 countries.

² Each of these interventions have embraced gender mainstreaming. Accordingly, the proposed TA project will compliment and retrofit as deemed appropriate.

³ 2015 World Bank rating

The government has intensified policy, institutional and regulatory reform efforts to address the constraints to private sector development guided by the 2014 DB Memorandum and 2015 DB Action Plan. Several economic laws that were pending have been enacted, including amendments to three acts of parliament: the Credit Reference Bureau Act, the Personal Property Registry Act and the Insolvency Act. In February 2016, Malawi became the third country in SSA after Ghana and Liberia to establish a modern online collateral registry system (officially called Personal Property Security Registry) which was launched together with the Malawi Business Registration System (MBRS) to enable businesses and individuals access loans using movable assets. The collateral registry will provide an alternative collateral for SMEs that do not have fixed assets to facilitate access to loans and unlock business opportunities especially for women who form the bulk of small scale traders. The MBRS will facilitate the online registration of businesses, and automatically generate a Taxpayer Identification Number for the business. It will cut business permit processing time by more than half, significantly reducing transaction costs and saving time for businesses. GoM has also set up a One-Stop Services Centre (OSSC) at the Malawi Investment and Trade Centre, aimed at facilitating investment and simplifying business start-up processes such as company registration, getting immigration permits, taxation and land acquisition issues.

The country is also in the process of implementing a National Single Window and One-Stop-Border Posts with neighboring countries to reduce the cost of trade. A PPP policy, legal and regulatory frameworks are in place to promote private investment in infrastructure and other services. Concurrently, the Government is undertaking tax policy reforms to reduce the cost of tax compliance. However, some of the institutions mandated to promote private sector development, such as the PPP Commission, the MITC, and the Small and Medium Enterprises Development Institute (SMEDI) face capacity gaps and will require strengthening as part of a holistic approach to enhance the role of the private sector in Malawi.

The TA project is aligned with the second pillar of the Bank's Malawi Country Strategy paper 2013 – 2017 of supporting actions to expand private sector investments and trade, through among others capacity building, skills development and entrepreneurship training. The project is also in line with the development priorities of Malawi as stipulated in the Growth and Development Strategy (MGDS) 2011-2016 which specifically targets agriculture and food security and industrialization through private sector development industry and trade (improved environment for domestic and foreign investments created; increased investments by both local and foreign entrepreneurs; and improved productivity and market access of enterprises. The reforms being implemented by the Government are important for creating an enabling environment to facilitate business growth of the targeted beneficiaries of this TA project.

2.1.3 Sector Issues

The agriculture sector is the backbone of Malawi's economy. Agriculture generates over one third of the country's gross domestic product (GDP) and accounts for 90% of foreign exchange earnings⁴. Over 85% of Malawi's population reside in rural areas and depend on agriculture for livelihoods (providing employment for 85% of men and 94% of women)⁵. The infrastructure investments (road and railways) are expected to stimulate economic development in Malawi and catalyze the need for increased agricultural production. The planned capacity building and strengthening of agricultural value chains by the TA project is thus both necessary and timely. High value crops such as legumes and oilseeds which are prioritized in the Malawi National Export Strategy and have high demand in the export market will likewise be prioritized in the TA project.

⁴ 2015 CIA World Fact book

⁵ Malawi Welfare Survey 2009

The agricultural sector in Malawi in general and along the Nacala Corridor in particular currently faces great challenges, these mainly include:

- Low production and productivity – estimated at 38% of potential yields.
- Limited number of agro-processors. The agricultural sector is dominated by a few large processors.
- Marketing constraints especially as regards the failure to obtain crops/products of acceptable quality, weak market linkages, and erratic supply.
- Lack of access to finance – the cost of credit between 30 - 42% per annum for commercial banks and 50% - 100% per annum from money lenders is a major hindrance to the development of agriculture contributing to low uptake of inputs.
- Weak farmer organizations;
- Persistent vulnerability to climate induced food insecurity among small holder farming households.

Development partners play a significant role in the agriculture sector. These include: AfDB; DFID; World Bank; EU Delegation, GIZ, USAID, JICA, IFAD and the Norwegian Embassy. During project appraisal, potential areas of cooperation were identified between the TA project and GIZ and USAID ongoing projects. These will further be explored during project implementation. Annex 3 outlines key current initiatives by development partners.

2.2. Rationale for Bank Involvement

2.2.1 Alignment with Bank's Ten Year Strategy, Hi 5 priorities, Private Sector Strategy, other Bank strategies and FAPA Objectives

The Project is expected to contribute to increased inclusive growth in Malawi and is thus aligned with the overarching objective of the Bank's TYS 2013 – 2022 of achieving growth that is more inclusive. The project is also expected to contribute to increased agriculture production, productivity and value addition and is therefore well aligned with the High Five priority areas to advance the transformation agenda of Regional Member Countries, in particular, Feed Africa, Industrialize Africa and Improve Quality of Life of Africans. The project is also aligned with the pillar II of the regional integration strategy, enhancing industrialization and trade. The project will build capacity of SMEs, farmer groups and small holder farmers of which 50% are targeted to be women. The project is in this regard aligned with the third pillar of the Private Sector Development Strategy 2013 – 2017 of enterprise development, the second pillar of the Bank's gender strategy 2014 – 2018 of women's economic empowerment and the Agriculture and Agribusiness Strategy 2015-19 under the second focus area of promoting agribusiness and innovation.

The project is also consistent with two focus areas for FAPA: promoting development of MSMEs and trade.

2.2.2 Prior Bank Involvement in the Nacala corridor and in lessons learned in SME support

The Bank supported the development of the Nacala corridor both from the public and private sector windows. Four projects were financed from the public sector transport department. Phase 1 involved rehabilitation of 348 km of road from Nampula to Cuamba in Mozambique and construction of 13 km bypass road west of Lilongwe city in Malawi. Phase 2 involved rehabilitation of 360 km of road from Luangwa Bridge to Mwami in Zambia. Phase 3 involves rehabilitation of 175 km Cuamba – Mandimba - Lichinga road in Mozambique. Phase 4 involves rehabilitation of a 75 km road between Liwonde and Mangochi along the Nacala Road Corridor in Malawi and construction and establishment of One-Stop-Border-Posts (OSBP) between Malawi and Mozambique at Chiponde and between Malawi and Zambia at Mchinji/ Mwami border post.

In 2015, the private sector window provided a USD 300 million senior loan to Vale for the construction and operation of a 912 km cape gauge rail line (682 km of which is brownfield) from the Moatize mine in western Mozambique to the Nacala port on the eastern coast of the country through Malawi.

Other similar programs developed by the Bank have created a knowledge base and wealth of experience in the direct support to MSMEs, particularly with FAPA grants, including: (i) Economic Entrepreneurship Program and Rural Income in Egypt; (ii) Support to micro-finance institutions in the Congo, Liberia, Nigeria and Tanzania; and (iii) Support to SME competitiveness in Zambia; MSME development project in Seychelles; and SME Business Linkage in Ghana. The lessons learned from these projects have been incorporated into the design of this Technical Assistance Request, including: (i) the need to implement programs for a longer duration; (ii) the need for a baseline and measurable performance indicators; (iii) the importance of effective supervision and regular meetings with stakeholders; (iv) the need for an integrated approach to the value chain involving key stakeholders; (v) the importance of a good communication program to avoid unrealistic expectations; (vi) the need for a good selection of eligible beneficiaries of the project; and (vii) the need to strengthen the technical and managerial capacities of entrepreneurs beyond access to finance.

2.3. Alignment of Sponsor's Corporate Governance and Corporate Social Responsibilities with International Standards

2.3.1 Alignment with Corporate Governance and Corporate Social Responsibility principles

The trainings for farmer groups and SMEs will include corporate governance rules to strengthen good governance and corporate social responsibility principles to promote sustainable development (soil preservation, sustainable land use etc.), environmental and social management and climate change awareness.

2.3.2 Alignment with Gender mainstreaming principles

Women comprise about 52 percent of the Malawian population hence they are instrumental if the country is to achieve its Development Agenda. Malawi in 2014 had a Gender Inequality Index value of 0.611⁶. This reflects the huge disparities between men and women. The Gender Inequalities Index measures the situation of women and in men in relation to reproductive health, empowerment and the Market, and political participation. The Malawi Agriculture Sector Gender and HIV/AIDs Strategy (2012 – 2017) indicated that 51% of the country population are marginalized in social and economic sphere such as agriculture, health and education. This situation has been exacerbated by high illiteracy level among women as a result of high girl drop-out rates from the formal schooling system; 1 in 30 women compared to 1 in 10 men complete secondary schools.

Only 32% of individual holders of agricultural land in Malawi are women despite their significant contribution in the agriculture sector.⁷ Rural women in Malawi play an important role as subsistence farmers,⁸ and there is increasingly involvement of young female (91% of young males workers and 96% of young female workers are employed in agriculture activities).⁹ Yet their productivity is hindered by gender inequalities. The gender inequalities in the agriculture sectors can be attributed to: (i) limited access to land and agriculture inputs including access to finance; (ii) low literacy

⁶ UNDP human development reports, 2014

⁷ Gender Inequalities in Rural Employment in Malawi: An Overview, FAO, 2011.

⁸ Ibid.

⁹ Ibid

among women including knowledge and skill needed in the agriculture value chain; (iii) employment pattern of women in the agriculture sector – family work with low or no waged labour; and (iv) limited mobility of women which affect their access to market.

Despite government efforts, women in Malawi continue to face many challenges when it comes to household and everyday decision-making. Approximately 97% of women in Malawi participate in subsistence agriculture and women make up 70% of the country's cash crop labor. Further more men in Malawi for the most part have the overall say on the selection of crop types to be produced and are predominantly in charge of finances and financial decisions, which means, women provide nearly all of the manual labor involved in agriculture though they do not always get to enjoy financial autonomy and/or independence. In addition, women generally have limited control over money generated from sales of agriculture produce. In terms of women's representation in the sector, women occupy as little as 25% of the decision-making positions and are often deputies of men.

The project will make deliberate effort to ensure adequate participation of women (at least 50% of beneficiaries). Women will also be given a quota for representation on the steering committee and the executing agency will establish a gender focal point as part of the Project Implementation Unit. Women, will thus have the opportunity to participate in farm related income generating activities and contribute meaningfully to the socio-economic development of their communities. The gender perspectives have been integrated into project formulation in line with the Malawian Gender Equality Act, 2012 and the National Youth Policy, 2013, and also takes due cognizance of the Bank's Gender Policy.

Moreover, gender consideration will be drawn from the operations mentioned above and deliberate efforts will be made in each component to reach women for skill development, agro-business, facilitating access to market, developing and equipping women-owned SMEs, and simplified information flow. It is important for the TA to have the prerequisite to deal and manage issues pertaining to gender in this operation. Capacity development of women involved in the project would help in increasing women's access to agriculture inputs which will increase production, productivity, and agro-process opportunities.

3. PROJECT DESCRIPTION

3.1. Project Goal

The Goal of this TA project is to complement the Nacala Rail, Port and Roads Projects in order to support inclusive growth along the Nacala Corridor in Malawi. The TA project will help local SMEs and farmers take advantage of the road and rail infrastructures by improving on the efficiency and competitiveness of their businesses.

3.2. Project Development Outcomes

Expected outcomes include:

- (i) Increased agriculture production;
- (ii) Increased small holder productivity;
- (iii) Increased value addition by agro-processors;
- (iv) Increased incomes for small holder farmers;
- (v) Increased profitability for SMEs in agro-processing.
- (vi) Contribution to a PPP dialogue to improve the enabling environment for industrialization

3.3. Target Beneficiaries

The target beneficiaries are SMEs involved in agro-processing and operating along the Nacala corridor region of which at least half are expected to be owned by women and/or youth. Other beneficiaries include smallholder farmers and farmer groups in the Nacala corridor; extension service workers through improved skills and financial institutions through training of loan officers.

The project will select 10 to 15 agribusiness SME owners (champions) demonstrating growth potential, targeting at least 50% women.

Selection criteria to be validated by the consulting firm in consultation with the executing agency will include amongst others:

- **Beneficiary business experience**
 - Must be formally registered and located along the Nacala corridor
 - Tax compliant
 - Should have been in operation for at least two years preferably with export experience
 - Priority to women owned SMEs
- **Beneficiary ability to meet new orders / respond to market opportunities**
 - Capacity to handle a minimum turnover or metric tons processed or traded
 - Level of value addition (to be proposed by the consulting firm)
 - Have capacity or potential to implement quality control standards
 - Must have a financially viable business with capacity to access / attract financing
 - Must have human resource capability or trainable human resource to support the business
 - Important and secured potential trade market
 - Currently exporting or with potential to export
- **Beneficiary potential to have economic impact on small holder farmers**
 - Existing partnership or willingness to partner with a minimum number of smallholder farmers (to be established)
 - Must have potential to generate sustained growth in sales (local or export) to absorb increased production from small holder farmers
 - Strong motivation of the beneficiary to undergo the change management process and willingness to provide support to small holder farmers.

The consulting firm will establish a scoring system based on above proposed criteria with priority being given to Women owned SMEs.

3.4. Project Components

The project will include the following components:

1. Capacity building of key stakeholders
2. Access to market
3. Access to finance

3.4.1 Component 1 – Capacity building of stakeholders.

This component will start with a preparatory phase that will include a scoping study (to take gender dimensions into account) and a call for proposals. The scoping study will involve a preliminary assessment of crops grown in the Nacala corridor including a review of value chain analysis conducted of various crops¹⁰, mapping of potential champion SMEs – men and women, mapping of

¹⁰ Value Chain analysis of various crops has been conducted in Nacala Region.

SIVAP irrigation schemes and farmer groups for identification of synergies, and synthesis and analysis of previous studies and/or projects in the Nacala corridor to provide conceptual clarity as regards Nacala Corridor development. The call for proposals will launch the communication about the project and selection process of SME champions based on the pre-defined selection criteria. Women SMEs will be encouraged to apply. A panel of independent evaluators will be engaged to select champion agribusiness SMEs.

The scoping study will be followed by a diagnostic of key stakeholders (including assessment on women's situation) on the basis of which a capacity building plan with timelines, duration and sequencing will be developed. The diagnostic will involve but not limited to:

- Assessment of champion agribusiness SMEs business strategy, production function (including quality assurance standards), marketing function, resource management competencies, human resources and financial management.
- Review of management, effectiveness, service delivery of farmer groups linked or having the potential to be linked to champion agribusiness SMEs.
- Analysis of small holder farmers' production methods, level of business management awareness, compliance with buyers' quality standard requirements, and access to reliable technical extension services, etc.

The results of the diagnostic will be utilized to develop/adapt training content and material based on identified performance gaps. Champion SMEs will be trained on how to grow a sustainable business (strategy, marketing, branding, timely production and at the right standard, market prospection etc.); farmer groups will be trained on governance, leadership, how to improve their efficiency, grow their membership base and generate revenues etc.; farmers will be trained in farming as a business. High yield planting techniques, crop management etc. to be done in cooperation with SIVAP and ASWAp projects; the capacity building sessions will be followed by coaching to help the beneficiaries apply what they have learned.

3.4.4 Component 2 - Access to market

The access to market component will include:

- Desk analysis of potential markets for SME champions' crops.
- Identification and linkages of farmer groups and SME champions with suppliers and buyers.
- Assistance for contract negotiation for all stakeholders.
- Support for quality compliance with export regulations and buyers' specifications and linking of SME champions to simplified market information systems.

3.4.5 Component 3 - Access to finance

The TA project will identify and conduct a rapid assessment of potential partner banks¹¹. The TA project will not provide financial resources, but rather will foster dialogue and networking between SMEs, farmer groups and partnering banks. Banks will present their requirements and products, SMEs and farmer groups will present their businesses and needs. Networking sessions will be organized every 2 months for the first year and every quarter in the second and third year. This component will include some capacity building for loan officers in SME and agribusiness risk assessment and product design for marketing officers. In addition, the SMEs will present to the banks the business plans prepared with the support of TA experts. The SMEs will also be coached to develop and adopt appropriate financial management systems. The project will also link closely with the Ministry of Finance which is in the process of establishing an agricultural fund that would have concessional interest rates with reasonable grace period for farmers.

¹¹ Consideration will be given to institutions dealing with women farmers

3.5. Project Communication Methodology and Donor Visibility

Donor visibility will be organized at key milestones of the project, for example, at project launching/inception, mid-term review and project completion review. The donors' embassies and the local press will be invited to participate in the key milestones of the project.

3.6. Critical Risks and Controversial Aspects (TA Project)

- *Macro- economic instability (high inflation and interest rates).*
Mitigation: The Government is undertaking macro – economic reforms to reduce inflation and interest rates.
- *Agriculture in Malawi and the economy is highly vulnerable to weather shocks.*
Mitigation: Synergies will be built with other Bank projects such as SIVAP, which has a component on sustainable land use and water development, with sub-components on development and rehabilitation of irrigation schemes. The target agro-processors, small holder farmers, and farmer groups will to a great extent be within the operating areas of SIVAP in the Nacala Corridor, effort will be made to link them to the SIVAP program. It is anticipated that this will among others mitigate against the weather shocks.
- *Limited commitment of the SME champions to implement the change management required.*
Mitigation: This will be one of the selection criteria. The trainings sessions will also serve as a screening process to detect early warning signals (number of absences, number of changes implemented, training scores and coach feedback). 15 champions will be selected to take into account drop off rate.
- *Selection of weak SME champions and farmer groups.*
Mitigation: Clear selection criteria that will identify growth oriented SMEs and farmer groups will be defined in the preparatory phase. The selection process will be transparent with an evaluation committee composed of a representative of banks and highly qualified experts.
- *Lack of coordination: there are many activities and many stakeholders in the value chain; sequencing and coordination are key success factors.*
Mitigation: the implementing agency at inception will prepare a detailed work plan with clear roles and responsibility for each expert and milestones for team debriefing. A project steering committee made up of prominent stakeholders will also be put in place to provide overall strategic guidance to ensure attainment of project objectives.

4. IMPLEMENTATION AND EVALUATION

4.1. Institutional and Implementation Arrangements

The Government of Malawi will be the grantee.

The Executing Agency will be the Malawi Investment and Trade Centre (MITC), under the Ministry of Industry and Trade. MITC will be responsible for all fiduciary aspects of the TA project. It will be responsible for ensuring appropriate use of grant funds and ensuring compliance with the grant terms and conditions. It will avail a project office, local logistics, and will be responsible for promoting the project to the various stakeholders. MITC will avail a capacity building expert, market access expert and access to finance expert to be twined with experts from the consulting firm for skills and knowledge transfer to ensure sustainability of project activities. A consulting firm will be responsible for the implementation of project components and monitoring of progress through monthly reviews to ensure that the project objectives are achieved.

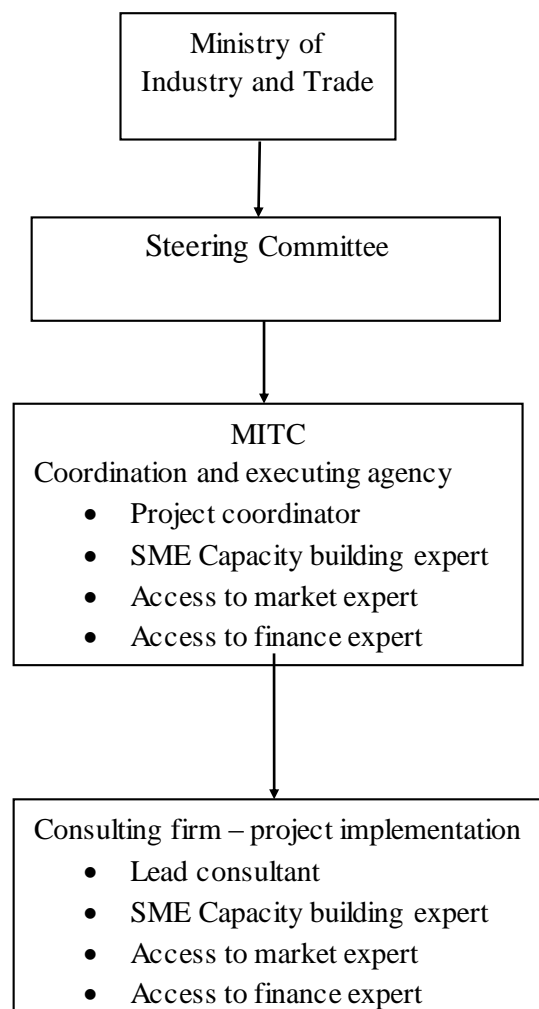
A Steering Committee will be responsible for providing oversight, overall direction, strategic and high level guidance to the project. The steering committee will work in close collaboration with the

Ministry of Agriculture through the ASWAp secretariat and the Ministry of Industry and Trade through the TIPSWAp secretariat. It will be composed of representatives of key stakeholders in the value chain including the Ministries of Finance, of Agriculture, of Gender and of Industry and Trade; private sector stakeholders; representative farmer organizations; and other members to be determined by the Ministry of Industry and Trade. A representative of the Ministry of Industry and Trade from the TIPSWAp secretariat (Trade Industry and PSD sector Wide Approach), will chair the steering committee.

For sustainability, the project will cooperate with the local organizations operating at various levels of the value chain. These include but not limited to:

- ASWAp secretariat (Agriculture Sector Wide Approach) and SIVAP, on farming, irrigation and productivity and potential synergies to avoid duplication.
- NASFAM (National Association of Small Farmers in Malawi) and FUM (Farmers' Union of Malawi) for identification of farmers and farmer groups.
- NASME (National Association of SMEs) for identification and mobilization of potential SME champions.
- NABW (National Association of Business Women) for identification of potential women owned SMEs/ women champions and
- Partnering Bank's such as NBS Bank that has expressed interest for access to finance. Other financial institutions will also be approached.

An organizational structure for institutional arrangements is presented below.



Overall Timeline

Table 1: TA Delivery Timeline

	2017				2018				2019				2020
Key Activities	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q1
Recruitment of consulting firm and launching													
Component 1– Capacity building of Key Stakeholders													
Scoping Study													
Prepare for and launch call for proposal and communication													
Review and selection of champions													
Desk review of value chain of crops													
Assessment of Champion SMEs													
Review of farmer groups													
Analysis of farmers production methods etc.													
Developing/adaptation of training and capacity building content and materials													
Training of SMEs													
Training of farmer groups													
Training of farmers													
Coaching SMEs													
Coaching farmer groups													
TOT for extension workers													
Extension services to farmers													
Component 2 – Access to Market													
Access to market desk analysis													
Identification of linkages with supplier and buyers													
Assistance to contract negotiations													
Support to improve quality, standards etc.													
Component 3 – Access to finance													
Identification and rapid assessment of partnering banks													
Capacity building for loan officers													
Networking sessions													
Coaching of SMEs to develop financial Mgt. Systems													
Assistance of SME in preparing bankable business plans													

4.2. Monitoring and Evaluation of Outcomes

4.3.1 Monitoring Measures and Assurance

A monitoring and evaluation framework and plan will be developed by MITC. Guidance and technical comments will be provided by the Bank. The monitoring and evaluation plan will identify data that needs to be collected. Developing the plan will be guided by the project logical framework. The project will closely be monitored by the project steering committee in quarterly meetings or special meetings when the need arises. The Bank will also closely monitor the project through reports and supervision missions, which will include annual project supervision and a project mid-term review. Financial audits and a project evaluation at the end of the project will be conducted by external independent consultants paid out of FAPA resources.

4.3.2 Reporting Requirements

The reporting requirements include submission of the following to the Bank by the consulting firm through the executing agency:

- Inception report
- Training and coaching reports
- Minutes of steering committees
- FAPA Beneficiary Quarterly Reports (BQRs)
- Midterm evaluation report
- A project completion report (PCR) – providing overview of project implementation and results, profile success stories of Champion SMEs and proposal for sustainability of the program

Other reports

- Audit report to be provided by an independent auditor paid out of FAPA resources
- A project evaluation report to be provided by an individual consultant

5. PROJECT COST

5.1. Financing Plan

The project is expected to cost USD 1,124,755 over a period of 3 years. The total cost for the project will be sourced from FAPA. The Government of Malawi will make in kind contributions of USD 124,755 through availing office space and staff time for the project.

Cost Breakdown by Component

Table 3: Component 2 – Access to markets

Table 4: Component 5 – Access to Finance

Table 5: Others

6. FINANCIAL MANAGEMENT

MITC will be responsible for all project Financial Management (FM) related issues. A Financial Management assessment of MITC was carried out by Bank's Fiduciary Services Division (ORPF.2) in accordance with the Financial Management Policy in African Development Group financed operations (2014), the Financial Management Manual for Bank Group Public Sector Operations (2014), and the Financial Management Implementation Guidelines for Bank Group Operations (2014). The objective of the assessment was to determine whether MITC as the Executing Agency, has acceptable Financial Management (FM) arrangements, capable of:

- i. Correctly and completely recording all transactions and balances relating to the project;
- ii. Facilitating the preparation of regular, timely and reliable financial statements;
- iii. Safeguarding the project's assets; and
- iv. Being subjected to auditing arrangements acceptable to the Bank.

The overall conclusion of the assessment is that MITC's capacity to handle all the FM aspects of the project satisfies Bank minimum requirements as laid out in the Bank's FM guidelines given their prior experience in managing funds received from other development partners. The Finance Manager will have primary responsibility for the FM aspects and report to the Project Coordinator and to the Director of Finance. MITC has prior experience in implementing and continues to implement on-going donor-funded projects. The overall FM residual risk for the project is assessed as Moderate. The project would make use of the Bank's various disbursement methods including (i) Direct Payment, (ii) Special Account (SA) and (iii) Reimbursement methods in accordance with Bank rules and procedures as laid out in the Disbursement Handbook as applicable. The Bank will issue a Disbursement Letter of which the content will be discussed and agreed with the Government of Malawi (GoM).

In accordance with the Bank's financial reporting and audit requirements, the project will be required to prepare and submit a Quarterly Financial report to the Bank not later than forty-five (45) days after the end of each calendar quarter. The project will also prepare and submit financial statements, audited by an independent private audit firm, together with the auditor's opinion and management letter to the Bank not later than six (6) months after the end of the project in line with FAPA guidelines.

7. PROCUREMENT ARRANGEMENT

All procurement of goods and acquisition of consulting services financed by the Bank (FAPA) will be in accordance with the *Procurement Policy for Bank Group funded Operations approved in October 2015* using the relevant Bank's Standard Bidding Document as amended from time to time, and the provisions stipulated in the Financing Agreement. MITC through the Procurement Division will be responsible for the procurement of goods, consulting services, and training. Assessment of capacity of MITC to implement the activities found that the organization has a functional procurement division dedicated to general operational activities. Procurement activities are handled by Procurement Officer who has adequate experience to undertake procurement processes under the Grant. MITC is a Procuring Entity in its own right and it operates under the Country's Procurement Law (PPA, 2003) and its Regulations (PPR, 2004) which contain essential principles of best practices. Also, record keeping and control systems are found to be adequate. Procurement Methods and Procedure (PMP) of MITC's procurement policy shall be used for implementation of travels/logistics and other minor expenditures related to the training activities. MITC requested for Advance Procurement in order to fast track procurement of the main consulting firm. The procurement arrangements are presented in Table 8 below.

7.1. Method of Selection and Procurement Review Modalities

Table 6: Procurement and Selection Methods

Consultancy Services

The procurement of the consultancy firm for implementation services and audit firm for external audit services shall be done competitively, through short-listing of interested firms. Selection will be made based on Quality Cost Based Selection (QCBS) method for consultancy firm for implementation services; Least Cost Selection (LCS) method for the Audit firm. Advertisement for the procurement of services for audit firm will be limited to national or regional newspapers. However, any eligible consultant, regional or not, who wishes to provide the requested services, would be free to compete for the provision of the indicated services.

The procurement of Individual consultants for evaluation services shall be done competitively, through short-listing of interested individual consultants. Selection will be made based on the consultants' qualifications (CQS) method.

Operating Expenses

Operating costs with individual contracts not exceeding US\$50,000.00 per contract will be procured using shopping method.

Procurement Review

The following documents are subject to review and approval by the Bank before promulgation: Specific Procurement Notices; Tender Documents; Requests for Proposals; Tender Evaluation Reports; Reports on Evaluation of Consultants' Proposals, including recommendations for Contract Award. Draft Contracts will also be subject to the Bank's approval if they have been amended from the original drafts included in the tender documents. The Bank's no-objection for consultancy technical proposals' evaluation report will be required before the financial evaluation is carried out.

Procurement Plan

Each contract to be financed under the project, the estimated costs, different procurement or selection methods, prior-review requirements, and time frame for procurement activities are provided for in a Procurement Plan (See annex 2). This Procurement Plan will be updated annually or as required to reflect the actual project implementation needs. Any revisions proposed to the Procurement Plan shall be submitted for the Bank's prior no objection. The Malawi Investment and Trade Centre shall implement the Procurement Plan in the manner in which it will be agreed with the Bank.

General Procurement Notice

A General Procurement Notice (GPN) ¹² will be issued for publication to UNDB online and on the Bank's Internet Website, upon approval of project by the donors. A copy of the GPN (and SPNs if any) shall be timely provided to the FAPA Secretariat.

8. DISBURSEMENT MODALITIES

The grant resources will be disbursed in line with the Disbursement Rules and Procedures of the Bank.

The consultancy firm, audit firm and individual consultants (evaluation services and project coordination) will be paid by the direct payment method upon instruction and confirmation by the Malawi Investment and Trade Centre, that the work was performed satisfactorily and deliverables accomplished. The service agreement with the consultancy firm, audit firm and individual consultant for evaluation should include consultancy fees as a lump sum and pre-agreed upon travel costs as a reimbursable expense, payable upon presentation of receipts and supporting documentations as required by the Malawi Investment and Trade Centre.

Expenses relating to operating costs will be paid in line with the Disbursement Rules and Procedures of the Bank including the reimbursement method upon presentation of receipts and required documentation by the Malawi Investment and Trade Centre.

FAPA resources are denominated in USD and all contracts and disbursement requests under the grant should therefore be denominated in USD.

9. RECOMMENDATION

The Bank's project team recommends that the FAPA Technical Review Committee approve the proposed grant in an amount of USD 1 million to the Republic of Malawi for the purposes and subject to the conditions stipulated in this Technical Assistance Request.

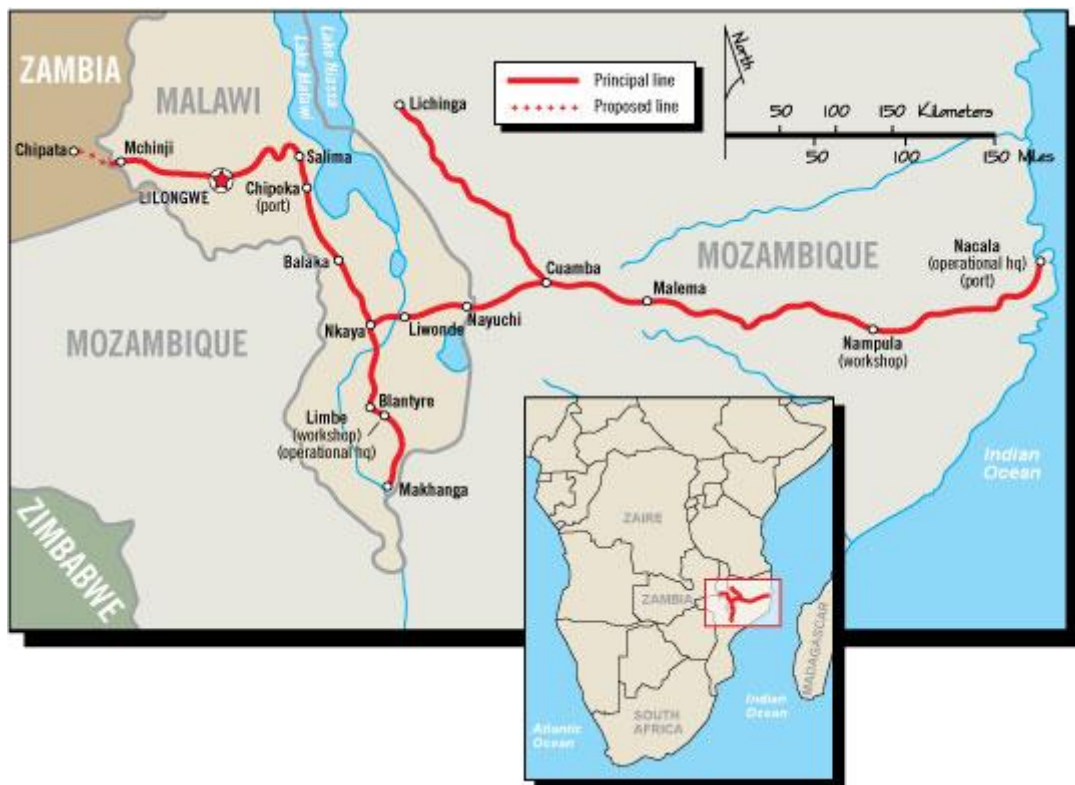
¹² The General Procurement Notice is prepared by the Borrower/Grantee and submitted to the Bank, which will arrange for its publication in the United Nations Development Business (UNDB online) and on Bank's Internet Website.

ANNEX 1 – RESULTS-BASED LOGICAL FRAMEWORK MATRIX OF THE TA PROGRAM

Country and Project Name: Malawi – Nacala Rail and Port Value Addition Project Purpose of Project: To pilot value addition of crops in the Nacala Corridor for improved competitiveness of SMEs and farmers						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATION MEASURES
		Indicator	Baseline	Target		
IMPACT	Improved efficiency and competitiveness of businesses managed and owned by participating SMEs in Malawi	Profitability of participating SMEs	TBD	a. Small Enterprise – USD 2,089 b. Medium Enterprise – USD 9,743	Impact Survey	
OUTCOMES	1. Increased crop production and productivity of participating small holder farmers 2. Increased value addition by SME agro-processors 3. Enhanced income for participating small holder farmers	a. Average production of selected crops (t Millions) b. Average Crop yield of selected crops (t/ha) 2. Average % value added for selected crops 3. Average annual incremental income of participating small holder farmers	1.a - TBD 1.b - TBD 2. TBD 3. TBD	1.a – 0.25 1.b - 1.5 2. - 12 3. - USD 1,016 per family	Evaluation report	<i>Risk:</i> Agriculture in Malawi and the economy is highly vulnerable to weather shocks. <i>Mitigation:</i> Synergies have been built with other Bank projects such as SIVAP, which have a component on sustainable land use and water development, with sub-components on development and rehabilitation of irrigation schemes. The target agro-processors, small holder farmers, and farmer groups will to a great extent be within the operating areas of SIVAP in the Nacala Corridor. It is anticipated that this will among others mitigate against the weather shocks. <i>Risk:</i> Limited commitment of the SME champions to implement the change management required. <i>Mitigation:</i> This will be one of the selection criteria. The trainings sessions will also serve as a screening process to detect early warning signals (number of absences, number of changes implemented, training scores and coach feedback). 15 champions will be selected to take into account drop off rate.
outputs	Component 1 – Capacity Building of Key Stakeholders Output 1.1 – Training and coaching for SMEs conducted Output 1.2 – Training and coaching for farmer groups conducted Output 1.3 – Training and extension services provided to small holder farmers.	Component 1 Output 1.1 – Number of SMEs trained and coached Output 1.2 – Number of SMEs ,farmer groups trained and coached Output 1.3 – Number of small holder farmers trained and provided with extension services	Output 1.1 – 0 Output 1.2 – 0 Output 1.3 – 0	Component 1 Output 1.1 – 10 Output 1.2 – 20 of which 50% women Output 1.3 – 1,000 of which 50% women	Beneficiary Quarterly reports and Supervision missions	<i>Risk:</i> Lack of coordination: there are many activities and many stakeholders in the value chain; sequencing and coordination are key success factors. <i>Mitigation:</i> the implementing agency at inception will prepare a detailed work plan with clear roles and responsibility for each expert and milestones for team debriefing.
	Component 2 – Access to Markets Output 2.1 – Linkages with suppliers and buyers identified Output 2.2 – Contract negotiations assistance provided	Component 2 Output 2.1 – Number of linkages with buyers identified Output 2.2 – Number of new supply contracts secured by agro-processors	Output 2.1 – 0 Output 2.2 - 0	Component 2 Output 2.1 – 15 Output 2.2 – 10		

	Component 3 – Access to Finance Output 3.1 – Coaching SMEs on development of financial management systems conducted Output 3.2 – Assistance of SMEs in preparing bankable business plans provided	Component 3 Output 3.1 – Number of SMEs coached on development of financial management systems Output 3.2 – Number of business plans prepared and presented to partnering banks by agro-processors /SMEs	Output 3.1 – 0 Output 3.2 - 0	Component 3 Output 3.1 – 10 of which 50% of women Output 3.2 – 7		
KEY ACTIVITIES	Component 1 – Capacity building = USD 687,980 (68.8%) Component 2 – Access to markets = USD 104,650 (10.5%) Component 3 – Access to finance = USD 75,370 (7.5%)				INPUTS: Total project cost: USD 1,000,000 Source of financing: FAPA (100%)	

ANNEX 2 - MAP OF THE NACALA REGION IN MALAWI



Map of the Corridors in the region – Nacala in green



ANNEX 3 – PROCUREMENT PLAN TEMPLATE

ANNEX 4 - KEY CURRENT PROJECTS FOR PRIVATE SECTOR/ AGRICULTURE DEVELOPMENT IN MALAWI

No.	Name of Project	Donor	Brief Project Description and Overview
1	Competitiveness and Job Creation Project (CJCSP)	AfDB	The CJCSP objective is to improve the capabilities and the competitiveness of the private sector as well as increase export diversification and Job creation. The project is funded by an ADF loan of UA 10 Million and GoM contribution of UA 1.18 Million. The project brings together public and private sectors to improve the competitiveness of the private sector in order to promote economic growth and development, export diversification, and job creation.
2	Smallholder Irrigation and Value Addition Project (SIVAP)	AfDB	SIVAP aims at contributing to sustainable food security, increased income and poverty reduction by increasing agriculture production, productivity and developing high potential value chains. Specific objects are to (i) increase land area available for all season agriculture by the development of water resources, (ii) promote crop diversification and value chain development for improved food and nutrition security, wealth creation and rural employment especially for women, (iii) expand drought resistant cropping which will serve as a safeguard against the effect of climate change and also serve as viable raw materials for industrial use and import substitution, and (iv) enhance the capacity of both the public and private sectors in order to improve service delivery functions to smallholder farmers. Total project cost is UA 29.596 Million
3	Malawi Innovation challenge Fund (MICF)	DFID/UNDP	The MICF is an US\$ 8 million fund supported by UNDP and the UK Department for International Development (DFID), through which businesses within the agricultural and manufacturing sectors of Malawi can compete for grant funding for innovative projects that can deliver large social impact and help the country diversify from its narrow band of exports.
4	Business Innovation Facility phase 2	DFID	A £ 2 million project that aims at improving the performance of the following value chains: rice and pigeon peas through financing a number of consultancy interventions such as market research, business plans, training etc.

5	Malawi Oilseed Transformation Project (MOST)	DFID	A £ 6 million TA project for market development and transformation of oil seeds subsector. The project is being implemented / coordinated by Adam Smith International (ASI), a development consulting firm from the UK. ASI collaborates with other local organizations including the Ministry of Industry and Trade. The project underpins the National Export Strategy which identified oil seeds as high value crops for Malawi export. The project is working with oil seed processors, seed companies, oil seed exporters and aggregators. Some of the oil seed crops include cotton, sunflower, groundnuts, soy bean, and pigeon peas.
6	Business Enabling Environment (BEE)	DFID	A £ 4 million TA project that aims at building the institutional capacity of the Ministry of Industry and Trade (MoIT), Malawi Investment and Trade Centre (MITC) and the Small and Medium Enterprise Development Institute (SMEDI) to deliver their mandates and to support priority policy reform efforts.
7	Africa Agribusiness Academy	Dutch Government	The project aims at building the capacity of agrifood businesses, providing market linkages through a community of practitioners at regional and international levels and business clubs at a national level. The project also aims at providing access to finance. The project works with Agrifood enterprises whose turnover is not less than US\$ 50,000 and not more than US \$ 1 million, employees not less than 5 permanent employees, has audited accounts, involved in value addition and has social impacts.
8	Business Enabling Environment: Export trade statistics project	EU/World Bank	A Euros 3 million project with the objective of building the export trade statistics information system by 2018. The projects works with the Ministry of Industry and trade, the Malawi Revenue Authority and the Bank of Malawi. The World Bank is financing the national trade portal that will be fed by the export trade statistics prepared by the EU.
9	Rural Economic Enhancement Project (RLEEP)	IFAD	A USD 16.7 Million project (USD 8.4 million as loan and USD 8.3 million as grant) has the objective to ensure that poor rural households engaged in agriculture, livestock and fish production have a role in the increasingly competitive, liberalized economy. Activities focus on supporting poor rural producers so they can benefit from efficient markets and added value for their agricultural products. The programme aims at engaging the private sector by working with them to support small scale farmers engage with the value chains. It seeks to strengthen farmers' participation in the market by

			improving production, transport, storage, processing and marketing systems for commodities such as groundnuts and Irish potatoes. The goal is to sustainably improve the incomes of economically active poor rural households.
10	Land O Lakes Food for progress project	USAID	A USD 11 Million project that focuses on three value chains namely cassava, rice and small scale livestock (mainly goats) in Salima and Nkhotakota districts in the central region. The project provides extension and business development services. The project is strengthening the capacity of farmer organizations, and improving agribusiness and support services. Through this project, 51,000 farmers, particularly female farmers, are learning about best production practices and improved technologies, and the importance of maintaining a diverse diet and safe hygiene practices.
11	Skills Development Project	World Bank	A USD 4.9 million project that is working with universities on specific programs catering to high-priority sectors (Agriculture inclusive) become more relevant to today's market, more results-oriented, and more accessible to youth living in rural areas.

ANNEX 5 – TERMS OF REFERENCE: CONSULTING FIRM

1.0 BACKGROUND

Agriculture remains the major source of livelihood, growth and foreign exchange earnings in agro-based economies like Malawi. 85% of Malawians engaged in agriculture related work and agriculture accounts for 90% of foreign exchange earnings. The agricultural sector however in Malawi currently faces great challenges, these mainly include: Low production and productivity; limited number of agro-processors; marketing constraints especially as regards the failure to obtain crops/products of acceptable quality, weak market linkages, lack of structured markets; lack of access to finance; and weak farmer organizations. Besides these challenges in the Agriculture sector, Malawi lacks sufficient infrastructure (railways and roads) for transporting its agriculture produce which makes the country less competitive and also unable to diversify through accessing its limited natural resources (uranium oxide, rare minerals, limestone, coal and possibly oil in Lake Malawi).

The African Development Bank in response to the infrastructure challenges in Malawi has supported the development of the Nacala corridor both from the public and private sector windows. Four projects were financed from the public sector transport department: Phase 1 involved rehabilitation of 348 km of road from Nampula to Cuamba in Mozambique and construction of 13 km bypass road west of Lilongwe city in Malawi; Phase 2 involved rehabilitation of 360 km of road from Luangwa Bridge to Mwami in Zambia; Phase 3 involves rehabilitation of 175 km Cuamba –Mandimba - Lichinga road in Mozambique. Phase 4 involves rehabilitation of a 75 km road between Liwonde and Mangochi along the Nacala Road Corridor in Malawi and construction and establishment of One-Stop-Border-Posts (OSBP) between Malawi and Mozambique at Chiponde and between Malawi and Zambia at Mchinji/ Mwami border post. The private sector window provided financing in 2015 to Vale, for the construction and operation of a 912 km cape gauge rail line (682km of which is brownfield) from the Moatize mine in western Mozambique to the Nacala port on the eastern coast of the country through Malawi.

In order to strengthen the inclusivity of the rail and roads financed in the Nacala corridor, The African Development Bank is further supporting the Government of Malawi to implement a three-year Nacala Rail and Road value addition and Inclusive Private Sector Development Technical Assistance (TA) Project with funding from the Fund for African Private Sector Assistance (FAPA). The TA is aimed at enhancing local population benefits from the infrastructure (railway and roads) along the corridor through capacity building of agribusiness SMEs, farmer support institutions and smallholder farmers in the Nacala corridor, and facilitating access to finance and greater market access.

The Government of Malawi, through the Malawi Investment and Trade Centre (MITC) – the Executing Agency, is therefore seeking the services of a Consultancy Firm to implement the TA project.

2.0 OBJECTIVES

The overall objective of the assignment is to support inclusive and sustainable economic growth along the Nacala Corridor through the improvement on the efficiency and competitiveness of local businesses situated in the Nacala Corridor in order to enable them to better exploit the newly available transport infrastructure, and to achieve accelerated economic and social development in Malawi.

The specific objective of the assignment is to pilot three main interventions: (i) Building the capacity and providing access to market and financial resources directed to growth oriented agribusiness entrepreneurs in selected rural and semi-rural areas of the Nacala Corridor region. This intervention will enable them to create or strengthen innovative and competitive rural agro-processing small and medium businesses that will develop a strong linkage with smallholder farmers and integrate them in their supply chain. (ii) Supporting farmer institutions to improve capacity for advocacy and provision of relevant services to enhance sustainability. (iii) Building the capacity of smallholder farmers to catalyze change of mindsets and having them gain a better understanding of farming as a business.

3.0 SCOPE

The Consultancy Firm will be responsible for implementing the project components and meeting the project targets/outcomes. Specifically, the Consultancy Firm will work under the supervision of a Project Coordinator based at MITC and will undertake the following:

- Prepare and finalize the project work plan.
- Ensure achievement of the project KPIs.
- Ensure effective and systematic coordination
- Implement the project components.
- Manage and build knowledge, through capturing and documenting emerging lessons design a Monitoring and Evaluation framework and Prepare monitoring tools for each of the components.
- Build the capacity of MITC project team to be able to effectively scale up project activities.
- Provide required progress and monitoring reports on implementation of TA component activities and sub-activities and initiate proposals for corrective action where there are deviations from the work plan.
- Prepare completion reports for each component and for the entire project.
- Prepare a sustainability plan for scaling up the project.
- Perform any other activities in line with the assignment as may be directed by the Project Coordinator.

The consulting firm will implement three components, namely:

Component 1 – Capacity building of key stakeholders

- Focus will be on training the following key stakeholders: (i) Champion SMEs – who will be trained on how to grow a sustainable business (strategy, marketing, branding, timely production and at the right standard, market prospection etc.); (ii) farmer groups – who will be trained on governance, leadership, how to improve their efficiency, grow their membership base and generate revenues etc.; and (iii) small holder farmers – who will be trained in farming as a business in addition crop husbandry best practices. Main activities will include:

- Preliminary assessment of crops grown in the Nacala corridor including a review of value chain analysis conducted of various crops¹³, mapping of potential champion SMEs, mapping of SIVAP¹⁴ irrigation schemes and Farmer groups to be supported under AIYAP¹⁵ for identification of synergies, synthesis and analysis of previous studies and/or projects in the Nacala corridor to provide conceptual clarity as regards Nacala Corridor development.
- Definition of selection criteria of champion agropreneurs taking into account the results of the scoping study
- Preparation and launch of the call for proposal to select 15 SME champions based on pre-defined selection criteria.
- Conducting diagnostics of key stakeholders (SMEs, farmer groups and small holder farmers)
- Developing/adapting training content and material based on identified performance gaps on the basis of which, develop a capacity building plan with timelines for each stakeholder.
- Training and coaching (provision of extension services in case of small holder farmers) of key stakeholders.

Component 2 - Access to market

- Focus will be on facilitating Champion SMEs access markets resulting into supply contracts secured by the Champion SMEs. This component will also include information and capacity building on standards for SMEs and farmers and export regulations. The activities include:
 - Facilitating and co-coordinating the implementation of the market access related project activities in close collaboration with MITC.
 - Conducting a desk analysis of potential markets for SME champions' crops;
 - Liaising with local, regional and international markets to acquire useful market information, and disseminated such information to stakeholders;
 - Identifying linkages of farmer groups and champion SMEs with suppliers and buyers, including linkages to commodity exchange markets;
 - Assisting in contract negotiation for all participating stakeholders;
 - Supporting agro-processing SMEs and farmer groups to improve quality as per buyer's requirements, in compliance with export regulations and linking them to market information systems;
 - Providing additional support required for smooth progress of access to market related activities;

Component 3 - Access to finance

- Focus will be on fostering dialogue and networking between SMEs, farmer groups and partnering banks through among others, networking sessions in order to facilitate SMEs and farmer groups' access to finance. The component will in addition include:
 - (i) capacity building for loan officers in SME and agribusiness risk assessment and

¹³ Value Chain analysis of various crops has been conducted in Nacala Region.

¹⁴ SIVAP is an AfDB funded project with the objective of contributing to food security, increased income levels and poverty reduction

¹⁵ AIYAP is an AfDB funded project with the objective of addressing youth skill development and entrepreneurship in agribusiness

product design for marketing officers and (ii) support to SMEs in developing business plans and adopting appropriate financial management systems. Main activities will include:

- Identifying two to three commercial banks with which to partner with in the project;
- Conducting rapid assessment of loan officers SME risk assessment capacity;
- Conducting capacity building of loan officers of partnering commercial banks;
- Initiating and organizing networking sessions between participating commercial banks and Champion SMEs and farmer groups;
- Conducting capacity building for loan officers from participating commercial banks as regards SMEs and agribusiness risk assessment;
- Facilitating the design of new product conducive to SMEs in agro processing for participating commercial banks;
- Providing support to SMEs in developing bankable business plans;
- Reviewing and ensuring good quality of the business plans developed by participating SMEs and farmer groups;
- Linking participating SMEs to partnering commercial banks for loan application and processing;
- Providing coaching to participating SMEs for the adaptation of appropriate financial management systems;
- Preparing reports regarding targets and achievements;
- Providing any additional support required for the smooth progress of access to finance related activities.

4.0 DELIVERABLES

- a) Inception report to be submitted one month after commencement outlining among others:
 - i. Findings on scoping study and baseline
 - ii. Definition of selection criteria for champion eligibility
 - iii. draft call for proposal and evaluation sheet
 - iv. proposed selection criteria of panelist
 - v. Implementation framework and final log frame for the project
 - vi. Detailed work plan and timelines
 - vii. Technical support team and roles to be played by each team member
 - viii. Monitoring tools proposed
 - ix. Communication plan, donor and AfDB visibility plan
- b) Quarterly reports outlining among others activities conducted, issues/problems encountered and solutions therein and plan of activities scheduled for the following month.

Specific deliverables under each component include:

Capacity building of key stakeholders

- i. Scoping study report;
- ii. Selected SME champions;
- iii. Selected Farmer groups;
- iv. Selected areas where small holder farmers are located;

- v. Selected crops to be handled under project.
- vi. Champion SMEs diagnostic reports;
- vii. Farmer groups review reports;
- viii. Small holder farmers' analysis report.
- ix. SMEs capacity needs assessment
- x. Farmers capacity needs assessment in farming and basic business
- xi. Training manuals for champion SMEs;
- xii. Training manuals for farmer groups;
- xiii. Training manuals for small holder farmers;
- xiv. Training of champion SMEs
- xv. Training of farmer groups
- xvi. Training of small holder farmers;
- xvii. Training of extension workers;
- xviii. Coaching of champion SMEs;
- xix. Coaching of farmer groups;

Access to market

- i. Market analysis report;
- ii. Identified linkages with buyers
- iii. New supply contract by agro-processors/SMEs
- iv. Support to improve SMEs quality and compliance with buyers specifications

Access to finance

- i. Identified partnering commercial banks
- ii. Training of loan officers
- iii. Conducting of network sessions
- iv. Coaching SMEs on development of financial management systems
- v. Access to Finance (loans received) by agro-processors/SMEs

c) Grant beneficiary quarterly reports (BQRs) to AfDB

d) Project completion report – providing overview of project implementation, results and proposal for scaling up of the project.

5.0 RESOURCES AND LOGISTICAL SUPPORT

5.1 Reporting lines

The consulting firm will work under the direct supervision of MITC and under overall guidance of the project steering committee. The steering committee will review the assignment's deliverables as captured in the activity completion reports and project completion report.

5.2. Obligation of the government and the consultant

5.2.1 Obligation of the government

The Government through MITC will assist the consultancy firm in obtaining relevant information and materials from governmental institutions and state authorities as far as possible.

5.2.1.1 Facilities and exemptions

The Government through MITC will provide the necessary space for the consulting firm and its officers as in-kind contribution. The Government through MITC will also designate a Project Implementation Unit (PIU) made up of a project coordinator, a skills development for employment expert, an entrepreneurship development specialist and an M&E specialist to be twined with experts from the consulting firm for skills transfer.

5.2.2 Obligations of the consultancy firm

The consultants designated to the assignment by the consultancy firm shall collectively and individually in all professional matters provide their services to the Government of Malawi to the best of their knowledge and belief. The Consultant's shall exercise all their skills, reasonable care and diligence in the discharge of their duties under the contract. They shall carry out the services in conformity with common professional practices and in accordance with generally accepted standards.

5.2.2.1 Consultancy firm Office:

The Consultancy firm shall be provided office space by MITC.

5.3 Administrative arrangements

The consultancy firm shall bear all administrative costs. The consultants/key experts designated by the consultancy firm are expected to use their own laptops, photography equipment etc.

5.4 Duration

The contract is spread over a three year period. The consultancy firm is expected to deliver the various components based on the number of estimated person days as indicated below. The schedule shall be determined in discussion with the Project Coordinator and MITC Project Implementation Unit. The assignment period and tasks could be reduced or extended if necessary to achieve desired outputs.

No	Components	Total person days
1	Capacity building of key stakeholders: to be delivered by 2 key experts, 2 none key experts and 40 local extension workers	-703 person days for 2 key experts and 2 none key experts and -50 person days for each of the local extension workers
2	Access to market: to be delivered by 1 key expert and 1 none key expert	220 person days for 1 key expert and 1 none key expert

3	Access to finance: to be delivered by 1 key expert and 1 none key expert	166 person days for 1 key expert and 1 none key expert
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5.5 Modalities for payment

The consultancy firm shall make its quotations in one currency - USD (\$). The validity of the consultancy firm's offer should be 6 months from the closing date. The consultancy firm will be paid upon satisfactory delivery of planned activities as per payment schedule (5.5.1). The final report should be submitted to African Development Bank through MITC for necessary comments from stakeholders, **within three weeks** after completion of the assignment. The consulting firm will finalize the report **within two weeks** upon receiving comments and feedback from stakeholders.

5.5.1 Payment Schedule

S #	Description	% of contract value
1	Following inception meeting/planning session and receipt of inception report.	12%
2	Upon a) Satisfactory implementation of quarterly work program and fulfilling quarterly deliverables for Year 1 as per agreed upon work plan. b) Submission of Beneficiary Quarterly Reports when due for Year 1.	7% per quarter in Year 1
3	Upon a) Satisfactory implementation of quarterly work program and fulfilling quarterly deliverables for Year 2 as per agreed upon work plan. b) Submission of Beneficiary Quarterly Reports when due for Year 2.	7% per quarter in Year 2
4	Upon a) Satisfactory implementation of quarterly work program and fulfilling quarterly deliverables for Year 3 as per agreed upon work plan. b) Submission of Beneficiary Quarterly Reports when due for Year 3. c) Submission of final project completion report in quarter 4 for Year 3.	8% per quarter in Year 3

6.0 TIME FRAME

The assignment will take place from on or about June 2017 and will not exceed 31st July 2020.

7.0 QUALIFICATIONS

The firm will be selected through an international competitive selection process and must be incorporated in a member country of the Bank with a minimum experience of 10 years in carrying out similar projects in capacity building of SMEs in the agri-business sector, farmer groups and small holder farmers. It should at least have accrued out one such assignment.

The Consultancy Firm will present a team including four key experts:

1. A team leader specialized in agribusiness and value chain development whose task will be to coordinate the project implementation. He/she will in addition be responsible for finalizing the scoping study, preparing and organizing the call for proposal, conducting diagnostics for farmer groups and analysis of small holder farmers' production practices and capacity building of both farmer groups and small holder farmers.

Qualifications

- i. A minimum of Master's Degree in Agriculture and agribusiness, Business Administration, Rural Development, or closely related field;
 - ii. Possess a holistic and solid knowledge regarding the country's agriculture ecosystem and value chain development (Government, private sector, NGOs) and its evolution in recent years. Thorough understanding of the issues surrounding the agriculture sector will be an asset;
 - iii. Proven skills, with a minimum of 10 years experience, in capacity building of SMEs, farmer groups and small holder farmers;
 - iv. Proven skills in conducting scoping studies;
 - v. Experience as an expert in preparation and delivery of training and development of teaching materials;
 - vi. Demonstrable experience in designing and delivering training of extension workers;
 - vii. Experience of interactive and innovative training approaches engaging farmer groups and small holder farmers;
 - viii. Experience in working with women farmers and dealing with social – cultural issues;
 - ix. Experience with experiential learning and action learning;
 - x. Excellent management, interpersonal, networking and team building skills;
 - xi. Demonstration of strong analytical and leadership skills;
 - xii. Evidence of having a strong attention to detail;
 - xiii. Excellent written and spoken English;
 - xiv. An understanding of local languages is an added advantage.
2. An SME capacity building expert who will undertake the diagnostic and capacity building of SMEs. This will involve among others preparing a capacity building plan, enterprise improvement plan, coordinate trainings and prepare reports for each activity conducted.

Qualifications

- i. The candidate should have a Master's degree in Business, Management, Economics, Marketing, Engineering, Finance, Accounts, Law or equivalent from a reputable high institution of learning;
- ii. A minimum of 10 years practical work experience in SME development;
- iii. A Minimum of 5 years of experience in conducting SME diagnostics, training and coaching;
- iv. Working experience in SME sector development in Malawi would be an advantage;
- v. High skills in innovation development;
- vi. Excellent analytical abilities, oral and written communication skills and well developed work ethics;
- vii. Flexibility and willingness to adapt to changing circumstances and requirements;

- viii. Fluency in English ;
 - ix. An understanding of local languages and cultures is an added advantage
3. An access to market expert who will help the SMEs in improving their marketing strategy, identifying new markets (local and export), and understanding export standards, rules and regulations

Qualifications

- i. Graduate degree in business, economics, trade, international marketing or related field;
 - ii. Strong knowledge of the Malawi agriculture sector and related opportunities and challenges for SMEs exports in agro-business;
 - iii. In-depth knowledge of export market analysis issues;
 - iv. Expertise in developing and implementing export marketing strategies;
 - v. Proven experience in developing market and export linkages;
 - vi. Proven experience in providing capacity building for SMEs in Malawi or another African country;
 - vii. Sound experience with market information systems;
 - viii. Sound knowledge and experience with export regulations;
 - ix. Knowledge and experience with quality improvement processes in Africa;
 - x. Strong communication, analytical and presentation skills;
 - xi. Proven ability to work independently with minimum supervision;
 - xii. Language skills: Excellent oral and written communications skills with fluency in written and spoken English
4. An access to finance expert to identify partnering banks, assess the loan officers' capacity, select the appropriate training and coordinate capacity building.

Qualifications

- i. Master's degree in Accounting, Business Management, or equivalent;
- ii. A post graduate qualification in financial management will be an added advantage;
- iii. Experience in coaching and capacity building SMEs in Malawi;
- iv. An understanding of sources of funding for SMEs in Malawi;
- v. A good knowledge of the Malawi agriculture sector;
- vi. A thorough experience in developing bankable business plans;
- vii. Good interpersonal, influencing and facilitation skills;
- viii. Experience in managing technical assistance projects;
- ix. Experience in training of loan officers in SME and agribusiness risk assessment;
- x. Experience in product design for commercial banks;
- xi. Excellent knowledge of written and spoken English;
- xii. An understanding of local languages and cultures is an added advantage.

The Consultancy firm will in addition:

- a) Designate four (4) none key experts who will assist the key experts during project implementation
- b) Recruit forty (40) local extension workers for component 1, who should be available to undergo a training of trainers to enable them assist with the roll out of the training and provision of extension services to small holder farmers and
- c) In collaboration with MITC select a panel of three independent evaluators to review results from the call for proposal in component 1.

8.0 LANGUAGE

The language of the assignment shall be English. All deliverables shall be in the English language. Therefore, excellent English communication skills (oral, written and presentation) are essential.

9.0 MODE OF APPLICATION AND SUBMISSION OF PROPOSAL

- a) Any consulting firm either acting singly or as part of a consortium, which feels it has the right profile for this assignment should submit hard copies in triplicate:
 - i. Detailed technical proposal regarding how it plans to execute this assignment and attach the latest CVs of key experts who will undertake this assignment.
 - ii. Detailed financial proposal.
 - iii. Names and addresses, including the telephone numbers /email addresses of three referees, preferably past clients.
- b) The indicated in (a. i, ii, and iii) should be submitted within 30 days from the date of issue of these TORs to the following:

Att: Director – Trade Promotion and Facilitation, **Mr. Maxwell Biwi**

First Floor, Aquarius House

City Centre, P/Bag 302

Lilongwe, Malawi

Tel. +265 1 770 800; +265 1 771 315;

Email: mbiwi@mitc.mw; maxbiwi@gmail.com