

FLANDERS



Flanders
State of the Art

**COUNTRY STRATEGY PAPER
FOR INTERNATIONAL
COOPERATION
2024-2028**

**CLIMATE SMART AGRICULTURE
THROUGH SECONDARY CITY MARKETS**

Government
of Flanders



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REPUBLIC
OF MALAWI

 Government
of Flanders

INTRODUCTION

The Country Strategy Paper IV (CSP IV) 2024-2028 is the product of a joint consultation process between the Governments of Malawi and Flanders and relevant actors from the Malawian agricultural sector. The main priorities were agreed during a bilateral consultation held in November 2022, following which further discussions took place with government partners and other stakeholders to determine the specifics. This resulted in a commitment to continued collaboration in the agricultural sector, with a focus on inclusive development through the links with secondary cities, agricultural commercialisation, and climate smart agriculture.

Leaving no one behind is key to this joint cooperation which will promote equal opportunities for women, men, and youth. In addition, CSP IV will follow the current trends towards good governance by supporting the ongoing government decentralisation process in Malawi. The promotion of technology and innovation is one of the actions that will be taken to support the implementation of the presented strategy. Actions will be based on evidence-based research to have the desired impact.

CSP IV is aligned with Malawi's 2063 Vision and other relevant policies, such as the National Agricultural Policy (2016), the National Export Strategy (2021), the Decentralisation Policy (1998), and the National Urban Policy (2019), among others. This CSP is equally in line with the policy on international cooperation of the Government of Flanders. The Government of Malawi will be the main actor in terms of creating enabling conditions to achieve the programme objectives.

This strategy paper contributes to the realisation of the global 2030 Agenda for Sustainable Development. The Sustainable Development Goals (SDGs) can only be achieved by using a multisectoral approach through multi-actor partnerships and by adhering to the principle of leaving no one behind. Flanders supports Malawian authorities in achieving these goals, particularly SDGs 1, 2, 5, 8, 10, 11, 12, 13 and 17.



Flanders' international cooperation invests in global sustainable development, leaving no one behind, to achieve welfare and equitable prosperity

MALAWI AT A GLANCE

GOVERNMENT SYSTEM

Presidential Republic

ADMINISTRATIVE DIVISIONS

3 regions (north, central, south); 28 districts

OFFICIAL LANGUAGES

Chichewa, English



CURRENCY

Malawi Kwacha (MWK)



POPULATION TOTAL (2021)
19.9 mio



POPULATION GROWTH
(annual)

2.65%

INDIVIDUALS USING THE INTERNET

10%

URBAN POPULATION

18%

LITERACY RATE ADULTS

67%

SEATS IN NATIONAL PARLIAMENT HELD BY WOMEN

23%

GENDER INEQUALITY INDEX RANKING
(0 equal-1 unequal)

0.55

LIFE EXPECTANCY
at birth (2020)

64
years

GINI-COEFFICIENT
(0 equal-100 unequal)

51.6
(2019)

GDP PER CAPITA
(current USD, 2021)

634

GDP GROWTH
(annual)

2.8%

POVERTY HEADCOUNT RATIO

at the international poverty line (2.15 USD/day)

70%

Poverty headcount ratio at the **national poverty line** countrywide (456 MWK/day) 2020

51% poor, of which 20% extreme poor



Poverty headcount ratio at the **national poverty line** in **Kasungu** (2020)

67% poor, of which 26% extreme poor



Poverty headcount ratio at the **national poverty line** in **Mzimba** (2020)

39% poor, of which 12% extreme poor



HUMAN DEVELOPMENT INDEX
(0 very low level of development - 1 high level of development)

0.48
(2022)

TRANSPARENCY INTERNATIONAL CORRUPTION INDEX

110 out of 180 countries





1

COOPERATION BETWEEN MALAWI AND FLANDERS

FLANDERS AS AN ACTOR IN INTERNATIONAL COOPERATION

The Government of Flanders strives to contribute to a democratic and prospering world, in close collaboration with its partners. For this reason, Flanders' overall international cooperation objective is to reduce poverty and support countries to make sustainable socio-economic progress.

The Government of Flanders participates actively in the global Agenda 2030 on Sustainable Development, as agreed in the United Nations General Assembly of September 2015. In line with the Agenda 2030, Flanders translated the SDGs into concrete policy making. The Flanders Chancellery and Foreign Office focuses its international cooperation efforts geographically on Southern Africa and Morocco. Distinct areas of cooperation are defined for each partner country, based on a set of agreed criteria.

Flanders' international cooperation adheres to agreements such as the Paris Declaration (2005), the Accra Agenda for Action (2008), the Busan Partnership for Effective Development Cooperation (2011), the Addis Ababa Action Agenda for financing sustainable development, and the European Consensus on Development (2017). National country policies are used to map out the content of the cooperation taking into account (1) the identified and validated needs of the partner country, (2) the requests from the government of the partner country, (3) the specific approach of Flanders' international cooperation, and (4) the possibilities for added value and synergy with local and Flemish actors. We cooperate with, and establish partnerships and networks between, NGOs, the private sector, national and local governments, civil society organisations, and multilateral organisations.

Off-farm job development and diversification in agriculture are key in tackling poverty



Flanders' international cooperation invests in global sustainable development, leaving no one behind, to achieve welfare and equitable prosperity, within the carrying capacity of our planet. Flanders encourages innovation, makes use of a systems approach, and puts partnerships at the center of its activities. Flanders considers good governance, respect for human rights, and equal opportunities for men and women as prerequisites for sustainable global development.

MALAWI 2063 VISION

In 2021, the Government of Malawi adopted Malawi 2063 Vision, a long-term strategic document to steer the country to middle-income status by 2063, ensuring wealth for all Malawians. By 2063, Malawi aims to have become a self-reliant, industrialised, and at the same time environmentally sustainable economy, with a strong and competitive manufacturing industry. It will be driven by a productive and commercially vibrant agriculture and a dynamic private sector, in and around urban centers across the country. Malawi will invest in effective governance systems and institutions, as well as in a high-performing and professional public service.

The First 10-year Implementation Plan (2021-2030) provides a blueprint to which all sector policies must align. This is also the shared agenda for promoting development effectiveness between the Government of Malawi and different international donors. All donors are requested to ensure full alignment with the Malawi 2063 Vision and find synergies to ensure harmonisation and efficiency.

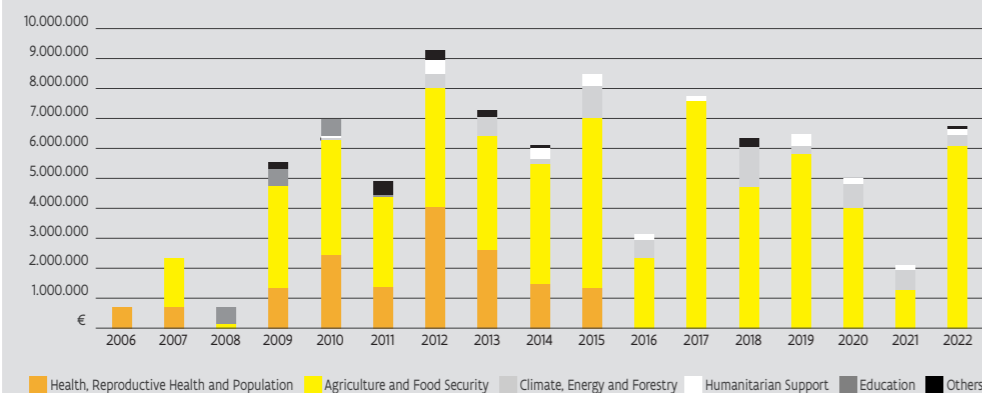
Bilateral donors present in Malawi are the United States, the United Kingdom, Japan, the People's Republic of China, the European Union, Ireland, Iceland, Germany, Norway and Flanders. Multilateral donors present in Malawi are the International Monetary Fund, the World Bank, the African Development Bank and the United Nations.

EVOLUTION OF THE COOPERATION BETWEEN FLANDERS AND MALAWI

Cooperation between Malawi and Flanders was formalised in 2007 with the signing of a Memorandum of Understanding between both governments. The first Country Strategy Paper (CSP) for International Cooperation between Malawi and Flanders (2009-2013) focused on two sectors: (1) health, and (2) agriculture and food security. By mutual agreement, the second (2014-2018), third (2019-2023) and the current CSP focus exclusively on the agricultural sector, given the fact that agriculture remains the backbone of Malawi's economy. Focusing on one sector allows for more concentrated efforts, thus providing greater added value, and generating impact.

The cooperation evolved from support on agriculture and food security at household level, to an increased focus on market access and the rehabilitation of land. The current CSP goes yet a step further towards commercialisation, with increased attention to climate resilient agriculture.

FIGURE 2: ODA SUPPORT ACCORDING TO SECTOR



The implementation of Flanders-supported projects in Malawi has consistently been executed through a mix of actors, including the Government of Malawi on both national and district level, international organisations, local NGOs, civil society organisations, knowledge institutions, and more recently, the private sector.

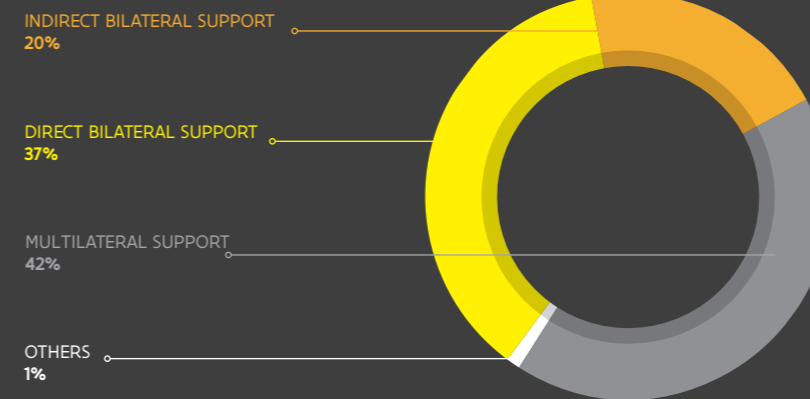


FIGURE 3: ODA 2006-2022 SUPPORT ACCORDING TO ACTOR

Official development assistance (ODA) from Flanders to Malawi is published yearly on the website of the Flanders Department of Chancellery and Foreign Office¹ and covers all disbursements made from the Government of Flanders to Malawi. Each CSP includes a financial engagement of € 25 million spread over 5 years.

In addition to these contributions, Flanders also finances projects in Southern Africa which tackle problems with a regional scope and provides upfront funding for humanitarian needs and disaster preparedness (see chapter 5).

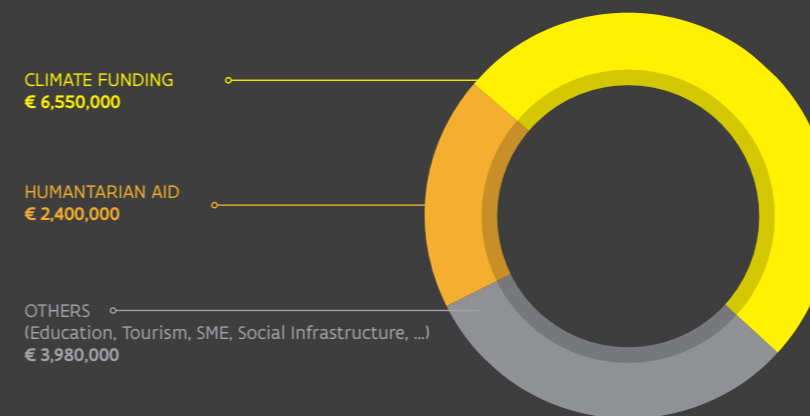


FIGURE 4: ODA 2006-2022 OUTSIDE THE CSP BUDGET

¹ <https://www.fdfa.be/en/oda>



PROGRAMME OF COOPERATION 2024-2028

POLICY FRAMEWORK

Although agriculture remains the backbone of the Malawian economy, the annual growth of the sector has recently been stagnating at around 3%, half of the 6% target set by the government. Despite allocations of over 10% of total public spending, expenditure on recurrent items such as the Affordable Inputs Programme, coupled with a lack of private sector investment, prevent the agricultural sector from growing faster.

Since 2020, The Government of Malawi has taken a clear position in favour of agricultural commercialisation and diversification, reshaping the Affordable Inputs Programme to make it more cost-effective. The Malawi 2063 Vision has three main pillars: 1) agricultural productivity and commercialisation, 2) industrialisation and 3) urbanisation.

The new Malawi-Flanders CSP IV focuses on three interlinked components: harnessing secondary cities for inclusive development; advancing agricultural commercialisation in selected value chains; and promoting climate smart agriculture. The CSP is thus aligned to Malawi 2063, in particular to pillars 1 (agricultural productivity and commercialisation) and 3 (urbanisation) as well as to enablers 4 (private sector dynamism) and 7 (environmental sustainability). Malawi 2063 recognises transformation of the agricultural sector as central to Malawi's economic growth, with subsistence farmers graduating to a more commercial model of production or finding non-agricultural employment. It also recognises that the success of transforming the agricultural sector depends on the application of sustainable land management practices and climate smart agricultural techniques. Lastly, by supporting the development of strong and professional cooperatives and micro, small and medium enterprises (MSMEs), the CSP will contribute towards creating a dynamic and vibrant private sector, with an environment that enables semi-subsistence farmers to transition into either profitable commercial farming or lucrative off-farm activities.

In addition to this high-level strategic vision, Malawi has several other policies on agriculture, natural resources management, private sector development, climate change and decentralisation of government. The proposed actions in CSP IV are in line with these policies and will contribute to effective implementation of the commitments of the Government of Malawi to its citizens.

Flanders is committed to supporting the decentralisation efforts of the Government of Malawi. To this end, the CSP IV will adopt a decentralised approach, with targeted districts in the frontline of implementation. This approach builds upon the direct collaboration with the districts of Kasungu and Mzimba built under CSP III.

Farming households hold the key to the economic transformation of Malawi

CONTEXT

MACRO-ECONOMIC SITUATION

At the time of writing, the first half of 2023, the macro-economic situation in Malawi finds itself under severe strain. Malawi's economic growth decelerated to 0.9% in 2022 from 2.8% in 2021, 1.7% in 2020 and 5.7% in 2019. The slowdown in GDP growth was driven by the outbreak of COVID -19, which necessitated a partial lockdown of the economy, further exacerbated by cyclones Ana and Freddy, and by the ongoing lack of forex due to reduced exports.

Weak global demand impacted Malawi's tobacco and other agricultural exports, while inflows of foreign direct investment were sharply curtailed. Consequently, Malawi's public debt has risen to 64% of GDP, up from 55% in 2020. Financing of fiscal deficits through domestic resources has led to the accumulation of domestic debt, which has become unsustainable. However, the Government of Malawi has put in place a debt-restructuring strategy, aiming to return debt servicing to sustainable levels over the medium term. Average annual inflation increased to 27% by end of 2022, up from 9.4% in 2019.

Macro-economic instability is a challenge for agricultural commercialisation as it limits investments, slows export earnings, and complicates local agro-processing.

AGRICULTURAL SECTOR

The economy of Malawi is heavily dependent on agriculture. However, the sector is not very profitable, particularly for smallholder farming households, and ensuring food security for all citizens is proving challenging. The vast majority of Malawi's agricultural sector is made up of farmers cultivating small, rainfed plots on which they grow food for their own consumption. Access to land for cultivation has become more restricted due primarily to high population growth. Furthermore, most farmers have no formal title deeds, which is often cited as a reason for lack of long-term investments in land.

The combination of rapid population growth and climate change has led to a vicious cycle, with unsustainable land use resulting in further degradation, which exacerbates the negative effects of extreme weather events and further entrenches poverty. Even more concerning is the impact of a poorly performing agricultural

sector on food insecurity. Inadequate diet is a contributing factor to the stunted growth of 35% of children under five years of age, which holds repercussions for the human capital of the next generation of Malawians.

However, the agricultural sector has considerable economic potential. Farming households hold the key to the economic transformation of Malawi, and better nutrition for all Malawians. A systemic approach is required in order to develop sustainable food systems in Malawi that can feed the nation, contribute to the transformation of the country's agricultural and industrial sector, and reliably enable Malawi to provide processed agricultural products for regional markets.

CLIMATE CHANGE

Malawi is considered a climate change "hotspot" country because of its vulnerability to weather-induced shocks. Climate-related shocks have increased in frequency and intensity in Malawi over the last few decades.

The scale and intensity of these climate-related flood and drought events have had devastating impacts on the already fragile economy.

The percentage of land under agriculture has doubled from 34% in the 1960s to 61% in 2020. This agricultural expansion is causing soil erosion and land degradation and contributes to deforestation. Deforestation is further exacerbated by the need for cooking fuel, with 90% of Malawians relying on firewood and charcoal as energy sources for their cooking.

Another problem is the reliance on rainfed agriculture, which only allows one harvest per annum, rendering the country extremely vulnerable to climate change impacts. The growing frequency of periods of drought during the rainy season have increased the likelihood that Malawi will become dependent on imports of most food commodities. Irrigation, hence, is crucial to increase agricultural production and reduce poverty.



CLIMATE-SMART AGRICULTURE

Climate-smart agriculture (CSA) is an approach designed to mitigate ongoing climate change effects and adapt to its consequences without compromising food security. CSA consists of three pillars:

- Sustainably increasing agricultural productivity and incomes leading to food security;
- Adapting and building resilience to climate change (adaptation);
- Reducing or removing greenhouse gas emissions (mitigation) where possible.

CSA initiatives can sustainably increase productivity, enhance resilience, and reduce greenhouse gases, but they require integrated planning to address trade-offs and synergies between the three CSA pillars.

CSA practices in Malawi fall largely under seven categories, namely: soil management, crop management, water management, livestock management, forestry, fisheries and aquaculture, and energy management.

The techniques that are part of CSA include a.o. conservation agriculture, agro-forestry, water harvesting and use of efficient irrigation methods, use of improved crop varieties and crop diversification, integrated soil fertility management, and organic manure application.

Soil erosion, reduced average land holding size, and poor farming methods can be addressed by introducing more innovation and technology in the agricultural sector, by engaging in sustainable natural resource management and land rehabilitation activities, and by turning to climate smart agricultural practices. Investing in green value chains will help boost productivity and incomes for smallholder farmers in a sustainable way. The implementation of the recently enacted new land laws (2022) can facilitate an increasing number of Malawians to exercise their land rights.



Urbanisation provides opportunities for commercial rural farmers to diversify and for agro-processors to add value to produce for local consumption

AGRICULTURAL COMMERCIALISATION

The share of commercially oriented farming households in Malawi has remained low and stagnant over the past 15 years. While commercialisation can be driven by smallholder farmers who grow tobacco, soybean, pigeon pea, and groundnuts as well as by larger companies growing sugar, tea and coffee, the lack of local processing means that Malawi imports the majority of its processed food.

In order to enable a farming household to engage efficiently in commercial farming, it is essential to increase productivity and link farmers to markets, but also to increase the amount of land farmed. To address this, the Government of Malawi has identified cooperatives as an important vehicle through which smallholder farmers can join forces to realise economies of scale. However, most cooperatives in Malawi are at infant stage and depend on external assistance. Most farming households also look for additional income outside of the farm, namely ganyu employment, or seasonal labour on other farms. Growth in nearby urban areas can further play a role in providing job opportunities for this group of households.

There are about 1.6 million micro, small and medium sized enterprises (MSMEs) of which more than 90% are informal and of which 61% are owned by women. There are only a few large Malawian-owned companies and hardly any middle-sized enterprises. MSMEs remain the largest off-farm employment provider and have great potential to absorb youth in the future. However, the mismatch between youth skills and private sector needs means that enterprises often need to train staff from scratch.

In Malawi, very limited value addition to primary commodities exists. Whilst some commodities are processed locally, such as dairy products, meat, and juice, quantities are not sufficient to satisfy the Malawian market. Hence, there is great potential to process primary commodities locally, both as replacements for current imports, and as export products.

Private sector development in Malawi is held back by numerous challenges, including macro-economic instability, legal and regulatory gaps in the business environment, lack of trade and transport infrastructure, limited and unreliable access to energy, and lack of access to finance for MSMEs².

Moreover, the high level of state-owned enterprises (67 in total) makes it challenging for private sector companies who must compete in an uneven playing field³.

Malawi 2063 envisages the transformation of Malawi's agricultural sector through increased agricultural commercialisation and agri-business development built on large investments in value chain development and agro-processing. The recent World Bank Poverty Assessment Report (2022) indicates that, when Malawians do escape poverty, this can often be attributed to *having access to an off-farm job*, or, when they remain in agriculture, to diversification between different crops or between crops and livestock farming. Hence, off-farm job development and diversification in agriculture are key to leaving no one behind and ending poverty.

RURAL DEVELOPMENT AND URBANISATION

As countries develop, the primary engine of economic growth shifts from rural to urban areas and from agriculture to industry and service provision.

While officially only 17% of Malawi's population lives in areas designated as urban, this figure hides a significant amount of in-situ urbanisation, through which areas previously rural in nature are becoming increasingly urbanised. Satellite images suggest that potentially one third of Malawi's population currently lives in agglomerations of over 10,000 people that could be considered urban. This trend is expected to increase due to population pressure and the lack of unoccupied land in rural areas.

Linkages between emerging cities/other urban centers and rural areas are limited. A limited number of farmers succeed in supplying their commodities to cities, but most are prevented from selling their produce to urban consumers due to transport and communication infrastructure deficits and logistical challenges. Moreover, agro-processing opportunities in and around cities are few, with relatively limited demand for farm products as input to value-addition industries.

² Only 10% of domestic credit goes to the private sector and then mostly larger established companies (Private Sector Diagnostic, World Bank, 2022).

³ Many state-owned companies have benefited from soft budget constraints, preferential access to land, tax concessions on acquisitions (WB private sector diagnostic).

Urban development will be crucial for fostering economic development. Economic activity in urban areas can generate a large part of the country's GDP and contribute to poverty reduction. Growing demand for food in urban areas can create market opportunities for farmers in rural areas. Urban markets will demand a richer diversity of food items, will place greater importance on quality, presentation, and packaging, and will increasingly demand more convenient and processed foods. This urbanisation process thus provides opportunities for commercial rural farmers to diversify and for agro-processors to add value to produce for local consumption. Failure to cater for this increasing urban demand will result in increased imports as urban consumers turn to suppliers outside of Malawi to cater for their consumption needs.

Furthermore, urban labour markets can offer rural dwellers access to non-farm jobs which may complement farming activities during the low agricultural season, or even provide the opportunity to move away from farming entirely. Value addition activities for farm products near urban centers could create a huge opportunity for rural youth to obtain off-farm employment. Consequently, it is important to carefully plan and develop urban centers and create rural-urban linkages based on local economic potentials for trade and agro-processing.

As Malawi is prone to the risks of climate change, the impact of climate change in cities must also be addressed; there is a need for green, smart city development, including data-based adaptation strategies and action plans.

In the recently formulated Malawi Secondary Cities Plan, Kasungu is identified as one of 8 secondary cities⁴.

EQUAL OPPORTUNITIES FOR WOMEN AND YOUTH

An inclusive and resilient economy for Malawi depends on investing in women and youth. These two groups comprise the majority of Malawians employed in the agriculture sector. Malawi 2063 promotes inclusiveness in human capital development by promoting gender transformative approaches that aim to reduce gender power

imbalances which hinder the economic empowerment of women. Gender inequality has a negative impact across all economic and social sectors.

The agricultural sector employs 80% of the population and produces more than a quarter of gross domestic product (GDP). Nearly 60% of working women earn their livelihoods in the agricultural sector. However, men's plots are on average 25% more productive than those managed by women, largely because women are less likely to own titles to land, and also have less access to technology and labour. Addressing the socio-economic barriers faced by the youth and women holds significant potential to boost annual agriculture GDP, as well as MSME development. Youth, women, and other vulnerable groups have limited access to ownership and control of productive assets, limited decision making at household level, higher illiteracy levels, lack of specialised vocational training, face cultural prejudices, and have limited access to both markets and finance.

However, women and youth can play a vital role to increase agricultural productivity and bring about transformation of Malawi's agricultural sector.

It is therefore imperative to empowering both women and youth by supporting their meaningful engagement in agricultural value chains. This will, in turn, result in significant growth of the agricultural sector, increased incomes, and improved food and nutrition security. The potential derived from increasing the access of women to essential agricultural services is significant: a 2015 estimate suggests that closing the gender gap in agricultural productivity could increase the country's GDP by 2.1% and lift over 238,000 people out of poverty (World Bank, 2022). To achieve this, Malawi will need to provide greater incentives for households to increase land ownership by women as well as support for women to transition to cash crop farming and to improve their use of high productivity agricultural technology.

An inclusive and resilient economy for Malawi depends on investing in the capacity of women and youth



⁴The other 7 cities are Karonga, Nkhata Bay, Salima/Chipoka, Liwonde, Mangochi/Monkey Bay, Luchenza, Bangula.

STRATEGIC CHOICES

The Governments of Flanders and Malawi have chosen to maintain the focus on the agricultural sector for this CSP, with the addition of certain new priorities in order to align the CSP with current challenges and with Malawi 2063. The goals and objectives for CSP IV were based on the results of a Mid-Term Review (MTR) of CSP III and broad stakeholder consultations, as well as on the conclusions of the Bilateral Consultation between Malawi and Flanders.

Below a summary of the conclusions.

RECOMMENDATIONS FROM MID-TERM REVIEW OF CSP III FOR THE DEVELOPMENT OF CSP IV

- Enhance the focus on value chain development;
- Continue the geographical focus on Kasungu and Mzimba;
- Support the decentralisation process of the Government of Malawi, including the secondary cities concept;
- Continue to support capacity building, research, and good governance, and include more direct support to policy advocacy;
- Enhance the focus on climate smart agriculture and make the link with commercialisation;
- Continue with the portfolio approach in terms of financing modalities and partnerships;
- Improve monitoring and evaluation by designing an adequate logical framework with a selected number of indicators, in collaboration with relevant Ministries;
- Strengthen the involvement of youth and women in agricultural value chains;
- Explore innovative partnerships with institutions in Flanders where relevant.

OBJECTIVES OF CSP IV

The Government of Flanders will contribute to Malawi's development aspirations, articulated in Malawi 2063, to become 'an inclusively wealthy and self-reliant nation'. More specifically, it will contribute to Pillar 1 (Agricultural productivity and commercialisation) and Pillar 3 (Urbanisation) of this vision document by promoting climate smart agriculture through secondary city markets.

OBJECTIVE 1:

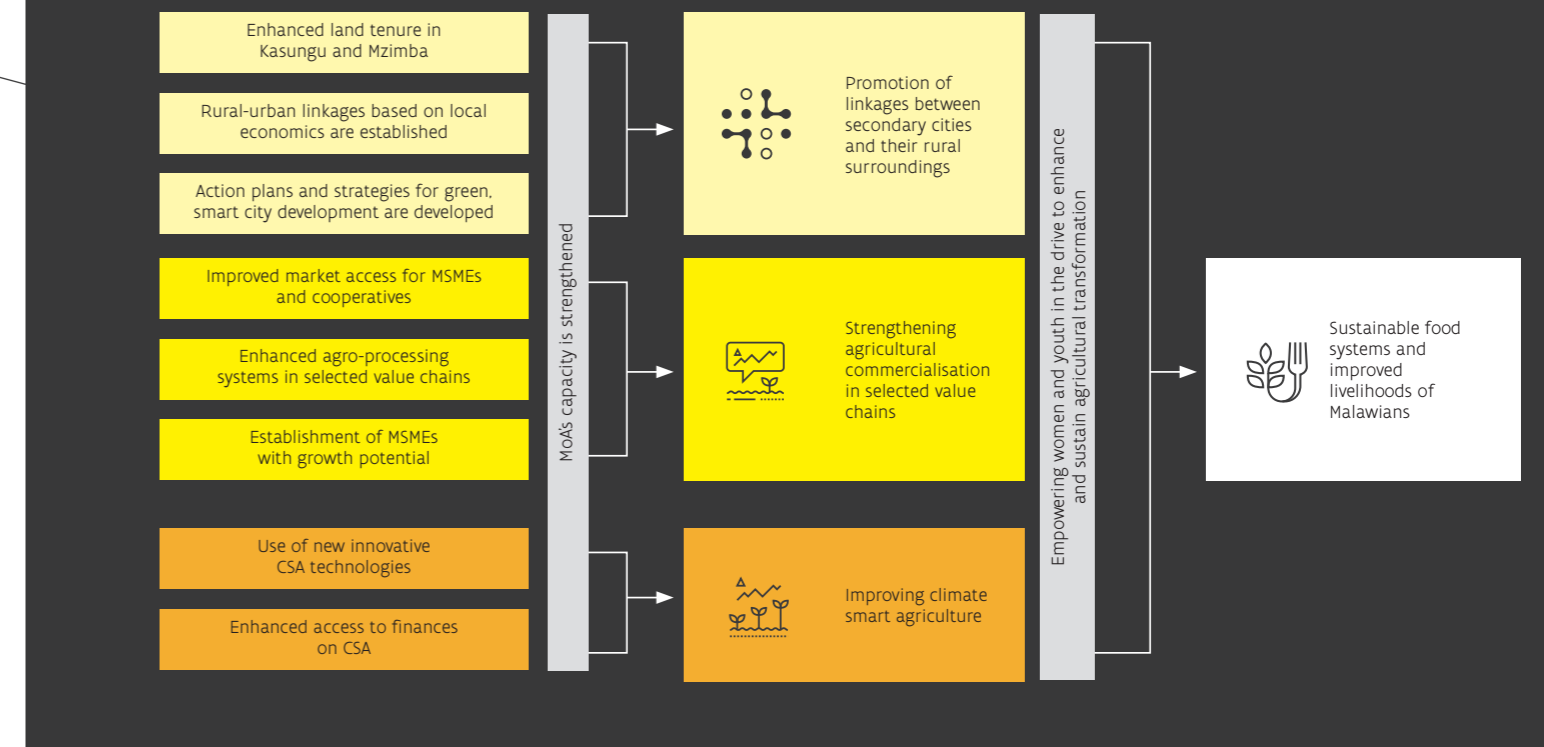
PROMOTION OF LINKAGES BETWEEN SECONDARY CITIES AND THEIR RURAL SURROUNDINGS

This objective focuses on leveraging the emergence and growth of secondary cities for both rural and urban development through the promotion of rural-urban linkages between these rapidly growing urban centers and their rural hinterlands. Secondary cities can function as growth poles for rural development by creating off-farm jobs in agro-processing and business linkages for trading agricultural commodities. By strengthening the economic landscape in and around secondary cities, a strong urban private sector can create jobs and attract more trading activities from the rural hinterland.

Among the eight secondary cities targeted under the Malawi Secondary Cities Plan, the Government of Flanders will engage primarily with Kasungu town. This town is the capital of Kasungu District, which is a focus area for Flanders' activities in Malawi.

Institutional strengthening and capacity building of government partners at national, district and local urban center level, with a specific focus on Kasungu and Mzimba district, including support to district councils to manage processes of urbanisation and to the roll-out of the new land laws, will be provided, keeping the welfare of rural hinterlands in mind.

FIGURE 5: LOGFRAME CSP IV



OBJECTIVE 2:

STRENGTHENING AGRICULTURAL COMMERCIALISATION IN SELECTED VALUE CHAINS

Agriculture remains the backbone of the Malawian economy. Agro-processing can build on this to create jobs off the farm. Value chains will be selected based on government policy and evidence-based research.

A holistic approach is needed to support agribusiness development. This will include providing 1) technical support in terms of products and services offered by agribusinesses, 2) technical support to operators on business management, 3) access to markets with demand for the products and services the agribusinesses offer, and 4) access to business finance, particularly for young entrepreneurs.

CSP IV wants to build on the success of the previous CSP regarding access to markets.

Supporting MSMEs and anchor farms⁵ and connecting them with smallholder farmers to supply them with the products they demand will be an important strategy for achieving the economic goal of leaving no one behind.

Cooperatives will engage in commercial activities by improving the quality and increasing the volumes of their produce, investing in agrifood-processing and value addition, and connecting to markets through digitised market information systems. Special attention will be given to the enhancement of production and business management skills of youth and women entrepreneurs.

⁵ Anchor farms should not be confused with mega-farms. Anchor farms are smaller outreach farms, working with a minimum of 500 smallholder farmers to offer them a guaranteed market for specific products.

OBJECTIVE 3:

IMPROVING CLIMATE SMART AGRICULTURE

Long-term integrated actions are needed to ensure sustainable production and increased climate resilience within the agricultural sector to deal with the impacts of climate change. Through the introduction of innovative technologies to cooperatives, anchor farms and MSMEs, climate smart agriculture can contribute to green growth and sustainable development as it allows producers to sustainably increase productivity and incomes. Different climate smart tools will be explored and introduced in an integrated manner to reduce negative impacts on the environment and to maximise land restoration and climate adaptation. Through a green approach to value chains, the use of natural resources is minimised, and negative environmental impacts are reduced or mitigated as much as possible in all stages of the chain. Support of the implementation of CSA practices encourages the rehabilitation of land including soil rehabilitation, watershed management, and reforestation

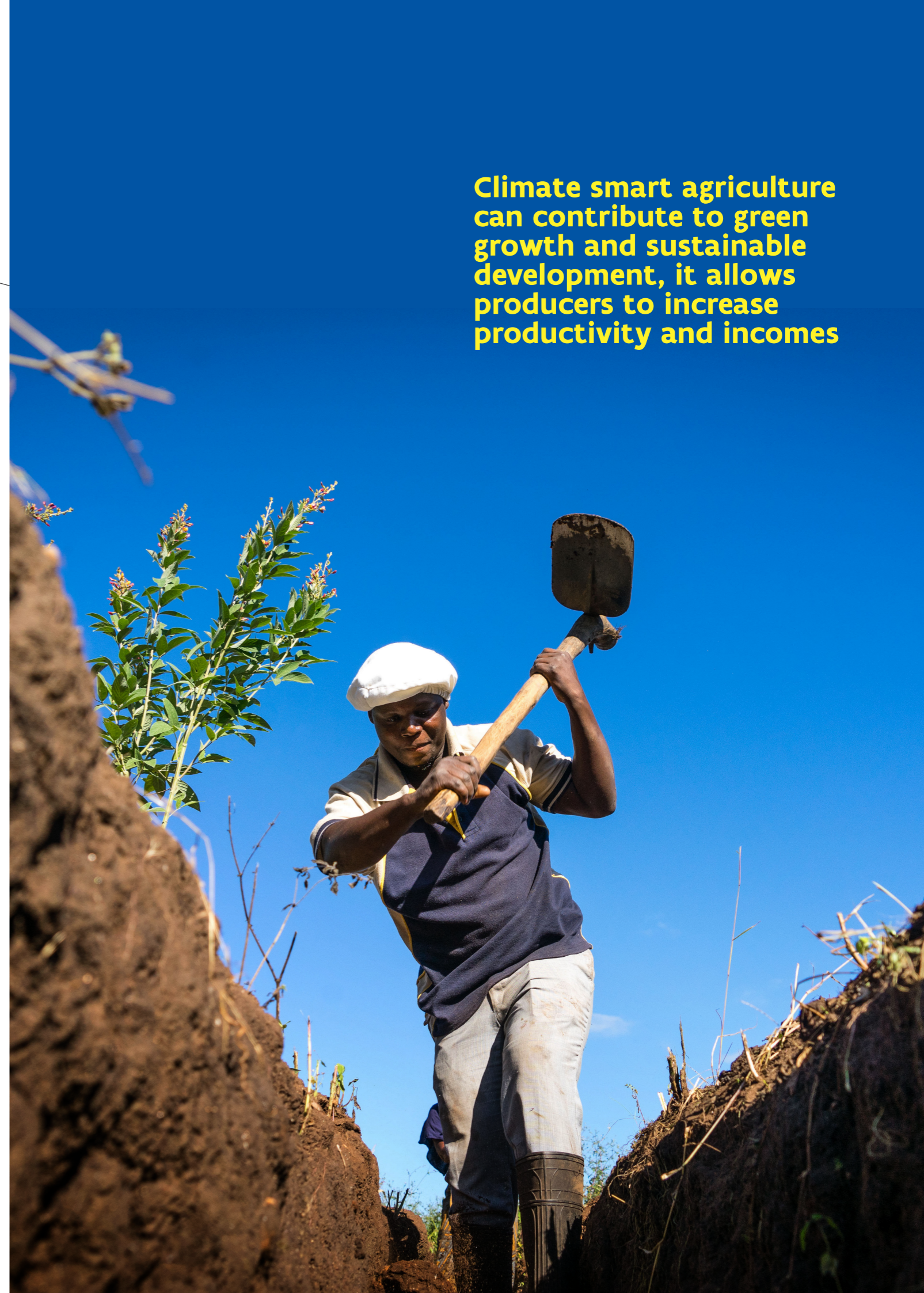
ACCELERATORS

The three strategic objectives will be catalysed by accelerator drivers, which will be mainstreamed in this CSP, as well as during implementation in the programmes and projects, and in discussions on policy level. These include:

- The promotion of innovation and technology which has the potential to boost more inclusive and sustainable agricultural growth by spurring innovation, generating efficiencies, and improving agricultural services.
- Decision making and actions based on data, research, and evidence-based practice to have the desired impact.
- Thinking systemically to tackle the challenges that Malawi is facing in the sector of agriculture from multiple perspectives and in a holistic way in order to support the transition to sustainable agrifood systems.
- Results achieved by using a multisectoral approach and the promotion of multi-actor partnerships.
- Leaving no one behind and ensuring inclusiveness of project approaches as a leading principle to ensure sustainable development. By focusing on gender equality, youth, and sustainable development, this CSP wants to contribute to the welfare and wellbeing of all on our planet.

These accelerators will be considered in the selection process for projects that are in line with the objectives of CSP IV.

Climate smart agriculture can contribute to green growth and sustainable development, it allows producers to increase productivity and incomes





INDICATIVE FINANCING

Flanders will commit 25 million Euros for the duration of CSP IV from 2024 to 2028 with an average expenditure of 5 million Euros per annum. Support is linked to the objectives previously mentioned. The table below gives an overview of indicative funding allocation.

FIGURE 6: INDICATIVE ALLOCATION OF FUNDING ACROSS CSP IV OBJECTIVES

Domains of Change	Indicative amount
Objective 1: Promotion of rural-urban linkages between secondary cities and their rural surroundings	€ 7.000.000
Objective 2: Strengthening agricultural commercialisation in selected value chains	€ 10.000.000
Objective 3: Improving climate smart agriculture	€ 7.500.000
Monitoring, evaluation, research (2%)	€ 500.000
TOTAL	€ 25.000.000

Flanders will apply a portfolio approach when allocating its resources. This means that national and district governments (under a multi-donor trust fund and/or a project agreement approach), national and international NGOs, companies and research institutions can receive funding from Flanders.

At least 2% of the CSP budget may be used for identification and formulation of processes or

projects, monitoring, evaluation and learning, and for ad hoc technical assistance within programmes and projects.

Flanders considers good governance, respect for human rights, and equal opportunities as prerequisites for sustainable development. Funding will therefore be specifically targeted to these core values as applied throughout the projects.

FIGURE 7: CORE VALUES

Core Values	Indicative proportion of projects within the CSP budget
Good Governance	50%
Human Rights	50%
Equal opportunities for men, women, and youth	100%



MANAGEMENT OF THE PROGRAMME

PROGRAMME GOVERNANCE

The Governments of Malawi and Flanders are jointly responsible for the achievement of the results outlined in this CSP. The Government of Flanders has tasked the Flanders Chancellery and Foreign Office (FCFO) with the implementation of its cooperation policy.

The FCFO is accountable to the Flemish Minister in charge of Development Cooperation as regards funding and management of the international cooperation programmes. The Government of Malawi has commissioned the Ministry of Finance, Economic Planning and Development as the main coordination agent for national economic and development planning and facilitating international cooperation. The Malawian Ministry of Agriculture is the main partner for implementation of this cooperation strategy. In line with the objectives of the CSP, there will be close collaboration with the Ministries of Trade and Industry, the Ministry of Local Government, Unity and Culture, and the Ministry of Lands, Housing and Urban Development.

A bilateral consultation takes place at least every two years between the Governments of Malawi and Flanders to discuss relevant policy evolutions. Representatives of the Flanders Chancellery and Foreign Office, the Ministry of Agriculture, other ministries involved, and implementing partners will participate. This consultation provides the opportunity to report on the progress of the CSP and share lessons learned within the framework of cooperation, based on mutual accountability and a common commitment for continuous improvement.

The Government of Flanders opened its Diplomatic Representation in Pretoria, South Africa in 1999. The Delegation of Flanders is now accredited in seven countries in Southern Africa (Botswana, Lesotho, Malawi, Mozambique, Namibia, Eswatini, and South Africa). In addition to the office in Pretoria, there are satellite offices in Lilongwe, Malawi and Maputo, Mozambique, focusing on the international cooperation. The Deputy General Representative of Flanders in Lilongwe manages the international cooperation programme in Malawi.

FIGURE 8: RESULTS FRAMEWORK CSP IV

PROGRAMMING

A portfolio approach will be used for the implementation of the CSP. This involves (1) different financing modalities, (2) different operation levels (national, provincial...) and (3) different categories of implementing actors (multilateral organisations, international or local NGOs, civil society organisations, research institutions...). These elements will be combined in a complementary and mutually reinforcing manner. This approach ensures the flexibility needed to secure sound management of the funds provided, along with adequate risk management tools.

The programme will strive to build a network of cooperative relationships which accelerate desired change. In order to increase the efficiency and result-orientation of the programme, it is proposed to take a focused approach with a manageable number of programmes and projects.

IDENTIFICATION AND FORMULATION

The representatives of both governments (Flanders and Malawi) can propose initiatives. All proposals will be assessed in line with Malawian policies and the priorities of this CSP. Flanders can provide support to the Government of Malawi through bilateral projects, pooled funding, or through indirect cooperation. Direct cooperation with other donor agencies may be considered as well.

Flanders and Malawi commit to the use of transparent identification processes for selecting implementing partners. Project proposals and partners will be screened based on the internal guidelines of the Flanders Chancellery and Foreign Office. After screening, each proposal will be submitted for approval to the Flemish Minister in charge of International Cooperation. The Government of Flanders must approve each distinct funding.

Exchanges or collaborations with Flemish institutions or organisations with specific expertise of benefit to the quality of programme implementation may be included.

IMPLEMENTATION

The Government of Malawi is the main actor in terms of creating enabling conditions and implementing policies to achieve the joint programme objectives. In order to ensure efficient implementation, collaboration with

multiple actors from civil society, international organisations, local communities, academia, and the private sector will be established. The implementation of programmes or projects is the responsibility of the implementing partners. Detailed information about the implementation of a programme or project and the administrative requirements is provided in a project document and a project agreement. In the case of joint financing by several donors and budget sector financing, Flanders will endorse jointly negotiated project and programme proposals and agreements.

REPORTING

Reports must meet the minimum reporting requirements defined in the internal guidelines of the Flanders Chancellery and Foreign Office. However, the Flanders Chancellery and Foreign Office makes every effort to align reporting processes as far as possible to existing local reporting systems and procedures, or systems and procedures drawn up and agreed upon in a joint donor context. In order to limit financial risks, additional requirements may be put in place.

MONITORING AND EVALUATION

POLICY LEVEL

The bilateral consultation between the Governments of Malawi and Flanders is a crucial monitoring tool at policy level. Flanders Chancellery and Foreign Office provides an update of the commitments and funds spent. If necessary, measures can be taken in mutual consultation in order to speed up certain processes and/or shift priorities.

Flanders will participate in the existing policy dialogues with the Government of Malawi and with the donor community for monitoring, evaluation and learning with regard to the broader Malawi 2063 Vision implementation. The coordination of the lead donor will be respected, and Flanders adheres to the principle that monitoring and evaluation should be collective exercises.

GOAL: Climate smart agricultural commercialisation for a prosperous Malawi				
Goal Indicator (impact level)	Baseline	Target (2028)	Origin of baseline indicator	Means of verification
Poverty headcount ratio at national basic-needs poverty line:			2019/20 poverty rates measured in IHS5	Future IHS rounds
National	51%	30%		
Kasungu	67%	39%		
Mzimba	39%	23%		
Value added in agro-processing (billion USD)	0.9	1.6	National accounts	National accounts
OBJECTIVE 1: Secondary cities for rural development				
Indicator	Baseline	Target	Origin of baseline indicator	Means of verification
Average annual per capita income from off-farm activities in rural households:	tbc	6% annual growth	Baseline survey	Own surveys
Kasungu				
Mzimba				
Share of rural households with at least one plot of freehold or leasehold land:		tbc	Indicative 2019/20 measure from IHS5, to be remeasured in 2024 baseline survey	Own surveys
Kasungu	17%			
Mzimba	4%			
OBJECTIVE 2: Strengthening agricultural commercialisation in selected value chains				
Indicator	Baseline	Target	Origin of baseline indicator	Means of verification
Number of households gaining any income from supported value chains	tbc	6% annual growth (MIP I)	Baseline survey	Own surveys
Kasungu				
Mzimba				
Average per capita income from supported value chains, among households gaining any income from them:	tbc	6% annual growth (MIP I)	Baseline survey	Own surveys
Kasungu				
Mzimba				
OBJECTIVE 3: Improving climate smart agriculture				
Indicator	Baseline	Target	Origin of baseline indicator	Means of verification
Share of crop-growing farmers applying organic fertiliser (manure or compost):		tbc	Indicative 2019/20 measure from IHS5 to be remeasured in 2024 baseline survey	Own surveys
Mzimba	22%			
Kasungu	34			
Average per capita income from supported value chains, among households gaining any income from them:		tbc	Indicative 2019/20 measure from IHS5 to be remeasured in 2024 baseline survey	Own surveys
Kasungu	33%			
Mzimba	34%			

Once 50% of the overall budget has been committed, an external Mid-Term Review (MTR) of CSP IV will be carried out to assess the progress of implementation, and also to make recommendations for future cooperation. The terms of reference for this review will be approved by the Governments of Flanders and Malawi. Conclusions arising from the external review will be discussed jointly by the two governments, and will provide input for discussion on how to make future cooperation more effective, efficient and sustainable.

Finally, a results framework, based on the objectives of this CSP and the Malawi 2063 Vision, has been developed as a general instrument for monitoring the progress of the CSP (see below). This framework outlines the desired changes to be achieved by the collaboration between Malawi and Flanders for the period 2024 to 2028. Results achieved will be monitored by using selected indicators. The projects funded through this CSP will contribute directly to the relevant indicators of this results framework and will be required to report on these indicators.

PROJECT LEVEL

The overall responsibility for implementing the programme and reporting on progress and results lies with the implementing partners. The Flanders Chancellery and Foreign Office will track this process by means of work plans, meetings, progress reports, evaluations, and site visits.

Monitoring is part of a learning process to improve project implementation and organisational capacity and will, where possible, be carried out together with the Government of Malawi. The indicators used for monitoring the progress of projects will be linked to the results framework of the CSP IV, and thus also to Malawi 2063. These indicators will pertain to the impact on beneficiaries and on the core values 'gender', 'good governance' and 'human rights'.

As a general rule, all programmes or projects will be evaluated externally, and the evaluation budgeted for within the project budgets. The project or programme agreement will include the modalities for monitoring and evaluation. Evaluations can also take place at the request of the Flanders Chancellery and Foreign Office.

In principle, a financial and a compliance audit, following international standards, shall be

conducted of every project or programme. This audit will be financed by the Flanders Chancellery and Foreign Office. When financing joint programmes, the Flanders Chancellery and Foreign Office will participate in the joint monitoring and evaluations, and audits.

FUNDING COMMITMENTS AND DISBURSEMENTS

Flanders will commit 25 million Euros for the 2024-2028 programme of cooperation, which will provide funding for projects and programmes approved by the Government of Flanders. Funding for direct bilateral cooperation, also at decentralised level, will follow the applicable national procedures insofar as deemed viable after sound financial risk assessments. In case of indirect cooperation, funds will be transferred directly to the implementing partners.

RISK MANAGEMENT

Multiple risks may affect the achievement of the results of the CSP IV 2024-2028. Flanders and Malawi are jointly responsible for risk management and risk mitigation. In the event of risks taking place during implementation of the CSP, Flanders and Malawi may need to take a number of measures to ensure the proper management of projects and funds. Even were implementation of the cooperation strategy to change, emerging smallholder farmers will always remain the end beneficiaries.

Should this CSP increase its focus on decentralisation and direct support to the districts, it is possible that the Governments of Flanders and Malawi will have to take additional risk mitigation measures.



Innovation and technology are among the actions that will be taken to support the implementation of this strategy

Risk management is applied on the basis of the following principles:

- Adherence to the principles of the Paris Declaration applicable to the Governments of both Malawi and Flanders when considering changes to the modalities of support.
- Flanders will, together with other donors where necessary, closely monitor the risks of the cooperation programmes and, where required, develop risk mitigating measures and seek to find solutions in dialogue with the Government of Malawi.
- Risk identification, analysis, risk management, and monitoring will be part of all initiatives resulting from this CSP.
- Flanders will adopt a portfolio approach.
- In the event of deteriorating performance or increased risk to the funds committed to the national or district level, Flanders may redirect committed resources to local authorities or non-governmental and multilateral organisations, in accordance with the objectives and target

groups outlined in this CSP. The Government of Malawi will be informed of such decisions.

- The Flanders Chancellery and Foreign Office will reclaim from all implementing partners, any expenses falling outside the agreed budgets and plans, or identified as ineligible expenses by its own or external audits.
- Human rights, attention to gender and good governance, including the management of public finances, remain the basic requirements for international cooperation between Flanders and Malawi.
- In the event of serious governance problems in Malawi, Flanders will have to assess the extent to which the absorption capacity of Malawi has been affected. In extreme cases, support may have to be reduced or frozen. Whenever possible, this will be decided in consultation with the Government of Malawi, on the basis of the assessment by the international donor community and, in particular, by the European Union.

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COOPERATION OUTSIDE CSP IV 2024-2028

Flanders supports several initiatives in Malawi that do not fall within the framework of the CSP, but which constitute additional efforts towards achieving the global Agenda 2030 for Sustainable Development. In line with the Agenda 2030, Flanders places emphasis on policy priorities such as climate change, collaboration with the private sector, and disaster prevention and relief. These can be translated into initiatives implemented exclusively in Malawi, or alternatively into regional initiatives which include Malawi. These projects are frequently implemented by multilateral organisations, or specialised international NGOs, funded by financial resources over and above the Malawi CSP budget of the Government of Flanders. The content of these initiatives will align with Malawi's policy framework and the CSP as far as possible.

Since Flemish policy priorities can change, the following overview is not permanent.

HUMANITARIAN SUPPORT

Malawi is vulnerable to multiple weather-related risks and is regularly affected by floods and droughts. Flanders aims to make its humanitarian assistance sustainable and wishes to deploy part of its resources to address structural challenges geared for preventing disasters, rather than simply responding to them when they occur. Flanders is dedicated to strengthening global and in-country emergency preparedness systems. It supports our principal partner countries – Malawi and Mozambique - in strengthening their humanitarian response systems. As the largest regional government donor since the establishment of the Central Emergency Response Fund (CERF) in 2006, Flanders intend to keep supporting this fund in a predictable manner.

international engagement through the Flemish Climate Fund. These resources will support climate projects in countries in the Global South. This support is mainly focused on climate adaptation measures that aim to improve the resilience of local populations living in already affected regions, but mitigation measures may likewise be supported.

REGIONAL INITIATIVES

As a number of challenges do not stop at the borders of our partner countries, Flanders also contributes to regional or globally-oriented projects. Such approaches enable countries in the Global South to better cooperate and exchange knowledge on effective policy strategies. The topics of these contributions are in line with the policy priorities of Flanders' international cooperation, such as social economy, private sector, climate change, trade and labour standards, food systems transformation, food security and health.

INTERNATIONAL CLIMATE FINANCE

There is a global engagement to contribute 100 billion USD annually to international climate financing. Flanders will contribute to this

Commercial agriculture, investing in value addition and agro-processing will result in the creation of employment and wealth

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