



## This action is funded by the European Union

### ANNEX 3

of the Commission Decision on the Annual Action Programme 2015 in favour of the Republic of Malawi to be financed under the 11<sup>th</sup> European Development Fund

#### Action Document for Rural Roads Improvement Programme (RRImP)

<b>1. Title/basic act/ CRIS number</b>	<b>Rural Roads Improvement Programme (RRImP)</b> CRIS number: MW/FED/037-848 financed under the 11 <sup>th</sup> European Development Fund (A envelope)			
<b>2. Zone benefiting from the action</b>	Malawi. The action shall be carried out at the following location: In 12 selected districts of Malawi, with a project team based in Lilongwe.			
<b>3. Programming document</b>	National Indicative Programme for Malawi 2014-2020			
<b>4. Sector of concentration/ thematic area</b>	Focal sector 2 – Sustainable Agriculture			
<b>5. Amounts concerned</b>	Total estimated cost: EUR 35,000,000 Total amount of EDF contribution: EUR 35,000,000			
<b>6. Aid modalities and implementation modalities</b>	Project Modality: <ul style="list-style-type: none"> <li>• Direct management – procurement of services</li> <li>• Indirect management with the World Bank</li> <li>• Indirect management with the Government of Malawi</li> </ul>			
<b>7. DAC code(s)</b>	43040 – Rural Development, 21020 - Roads Transport			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	x	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. GPGC thematic flagships</b>	Not applicable			

#### SUMMARY

The proposed Rural Roads Improvement Programme (RRImP) will be funded by the European Union (EU<sup>o</sup>) as a component the 'Sustainable Agriculture' - focal area 2 of the National Indicative Programme (NIP) 2014-2020 for Malawi. By improving rural infrastructure and thus facilitating access to local and regional markets by mainly smallholder farmers, the programme will help promoting sustainable agricultural growth and incomes,

one of the two specific objectives of the EU intervention in this focal area. The programme will also indirectly support achievement of the other specific objective of enhancing food and nutrition security as some agriculture productive areas to be targeted will also coincide with traditional food insecure areas.

The programme is fully complementary to the ongoing and future European Development Fund (EDF) Support to the Agriculture Sector, including namely the EU support to the ASWAp where EU is the largest contributor to a multi-donor trust fund (MDTF) managed by the World Bank. For the specific proposed approach, rural roads, the programme will build on the successful EU-funded rural roads programmes implemented under the 9<sup>th</sup> and 10<sup>th</sup> EDF.

The goal of the programme is to contribute to the Government of Malawi's objective of poverty reduction through sustainable agricultural development. This will be achieved through improved access to markets and social services by the rural population; in particular smallholder farmers facilitated by rehabilitated and sustainably maintained roads.

It is expected that by the end of the programme 1200 km of district roads in agricultural productive areas in 12 selected districts will have been rehabilitated through labour-based reshaping, spot improvements and bridge works; sustainable maintenance arrangements will have been established for the rehabilitated roads in the selected districts, by setting up the proper legal, policy and institutional frameworks .

## **1 CONTEXT**

### **1.1 Country and Sector Context**

The *UNDP Human Development Report (2014)* states that Malawi, with a population of 15.9 million people, ranks at 174 out of 187 countries on the Human Development Index, the lowest in the Southern Africa Development Community region. High population growth, with a significant footprint on the environment, high levels of unemployment and widespread poverty are among the substantial challenges faced by the country. HIV/AIDS has a major impact on the health and mortality of Malawians. Life expectancy is 55.3 years<sup>1</sup>.

The economy depends on substantial inflows of economic assistance from Development Partners (DPs) and it is estimated that more than a quarter of the budget is being funded by external assistance. The growth in Malawi's Gross Domestic Product (GDP) in 2013 was 5% and the services sector constituted the largest share of the GDP (51.7%) followed by Agriculture (29.4%) and Industry (18.9%)<sup>2</sup>. However, the majority of households are poor. In 2013, it was estimated that 61% of the population lived below the income poverty line and 30% lived in severe poverty. The majority of those ultra-poor households (living on USD 1.25 per day or less) are female or child headed households.<sup>1</sup>

The economy of Malawi is predominantly agricultural, with about 85% of the population living in rural areas and engaged in household farming. Agriculture is constrained by low productivity and limited land size holding, but remains the main source of growth and exports in Malawi. The sector accounts for over 80% of the country's employment, over one-third of the GDP as mentioned above, and about 80% of merchandise exports. Women constitute 70% of the agricultural labour force and produce 80% of household food consumption.

Smallholder farmers have limited access to markets, both upstream, for acquiring agricultural inputs, and downstream for produce commercialisation. Many agricultural areas of the country remain constrained by the poor conditions of, or lack of, rural roads, with limited or no access in the rainy season. This situation makes it difficult and expensive for farmers to reach markets and for retailers to reach out to farmers. The resulting high transport costs and long transportation times have a direct impact on agricultural produce conservation and quality, as well as price and competitiveness on local, regional and international markets.

#### **1.1.1 Public Policy Assessment and EU Policy Framework**

Malawi adopted the Millennium Development Goals (MDGs) in 2006 and as revised in 2012. The Malawi Growth and Development Strategy II (MGDS II) 2011-2016 is the current strategy designed to guide Malawi in attaining the MDGs (the successor strategy is currently being prepared by the Government). Its main objective is to create wealth through economic growth and development as a means of achieving poverty reduction. The

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<sup>1</sup> United Nations Development Report. Human Development Report 2014, Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience.

<sup>2</sup> [www.indexmundi.com/malawi/economy-profile.html](http://www.indexmundi.com/malawi/economy-profile.html)

MGDS II identifies agriculture as the principal driver of economic growth and poverty alleviation. According to the MGDS II, increasing agricultural productivity should be achieved by strengthening the linkages of farmers to markets through infrastructure development and enhancing irrigation and water development.

**Agriculture:** In the absence of a national agriculture policy<sup>3</sup>, Malawi's agricultural development strategy is laid out in the Agriculture Sector Wide Approach (ASWAp) investment plan prepared by the Government of Malawi under the auspices of the Comprehensive Africa Agriculture Development Programme (CAADP) with support from the Development Partners (DPs). The ASWAp, approved in October 2011, is an investment framework to foster donor harmonization and alignment in support of agricultural development. It identifies three focus areas: (i) Food security and risk management; (ii) Commercial agriculture, agro-processing and market development; and (iii) Sustainable agriculture land and water management.

Support to the implementation of the ASWAp investment framework has been provided since April 2014 through a Multi-Donor Trust Fund (MDTF) administered by the World Bank and financed by the EU<sup>4</sup> (under the 10<sup>th</sup> EDF), along with three EU Member States (Flanders/Belgium, Ireland and UK), Norway and USAid. Support to rural roads is included in ASWAP, as a determinant to achieve market development for agricultural inputs and outputs through public private partnership.

Two other national documents are leading public and private investment in the sector: the presidential Green Belt Initiative (GBI) launched in 2011, which aims to expand the area under irrigation up to 1,000,000 ha, and the country Cooperation Framework of May 2013 to support the New Alliance for Food Security and Nutrition in Malawi. The National Export Strategy (NES), launched in 2012, is also an important component of the reference policy framework. Under the NES, specific crops have been targeted for research and specific strategies are being developed for prioritising and promoting crops, diversifying and expanding exports, and for reducing transport costs and bottlenecks that hamper access. In this respect the Government is committed to prioritise rural feeder roads to primary agricultural production clusters.

**Roads:** Historically roads have received the largest portion of public funding for transport in Malawi. This reflects the dominant role of roads in the transport sector. Roads currently carry more than 70% of internal freight and over 90% of international freight traffic, as well as the majority of passenger trips. The 2004 Road Reclassification Study carried out by the Malawi Roads Authority (RA), identified a total of close to 25,000 km of public roads in Malawi. The study recommended adding 9,478 km of district and community roads to the existing classified network of over 15,451 km<sup>5</sup>, although the outcomes of the study, captured in the draft Roads Public Act, have not been gazetted yet. Only 4,312 km of the designated network are paved.

The network of district roads<sup>6</sup> is generally poorly developed and, in some instances, impassable during the rains. The relatively high cost of internal freight transport has a major impact on agricultural commercialization given the low value of most unprocessed agricultural produce. The current state of district roads is attributed to a combination of factors, including weak operationalization of the National Transport Policy (NTP), resulting in unclear institutional responsibilities for roads management and insufficient and ad-hoc funding for rehabilitation and maintenance. The NTP was revised in 2013, but the draft document awaits final approval by the Government of Malawi. The updated policy envisages devolution of responsibilities for the management of district roads along the principles enshrined in the National Decentralisation Programme (see below). Investment in new roads has been largely funded by DPs, while maintenance is largely financed by Government of Malawi, by way of a fuel levy administered by the Road Fund Administration (RFA). This is, however, not sufficient to cover all roads.

**Decentralisation and Local Government:** The success of Government strategies to improve district road infrastructure relies on strengthened institutional structures at decentralised level. The responsibility for coordination of these initiatives at district level lies with the District Commissioner and the District Council (DC). District Development Plans (DDPs) are regularly prepared to collate and synthesize community demands, prioritise interventions and propose investments across all sectors in a coordinated and integrated manner.

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<sup>3</sup> The new government after the general elections of May 2014 has started in 2015 consultations to draft a National Agriculture Policy (NAP).

<sup>4</sup> CRIS Decision FED/2011/23181.

<sup>5</sup> National Roads Authority. Road Network Reclassification Study. Final Report, Volume I Reclassification of Public Roads. Ramboll. 20 March 2006.

<sup>6</sup> For purposes of this document "district" roads refer to "d-roads" and "unclassified" roads under the current classification system and "district and community roads" under the new classification system.

The Local Government Act and the National Decentralisation Policy, adopted in 1998 provide the relevant legal framework. The operational arm of the Decentralisation Policy is the National Decentralisation Programme (NDP) which has the goal “to have functional and accountable Local Governments that provide quality services”<sup>7</sup>. It has not been fully implemented due to lack of political will, lack of resources, and weaknesses at various levels.

Responsibilities for district roads are intended to be devolved to DCs, but this has not happened thus far. However there are plans to launch a 'fast track' decentralisation of 6 districts, this would include additional resources and support to enable DC's to take up their responsibilities, including district roads. Parallel arrangements exist, in particular through the Ministry of Transport and Public Works, which still has staff and some equipment in the districts, and the Road Authority (RA), a parastatal reporting to the Ministry of Transport and Public Works. The RA implements an annual programme of rehabilitation and maintenance of district roads through its own systems and financing by RFA. The RA managed works tend to be carried out without significant involvement of the district-level institutions. The selection criteria for such roads are not always clear and, as the work is done through contractors arranged by the RA without DC involvement, it does not utilise or strengthen capacity of the DCs.

**EU Policy Framework:** The proposed programme is in line with the overarching EU strategy as sustainable agriculture and food and nutrition security are at the top of the EU's long-term development cooperation agenda. The EU Agenda for Change (2011), which outlines the EU's development framework, acknowledges that EU development policy should focus its support for inclusive and sustainable growth on sectors that have a strong multiplier impact on developing countries' economies. Agriculture is one such sector.

### **1.1.2 Stakeholder analysis**

**Ministry of Transport and Public Works:** The Ministry is custodian of transport sector policy development. Through the Department of Roads, it is responsible for policy direction on construction and maintenance standards and quality control of construction and maintenance of roads. It has a strong record in road financing and, through the RA, actual road rehabilitation. It appears to have adequate political support, focused leadership and evolving clarity on policies and plans. The Ministry is set to devolve all responsibilities for district roads to Local Government, both at national level (to the Ministry of Local Government and Rural Development) and sub-national level (to the DCs). While this process is stalling, it will, eventually, take place, as set out in policies and acts. While the Ministry intends to focus on its regulatory tasks, it has few instruments for setting and enforcing standards for rural roads, or a realistic and funded plan to develop these. The success of the devolution process will depend on strengthening the Ministry of Transport and Public Works to fulfil its core functions, while phasing out defunct tasks.

**Ministry of Local Government and Rural Development :** The Ministry is closely linked to the local authorities and has a central role in the decentralisation process. This process has been stagnating for quite some time and new political and institutional support is needed. This may, potentially, occur under the recently launched Public Sector Reform Initiative, by proceeding with actual, through selective, devolution in six districts. Talks between the Ministry of Transport and Public Works and the Ministry of Local Government and Rural Development on the devolution of tasks and resources are on-going and the six pilot districts to which roads management will be devolved will start most probably in the financial year 2015/16.

**Ministry of Agriculture, Irrigation and Water Development:** The Ministry is responsible for the overall sound implementation of the ASWAp investment framework and for the Malawi New Alliance Cooperation Framework. It is one of the key stakeholders to be consulted for the identification of agriculture productive areas in view of selecting roads to be rehabilitated under this proposed programme.

**Roads Authority (RA):** The RA is responsible for construction, rehabilitation and maintenance of public roads, in particular the main road network. The RA has considerable experience and expertise in the rehabilitation of different types of rural roads. It has important technical expertise, but none in capacity development at sub-

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<sup>7</sup> National Decentralisation Programme II 2008-2013

national levels. The RA lacks a transparent and consistent approach towards prioritising district roads for inclusion in its annual work programmes and has an incomplete GIS database of the national road network.

***The Road Fund Administration (RFA):*** The RFA is responsible for the mobilisation of and accounting for funds for maintenance and rehabilitation of roads. It is financed almost exclusively through a fuel levy. At present the revenue to the Road Fund is sufficient for routine maintenance of only about 50% of the existing classified network and cannot support any significant periodic maintenance works. So far, funding has been mainly towards higher level roads and urban roads, but the RFA has recently started to channel modest funds for maintenance to local clubs established under the 9<sup>th</sup> EDF-funded Income Generating Public Works Programme (IGPWP), and the 10<sup>th</sup> EDF Rural Infrastructure Development Programme (RIDP). It is willing to expand this, if resources allow and systems are in place.

***National Local Government Finance Committee (NLGFC):*** The NLGFC is a semi-independent body established by the Government of Malawi to oversee and support financing, budgeting, expenditure and financial control of Local Authorities. It is centrally involved in setting formats for Councils' budgets and in deciding on procedures. It provides training and coaching to finance staff of local authorities and monitors the quality of financial systems. The NLGFC is represented on the RFA Board but is currently not directly involved in managing funds for district roads, partly due to lack of technical expertise and partly for historical reasons. However, being the custodian of budget allocation and financial control vis-à-vis Local Government, NLGFC should be allowed and be supported to take up similar responsibilities in the road sector as it does in other sectors.

***National Construction Industry Council (NCIC):*** The NCIC was established through an Act of Parliament in 1996. It is mandated to regulate, promote and develop the construction industry in Malawi. The NCIC facilitates access by Malawian firms to resources for developing their operations. The NCIC maintains a register of all contractors in the country, which are categorised by financial capacity and experience. NCIC also offers short training courses for roads contractors and DC staff.

***District Councils (DC):*** Maintenance arrangements for district roads are weak and, in many situations, absent. The RA, while arranging for rehabilitation of selected district roads, does not establish any provisions for their maintenance. The system of Road Maintenance Clubs (RMCs), pioneered by the EU-funded IGPWP and RIDP, have proven to be effective for unpaved roads and, with financial support from the Government of Malawi through the RFA, potentially sustainable. However, such arrangements, while embraced by GoM, and appreciated by key ministries and relevant DPs, have not been consolidated and the DCs still have weak arrangements for support and guidance in connection with district roads. While all Districts have a Director for Public Works (DPW), not all of the DPWs have the required expertise to plan and supervise road rehabilitation and maintenance. They are constrained by lack of vehicles and insufficient funds for travelling and may have only one or two road foremen or supervisors to do the work.

***Target Groups:*** Farmers and local communities will benefit from improved links to economic opportunities, agricultural markets, access to inputs, better transport facilities and access to value adding industry as well as access to social facilities, and other economic opportunities. In addition, they will receive employment opportunities with the contractors and in the longer-term with the road maintenance-related activities.

The immediate target groups of the programme will include medium and small scale Malawian contractors. The participation of contractors will allow them to learn new skills and expand their asset base. Contractors will benefit from training courses for mid-level technicians to be developed under the programme.

The Ministry of Transport and Public Works, Ministry of Local Government and Rural Development and DCs will benefit through elaboration and operationalization of the devolution of responsibilities for district and community roads. This will lead to clearer roles and responsibilities and improved efficiency of district road maintenance. The key national stakeholders were consulted during the identification and formulation process. A survey was conducted in nine districts and seven districts were visited.

### **1.1.3 Priority areas for support/problem analysis**

The rationale for the proposed programme is well captured in the Malawi Economic Memorandum prepared by the World Bank in 2010<sup>8</sup>, which provides the basis for including a feeder roads component in the first phase of ASWAp-Support Programme (ASWAP-SP). The memorandum demonstrates that new infrastructure investment should be made in feeder roads in areas with good agronomic potential that are close to markets. The quality of the trunk road network is not a major constraint in Malawi; however differences in the quality of feeder roads connecting villages to the main road network has a significant bearing on transport costs. Since the intensity of cash-cropping is significantly affected by journey times to the nearest market, investment in feeder roads in areas of high agronomic potential and relatively close to market centres will have high impact on economic growth.

Based on this analysis and conclusions, the general poor condition of district roads severely constrains access for smallholder farmers to economic opportunities (markets, banks, suppliers, processing industries, etc.) and social services (such as health and education) and makes such access very costly for them. Until now there has been little involvement of local Agri-processing businesses and small farmers in the maintenance of rural roads, which may have led to a lack of ownership. It is felt by many that rural roads are the responsibility of the DC rather than small-medium enterprises or farmers taking any initiative. The programme will endeavour to address these aspects by involving small farmers and private sector in the management of the rural roads network.

The poor condition of district roads stems from two main reasons:

- a) Lack of funds and policy directions for rehabilitating, upgrading (at selected locations) and maintaining rural roads and,
- b) Absence of, and ineffective allocation of, roles and responsibilities for the rural road network management.

As regards point a), under the current economic situation the Government remains heavily dependent on external assistance for rehabilitation works; however the fuel levy could be a sustainable source of funding for maintenance. The RFA is expected to spend 35% of its budget on maintenance of roads under district and urban authorities. This target has not yet been achieved (estimated to be around 5%), and the modest amount allocated by RFA goes largely towards maintenance of urban roads. In addition the fuel levy has lost much of its purchasing power in recent years, decreasing from 13% of the pump price in 2009 to 6% in 2012<sup>9</sup>. Improvements in these aspects can be made and will represent core activities for the programme.

Regarding maintenance arrangements, the system of Road Maintenance Clubs (RMCs), pioneered by IGPWP and RIDP, has proven to be effective and the RFA can conceivably finance this operation. Each RMC is responsible for a section of road (up to 10 km) following its rehabilitation, with each member responsible for one Kilometre. A small wage for each member is paid onto a joint account with a bonus if maintenance is completed in a timely and complete manner. Tasks include, cutting grass, clearing of culverts, repairing water damage to the road way and clearing drainage ditches. Indirectly the communities also benefit from this approach as it boosts the micro economy by providing cash inflow. However, such arrangements, while embraced by the Government of Malawi, and appreciated by key ministries and relevant DPs, have neither been consolidated at the level of the districts nor in terms of national policies. In addition, RMCs can carry out very basic, manual maintenance but cannot repair damaged bridges or culverts. This may require input by contractors with more skills and resources than the RMCs. The project will assist with funds for rehabilitation and more importantly will guide the DCs in coming up with the appropriate maintenance arrangements according to the different typology of roads and the nature of the activities to be performed. The project will assist in developing a national approach to district road maintenance and in strengthening the arrangements at national and sub-national level to make this operational.

Concerning point b), unless decentralisation takes place and District Councils are empowered to discharge their tasks as mandated, Malawi will not have sufficient institutional capacity in the roads sector to organise the rehabilitation of the entire district roads network every five to seven years, even if the required funding was made available. The problem is complex and has several dimensions. At central level there is the need for better coordinated action between the Ministry of Transport and Public Works and the Ministry of Local Government

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<sup>8</sup> <http://documents.worldbank.org/curated/en/2010/01/13221253/malawi-country-economic-memorandum-seizing-opportunities-growth-through-regional-integration-trade-summary-main-findings-recommendations>

<sup>9</sup> World Bank, Malawi - Public Expenditure Review, Final Report, November 2013

and Rural Development. The two ministries agree with the principle of devolution of roles regarding district roads, but there is no practical, agreed and enforced approach to translate such principles into operational realities. A redefinition of the role for the RA is also needed, since the agency wants to phase out its involvement with district roads, but is confronted with the weakness of existing local government institutions, and lack of equipment and staff in the districts. A sound and well-supported strategy that would strengthen such elements is required.

However, most of the constraints are at the level of the districts and on the related decentralisation process. Progress has been made with developing district planning tools, staffing the district councils, channelling funds to this level, establishing the Local Development Fund (LDF) as a tool for inter-governmental financial transfers, and building capacities. But, the total picture on decentralisation is mixed: skeleton staff are in place in districts, local revenue is extremely low, funds from the national level are in place but inadequate, and most sectors are not well integrated in the district arrangements and processes<sup>10</sup>.

Capacity constraints at district level, including staff turnover, are also a critical issue. For example, while all Districts have a DPW with very minimal (often two) staff, not all of the DPWs have the required expertise to plan and supervise road rehabilitation and maintenance. To complicate matters further, training of technicians by technical colleges was phased out in the early 2000s and many experienced staff under the Ministry of Transport and Public Works are nearing retirement. The government is focused to address the human resources bottleneck and on enhancing the capacity of the DCs and the programme can provide a great deal of support in this respect. On the job training can be offered during the roads rehabilitation activities, while in the longer-term the shortage of skills and of mid-level technical staff such as engineering technicians, road supervisors and foremen in Malawi could be addressed by arranging for capacity development support through a suitable local service provider. Furthermore, synergies will be established with the 11<sup>th</sup> EDF Skills and Technical Education Program (STEP) which focuses on the construction Industry. Development of curricula will cover skills development for rural-roads rehabilitation and maintenance activities.

Prioritisation of roads for rehabilitation is also a critical aspect, which warrants support. Planning should become more transparent, taking into account the needs of small holder farmers and other stakeholders as well as directly involving the concerned DCs, which need to develop the expertise and knowledge to take on expanding roles. Furthermore, it is evident that attention must be given to developing more durable standards for district roads.

In conclusion, to address the issue of rural roads in a holistic manner all of the above points must be considered: roads rehabilitation activities should be carried out with a strong institutional support component aiming at moving forward the decentralisation process, increase ownership of the rural roads network while at the same time looking into planning, funding issues and skills enhancement.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk<sup>11</sup></b>	<b>Mitigating measures</b>
Technical Assistance (TA) and Works Programme progress at a different pace; CD support not available to districts when required.	M	<ul style="list-style-type: none"> <li>• Regular liaison between managers of the two components at national level to ensure equal pace of implementation;</li> <li>• Incorporate some CD activities under the works component (to be carried out by the design and supervision consultants).</li> </ul>
Management of Works component too demanding for ASWAp-SP MDTF	L	<ul style="list-style-type: none"> <li>• Implement road works component over three years with four districts participating each year;</li> <li>• Select only four districts for annual programme, perhaps in the same region (north, central, south).</li> </ul>
Ministry of Transport and Public Works, Ministry of Local Government and Rural Development and	M	<ul style="list-style-type: none"> <li>• TA to respond to demand and be 'hands-on';</li> <li>• Focus on implementation, not on new policies</li> <li>• Use Local/regional experts where possible and appropriate.</li> </ul>

<sup>10</sup> So far the health and education sectors and part of the agriculture sector have been devolved to the districts.

<sup>11</sup> H = high and M = medium L = Low

districts not receptive to TA, nor decisive on policy making		<ul style="list-style-type: none"> <li>• Make pre-conditions explicit and enforce these;</li> <li>• CD provided at district level not depending on Ministry of Local Government and Rural Development.</li> </ul>
Selection of districts and roads lacks transparency or delays programme	M	<ul style="list-style-type: none"> <li>• Identify areas of high agronomic potential relatively near markets prior the selection of districts and Roads;</li> <li>• Set and agree with the Government of Malawi objective criteria for selection process at the beginning of the programme.</li> <li>• Base selection decision on reliable data.</li> <li>• Promote use of District development plans</li> </ul>
Districts do not have enough staff and resources for district roads	H	<ul style="list-style-type: none"> <li>• Lobby with Ministry of Local Government and Rural Development on staffing and resource allocation;</li> <li>• Make contracting of works conditional on transfer of Ministry of Transport and Public Works staff to DCs.</li> </ul>
District does not put sound maintenance provisions in place	H	<ul style="list-style-type: none"> <li>• Use proven and highly motivational RMC concept;</li> <li>• Promote and facilitate commercial contracts for more demanding maintenance.</li> </ul>
No reliable and sufficient funding for maintenance	H	<ul style="list-style-type: none"> <li>• Work closely with RFA from the outset;</li> <li>• Make contracting of works conditional on increase in fuel levy.</li> <li>• Build on IGPWP/RIDP precedent.</li> </ul>

### Assumptions

- The Government of Malawi, Ministry of Transport and Public Works and Ministry of Local Government and Rural Development agree on the need for and direction of devolution of responsibilities related to district roads;
- The Government of Malawi and key stakeholders are positive about labour-intensive technologies;
- The Government of Malawi and key stakeholders are positive about an emphasis on robust maintenance arrangements;
- The RFA is able to increasingly provide funding for maintenance at sub-national level.

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 Lessons learned

Despite the level of investment made in recent years, the performance of the agriculture sector in Malawi has not achieved the expected impact due to the multiplicity and fragmentation of projects, the proliferation of isolated implementation structures, and the lack of leadership by the Government. Against this backdrop the launch of ASWAp MDTF in 2014 was a welcome development as it was a major step in support of national priorities and increased harmonisation and alignment for greater impact and scaling up of investments. The ASWAp-SP (support programme) MDTF approach is building on existing capacities and fostering in a more coherent and effective way policy dialogue between DPs and Government. New programmes supporting agriculture can now be envisaged through this pooling mechanism, including infrastructure development activities.

The Third Integrated Household Survey (IHS3) carried out in 2011 highlighted the relationship between road access and social welfare, and demonstrated a direct relationship between the level of wealth of communities and their distance from roads<sup>12</sup>. Most of the results of the survey confirmed that “*rural access and connectivity remain a great concern, particularly for the poorer rural households*”.

The importance of rural roads is also supported by the Ex-Post Evaluation of the EDF9 IGPWP<sup>13</sup> which noted that: road rehabilitation and bridges upgrading contributed to improved mobility and access to services, marketing of agricultural produce and opening up of areas for development; labour-intensive approach to road works can be highly effective in the context of Malawi. Constraints included inadequate capacity of contractors, shortage of materials, weak supervision of maintenance clubs by DCs, late payment of wages, low

<sup>12</sup> World Bank, Malawi - Public Expenditure Review, Final Report, November 2013

<sup>13</sup> Transtec. Ex-Post Evaluation of Income Generating Public Works Programme. Final Report. August 2014.

commitment and participation of Government institutions in crosscutting activities, and frequent staff relocations in the districts. In addition, the use of the Project Implementation Unit raised cost-effectiveness and sustainability issues. It was noted that even some years after the programme had been finalised the roads continued to be in reasonable condition, this was attributed to the road maintenance club system.

The EU Rural Feeder Roads Project (9<sup>th</sup> EDF) undertook spot improvements on 727 km of rural roads and upgraded a 26 km road in Mchinji District to low volume sealed road standard between 2007 and 2013. The RA implemented the works. The Final Evaluation Report<sup>14</sup> noted that there is a need to break the “*vicious circle (sic) of lack of capacity at district level, no transfer of RFA resources to districts for road maintenance, and deterioration of district roads*”. The spot improvement technique has “limitations” because the sections between the spots tend to deteriorate. The use of the RA as the Contracting Authority for district roads may lead to unclear strategies for future maintenance.

As recorded in the 10<sup>th</sup> EDF RIDP report on Programme Estimate 2<sup>15</sup> lessons learned included relevant considerations on the economic benefits derived from labour intensive approaches: wages paid during the rehabilitation works and road maintenance activities provided communities with a source of income to meet their basic needs, even allowing some to join savings clubs to provide a source of capital for other income generating activities. Also it was reported that improved roads allowed farmers to obtain better prices from buyers entering the area or alternatively sell their produce at markets and incur lower transport costs.

Further the RIDP report mentioned above considers that timing of labour intensive works is vital to ensure that the soil is not too hard or too wet to ensure efficient progress of works and that it cannot be assumed that GoM will support maintenance of Rural Roads in a timely manner. Both of these issues have been considered from the start with the design of the programme having sufficient time for planning and building in political dialogue as well as reinforcing the DCs role in maintenance.

In discussion with the World Bank and the Government of Malawi a road map has been agreed to ensure funding is provided for maintaining the newly rehabilitated roads, whilst the concept is accepted by the World Bank how this will be integrated into the agreement is still under discussion.

### **3.2 Complementarity, synergy and donor coordination**

The ASWAp-SP MDTF is now well established in the Ministry of Agriculture, Irrigation and Water Development. The rural roads component within the ASWAp-SP MDTF, budgeted at USD 49.2 million, supports spot improvement, upgrading and rehabilitation of 780 km of roads in 10 districts. The roads component, initiated in 2014 and implemented by the RA, will also explore maintenance options in the selected districts. The selection of 10 districts was largely based on crop production data from the Ministry of Agriculture, Irrigation and Water Development, the related roads were selected for improvement by the RA and their Regional Engineers in consultation with the DCs. However, the ASWAp investment framework has focused goals and objectives, with little attention for capacity development and policy development at sub-national levels. These issues constitute a minor component in a programme that is devoted to improving agricultural production.

The LDF is a nationwide financial mechanism for supporting decentralized development. The Community Fund “window” of the LDF finances community projects such as schools and clinics, community roads, bridges and markets. Funds are managed by the DCs, who make direct payments to beneficiaries for labour or other inputs. LDF is currently funded by the World Bank, African Development Bank (AfDB) and Kreditanstalt für Wiederaufbau (KfW).

Several rural development programmes such as International Fund for Agricultural Development's Project Rural Livelihoods and Economic Enhancement Programme (USD 28 million) and World Bank's Irrigation, Rural Livelihoods and Agricultural Development (USD 65 million) are supporting small farmers in diversification, improving production, transport, processing, and marketing systems and include, *inter alia* rural road rehabilitation activities.

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<sup>14</sup> ARS Progetti. Ex-Post Evaluation of the Rural Feeder Roads Programme. Contract No 2014/342645. Final Report. 23<sup>rd</sup> October 2014.

<sup>15</sup> Rural Infrastructure Development Programme (Component 1). (MW/Fed/2010/022-433). Completion Report for Programme Estimate 2. 1st February 2013 to 31st August 2014. Programme Implementation Unit.

The United Nations Development Programme (UNDP) is developing a project in Integrated Rural Development, with the Ministry of Local Government and Rural Development, which may give a boost to the decentralisation process. The project would help Ministry to develop a policy and strategy for fostering integrated rural development, in particular at district level and below.

Under the Technical Assistance component of the 10<sup>th</sup> EDF Road Transport Sector Policy Support Programme (EUR 70 million), support to policy development in the Ministry of Transport and Public Works, including road, rail and lake transport is provided. The Technical Assistance is advising on the role of the Department of Roads in the Ministry in the context of devolution, improved axle load control and road safety under the Directorate of Road Traffic and Safety, and improved procurement documentation for the RA. One of the indicators in the Transport Sector Performance Monitoring Framework (TSPMIF) is the planned and regular maintenance of the rural road network.

Concerning coordination, the main policy dialogue around agriculture and food security takes place in the framework of ASWAp. Donors coordinate through the Donor Committee on Agriculture and Food Security (DCAFS). In this context, the EU works closely with DFID-UK, Flanders Government (Belgium), Germany, Irish Aid, JICA, Norwegian Aid, USAID, as well as FAO, World Bank and World Food Programme. The two main fora for agriculture policy dialogue are quarterly Agriculture Sector Working Groups (ASWG) and bi-annual Joint Sector Reviews chaired by the Minister responsible for agriculture, which gathers a wide range of stakeholders from Government, CSOs, Private Sector and Donors. The New Alliance for Food Security and Nutrition, currently led by the EU, has also the potential to improve synergies between Government, DPs and private sector on agricultural matters.

Similarly to the agriculture sector, also in transport there are quarterly meeting and annual Joint Transport Sector Reviews. Main donors in transport are the EU, the World Bank, JICA, African Development Bank and DFID. The Governments of China and India, the European Investment Bank (EIB), Arab Bank for Economic Development (BADEA), Kuwait Fund, and the Organisation of Petroleum Exporting Countries (OPEC) also contribute to the transport sector.

### 3.3 Cross-cutting issues

**Governance:** National policies and systems in Malawi have, thus far, not been sufficiently responsive to the needs of the rural population. Strengthening the role of DCs, controlled by democratically elected Councillors and managed by competent staff assigned on merit basis, will help to change this. Empowering DCs will also enhance predictability and transparency in the prioritisation and actual financing of district roads. While Malawi may continue to struggle in proceeding towards decentralisation, the programme will provide hands-on support for this in a practical manner.

**Gender issues** will be addressed at various levels, through selection and training of technical staff, specific efforts to encourage the participation of female workers in rehabilitation work and, most of all, active inclusion of women in the RMCs. This generates a modest income, and enhances their position in the community and in the family.

The role played by **environmental issues** depends on the types of road and associated rehabilitation and improvement technologies. For unpaved roads, which are the focus of intervention, this concerns mostly erosion of exposed surfaces, dust, channelling of rainwater and possible blockages of drainage systems when the work is poorly designed.

**Climate change** may lead to increased intensity of rainfall in Malawi therefore increasing the risk of washouts of drainage structures and erosion of unsealed road surfaces. Provision will be made for increased runoff in the design of structures through an appropriate factor applied to calculated design flows. The sealing of higher traffic district roads and the use of durable surfacing materials on a spot improvement basis will reduce erosion of the project roads. The existing EU-funded Environmental and Social Management Guidelines in the Road Sector will be applied, wherever appropriate. Specifically: Action will be taken to ensure that road works supervisors are adequately trained with regard to environmental impact mitigation measures applicable to rural (mostly unpaved) roads, and oversee their application as part of their mandate.

**Human rights** issues do not arise in the context of district roads, unless the extremely inequitable access to social, financial and economic resources would be considered. The programme will aim at reducing this inequality and channelling more resources to the rural population who tend to benefit much less from investments in roads than the urban population.

Improvement of transport infrastructure is likely to improve quality of life and access to medical facilities; this is particularly relevant for those living with **HIV/AIDS**, given the requirement to have reliable and regular access to medication, which is currently much constrained by poor access. Training on HIV awareness will be provided.

The crosscutting issues relevant in the context of this programme will be mainstreamed in its design, organisation, budgeting, management, and monitoring, rather than treated as separate result areas.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives and Results**

**Overall Objective:** *To contribute to the Government's objective of poverty reduction through sustainable agricultural and rural development.*

**Specific Objective:** *Improved access to economic and social resources by the rural population, in particular smallholder farmers, facilitated by improved, rehabilitated and sustainably maintained rural roads.*

#### **Result 1: 1,200 km of district roads will be rehabilitated in 12 selected districts through labour-based reshaping, spot improvements and bridge works.**

Improved roads contribute to socio-economic and agricultural development but the scale and cost of road works is beyond the resources of the Government of Malawi. Substantial contributions from DPs continue to be required. It is proposed that the investment programme should cover only 12 districts in order to remain manageable and to have clear impact at the local level, whilst having enough geographical spread to contribute to key economic areas throughout the country. The objective will be to provide all-weather access for the types of vehicles normally using the road.

#### **Result 2: Organisational, financial and technical arrangements are put in place to create sustainable conditions for roads management at district level.**

In order for the programme to successfully promote sustainable methods in the rural roads sector it is necessary to work at both central level and local level and on different aspects: organisationally (i.e. effective and efficient institutions with proper mandate and policies), financially (i.e. an assured source of long-term financing for roads maintenance) and technically (technical standards applied country-wide, skills upgraded as appropriate).

A better match between skills, systems and incentives at the level of local government on the one hand, and financial and technical support and policy guidance at national level on the other, will be established. Financing, planning and quality control for district roads rehabilitation and maintenance will be addressed. Supply of suitably qualified mid-level staff will be enhanced by way of training and support will be given to the DC. Maintenance systems will be designed to be cost effective and appropriate to the level of traffic using the road and within the capabilities of the DCs.

### **4.2 Main Activities**

#### **Result 1: 1,200 km of district roads will be rehabilitated in 12 selected districts through labour-based reshaping, spot improvements and bridge works.**

This component will be implemented through an Administration Agreement with the World Bank. The World Bank has a Financing Agreement with the Government of Malawi, then there is a Project Brief which regulates the relationship between the Ministry of Finance and the RA and RFA. In practice the World Bank finances the RFA on the basis of work plans and audited expenditure from the previous disbursement.

1) Activities will start with the selection of the districts, which shall be done according to the following criteria:

- Districts that include prioritised economic clusters by ASWAp/ Ministry of Agriculture, Irrigation and Water Development
- Districts participating in other initiatives under the EU focal area of Sustainable Agriculture.
- Districts with potential for private sector participation in funding of rehabilitation and maintenance
- Districts participating in the fast track process for decentralisation

The latter point is a critical issue because the fast track decentralisation process envisages devolution of major responsibilities to six DCs as a next step in the roads decentralisation process and starting with the financial year 2015/2016. This renewed focus on devolution by the Government of Malawi should contribute to district capacity (as financial and human resources may be increased) and help to ensure continuation of maintenance of roads after the initial rehabilitation has been completed. It is therefore of the utmost importance that the districts to be proposed by the Ministry of Agriculture converge to the fullest possible extent on the districts selected by the Ministry of Local Government for fast decentralisation.

The value of the works evenly split between the 12 districts, although this may result in differing lengths of road in each district due to variations in unit cost depending on the nature of the works completed.

The district selection criteria will be further discussed and modified jointly by EU, World Bank and the Government of Malawi. Weightings will be attached to the different criteria to allow objective comparison. Experience in the first batch of four districts will help to refine the selection process, which will then be applied to the selection of the second and third batches of districts.

2) Selection of roads for rehabilitation will be conducted on the basis of clear criteria that will include the following aspects:

- Economic aspects, such as access to trading centres, planned investments in agricultural production (e.g. irrigation systems, out growers schemes, newly introduced crops);
- Interest by private producer organisations to ensure sustainability of the maintenance programme;
- Overall connectivity within the district also for social reasons (such as access to health, education and information services) and for food security purposes;

The decision on the final selection criteria for the roads will be the result of continued discussion among the key project stakeholders. A Road Selection and Design Consultant will provide technical support.

3) Design standards and tender documents will be prepared by the Road Selection and Design Consultant and determined on a road by road basis. Some sections will be improved to higher standards in accordance with the terrain, in situ soils and traffic level. This may include concrete slabs on steep slopes, embankments across low lying or eroded areas, and gravel surfacing to protect weak soils. Improved drainage structures will be an important component of the works including the construction of culverts, small bridges, drifts and vented fords. Service tender dossiers will be prepared to recruit Supervising Consultants to check the works and advise the DC on certification of completed works.

4) The DCs will be central to the implementation of the project, and will be assisted to take up their roles in a transparent, competent and well-informed manner. Each district will launch the procurement of works contracts and a supervision service contract. The approval of tender awards by the World Bank will be conditional on the achievements of the maintenance milestones and progress made at policy dialogue level, described in the roadmap.

5) The Road Selection and Design Consultant will maintain a quality control role over the Supervising consultants recruited at district level. The relevant capacities of the DPW and his/her staff to manage, monitor and certify maintenance will be strengthened through on-the-job training.

6) The works will be carried out using labour-based methods wherever possible. This will provide employment opportunities to local communities. It is estimated that under RIDP 15% of the works contracts amounts were passed on to the community workers in the form of wages. The proposed project will endeavour to achieve the same target. Labour-based methods will be used for reshaping existing earth roads, excavation of fill material and gravel from borrow pits, loading and unloading, and spreading this material on the road.

7) Payments to contractors will be made by the RFA as certificates are issued by the DC. Advance payments to the RFA will be made by the World Bank biannually, based on consumption of previous funds and the planned activities for the next six months.

8) In view of further strengthening DCs empowerment, it is envisaged that at the end of the first year of implementation, a fiduciary risk assessment will be launched through a framework contract to examine whether the district councils already decentralised meet the sufficient financial management requirements to replace the RFA in its role of payment agent. The study will inform stakeholder's decision, primarily the World Bank, on the feasibility of the operation. Similar arrangements would be applied for any payments to the DC.

## **Result 2: Organisational, financial and technical arrangements are put in place to create sustainable conditions for roads management at district level.**

This component will be implemented through a service contract for TA support.

The TA will inform, with the necessary technical back-up, policy dialogue among project partners on key issues such as devolution of responsibilities concerning district roads, planning and financial aspects of rural roads maintenance, policies and standards for roads maintenance and capacity development aspects.

The programme will endeavour to implement the following activities:

- 1) With the Ministry of Transport and Public Works. Hands-on support to policy development at the national level, setting standards for district roads. The programme will assist the Department of Roads in the Ministry in refocusing its role and in reconstituting its human and physical resources, in view of devolution to DCs. The programme will assist the Ministry in developing the skills and systems to set standards, provide targeted support and monitor progress and quality.
- 2) With the Ministry of Local Government and Rural Development. The programme will support the Ministry by strengthening its capability to support and guide the DCs. This will include support for mapping, prioritising and planning roads for rehabilitation and for establishing maintenance financing. Senior staff will be exposed to best practices in decentralised rural roads management. The Ministry will be assisted in making devolution in the road sector operational and effective.
- 3) With the RA. The programme will provide support for completing the development of the RA's database of roads in Malawi, including mapping of roads for the districts, and more clearly and effectively delineating RA's responsibilities vis-à-vis the DCs.
- 4) With the RFA. Focus will be on enhancing arrangements for funding maintenance expenditure of local roads agencies (i.e. DCs) and on increasing its revenue. The target shall be to increase the fuel levy of 2% each year with respect to the pump price up to a final target of 15%. The programme will also provide TA for regularising the flow of funds for maintenance to the district level, and for optimising the National Local Government Finance Committee (NLGFC) role in this context. Additionally the TA will work with the NLGFC to facilitate its capacity to also, become the financing mechanism of both works and supervision contracts from the second batch onwards, subject to the positive outcomes of the fiduciary risk assessment mentioned under Result 1.
- 5) With DCs. Capacities will be increased for effective planning, budgeting and procurement systems for road works at the district level. Capacity development will be also geared towards preparation of roads maintenance plans and their subsequent implementation. Staff in the Public Works department will need to be trained to become capable of managing the road network under their responsibility.
- 6) With Private Sector. The supply of contractors (currently in short supply) will be enhanced by capacity development delivered by a specialised training institution<sup>16</sup> which will offer short and medium-term courses to this end. The programme will link with the 11<sup>th</sup> EDF STEP programme, and explore possible opportunities to introduce the new technical standards for roads maintenance in future curricula to be taught in technical colleges. Regional best practices such as ad-hoc training centres for labour-based activities<sup>17</sup> will be assessed and their replicability to the Malawi context analysed. In addition the programme will support the involvement of producer organisations and commercial processing organisations in the maintenance of the district road network.
- 7) With all stakeholders. Policy framework and technical standards for maintenance operations will be prepared in view of their adoption country-wide; The programme will tackle the maintenance problem holistically and explore all options that may be adapted to the country context, including, maintenance by Road Maintenance Clubs or by small scale contractors for more complex works or hybrid solutions. For example RMCs may be mobilised to control vegetation close the road, unblocking drainage systems, filling potholes and ruts in the carriageway and separate maintenance contracts may be signed for spot re-gravelling and repairs to drainage structures.

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<sup>16</sup> Currently the NCIC is the only national institution, however the vocational training sector is currently dynamic, with work being done to improve availability of appropriate content. MTPW used to run training courses through its Works Training Centre: this avenue will be also explored.

<sup>17</sup> For example the Mount Elgon Training Centre was established in Uganda under a Danida-funded project with the aim to train district staff and contractors in labour-based technologies. In Kenya Kisii Training Centre (KTC) organises annual International Training Courses on labour-based road construction and maintenance programmes.

*Both results will be supported through institutional policy dialogue geared towards ensuring sustainable maintenance. In particular, from the beginning of the programme a Roadmap will be adopted focused on monitoring progress towards the achievement of critical milestones for programme sustainability (roads maintenance funding, implementation of decentralisation process, adequate staffing at DCs level). The Roadmap will inform policy dialogue. Timely achievement of the milestones will ensure the smooth continuation of roads rehabilitation activities.*

### **4.3 Intervention logic**

The programme is anchored to the focal sector Sustainable Agriculture of the 11<sup>th</sup> EDF NIP. Hence, the point of departure will be to select districts and project sites within these districts that have the highest potential to promote sustainable agriculture. Such potential should be developed by improving transport infrastructure and thus facilitating access to local and regional markets by mainly smallholder farmers.

This starting point is reflected in the criteria for selection of the roads to be rehabilitated. Attention to ownership and stakeholders' involvement (in particular farmers and agri-producer businesses) will also be key to ensure sustainability of the programme and continued attention to the component on maintenance.

Equally important are the institutional support measures that will have to be put in place, notably sustainable maintenance arrangements for the roads, progress with the process of devolution of responsibilities for district roads, capacity building at all levels. In addition there will be a clear policy framework to guide activities and plans related to the management of the rural road network in the future.

Therefore, the main institutional changes which are intended are empowerment of district councils to act as independent roads agencies, establishing national standards for district roads, human resource capacity development in the sector, and more secure and reliable funding for district road maintenance. The changes will include clarification of the role of the Ministry of Transport and Public Works and Ministry of Local Government and Rural Development in support of the district roads agencies.

Given the current situation, in particular the lack of clear roles and responsibilities for district roads, it is assumed that the associated change processes will happen over time with full support from the Government of Malawi, the private sector and other DPs.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 66 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

### **5.3 Implementation of the budget support component**

Not applicable for this programme.

### **5.4 Implementation modalities**

#### **5.4.1 Procurement (Direct Management)**

Subject in generic terms	Type	Indicative no. of contracts	Indicative launch
Fiduciary risk assessment	Services	1	Year 1

For Result 1 point 8, a fiduciary risk assessment will be launched through a service contract in direct management.

#### **5.4.2 Indirect management with an international organisation.**

A part of this action (Result 1- except point 8) may be implemented in indirect management with the World Bank under the ASWAp Multi Donor Trust Fund (MDTF) in accordance with Article 58(1) (c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) 2015/323. This implementation entails rehabilitation and upgrading of 1,200 km of district roads in selected districts through labour-based methods and spot improvements. These implementation arrangements are justified because the World Bank is the administrator of the ASWAp and is also already managing a rehabilitation programme for rural roads in Malawi and has well-established arrangements for this. The implementation arrangements will ensure that the project is aligned with the overarching strategy in the agricultural sector. Working through these arrangements will reduce complexity and transaction costs for the Government of Malawi.

The entrusted entity will carry out the following budget-implementation tasks:

- Engaging an engineering consulting firm, through the RA, to undertake selection and detailed design of roads and preparation of tender documents;
- Engaging engineering consulting firms through the DCs to supervise the works;
- Engaging contracting firms through the DCs for the construction works, and
- Facilitating and monitoring payments to these entities from the MDTF.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) 2015/323. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

#### **5.4.3 Indirect management with the partner country**

A part of this action (Result 2), with the objective of mobilising TA and support for Capacity Development, may be implemented by indirect management with the Government of Malawi, in accordance with Article 58(1) (c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of , Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the Contracting Authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures. Payments will be executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No. 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) 2015/323, will be laid down in the Financing Agreement concluded with Malawi. The Contracting Authority for these activities shall be the National Authorising Officer (NAO) within the Ministry of Finance of the Government of Malawi.

### **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

The budget against the two result areas reflects the key objectives of the programme, and for each, the applicable modality.

<b>Result Area and modality</b>	<b>EU contribution (EUR)</b>
Result 1: <i>rehabilitating and upgrading 1200 km of district roads in selected districts</i> composed of	<b>27,600,000</b>
5.4.2 – Indirect management with The World Bank	27,500,000
5.4.2.1 – Indirect Costs WB	1,430,000
5.4.2.2 – Supervision of works	1,600,000
5.4.2.3 – Identification of Projects	1,000,000
5.4.2.4 – Support of Implementation	2,470,000
5.4.2.5 – Works	21,000,000
5.4.1. – Procurement - (Direct Management)	100,000
Result 2: <i>Organisational, financial and technical arrangements are put in place to create sustainable conditions for roads management at district level</i> composed of	<b>4,000,000</b>
5.4.3. – Indirect management with GoM	4,000,000
5.9;5.10 – Evaluations and Audits	<b>400,000</b>
5.11 – Communication and visibility	<b>100,000</b>
Contingencies	<b>2,900,000</b>
Totals	<b>35,000,000</b>

## 5.7 Organisational set-up and responsibilities

The programme will be managed and executed under two separate arrangements:

1) All technical, administrative and financial aspects of the work on rehabilitating and improving roads and related infrastructure will be executed and managed by or through the World Bank, under the ASWAp-SP MDTF. The MDTF is overseen by the Trust Fund Management Committee which comprises the contributors to the fund including the EU and the World Bank. The Donor Committee on Agriculture and Food Security (DCAFS) is responsible for DPs coordination of all ASWAp activities; the EU is the current chair of this group (until July 2015). The Administration Agreement, signed by the World Bank and the European Commission will elaborate arrangements and will designate the persons or office to be accountable for this.

2) All TA from the national level will be managed by the NAO of the Government of Malawi. A programme steering committee will be constituted to meet at least twice a year. The members will include representatives of the following bodies:

National Authorising Officer (Chair); Ministry of Transport and Public Works; Ministry of Local Government and Rural Development; Ministry of Agriculture, Irrigation and Water Development; Road Fund Administration; Roads Authority; NCIC; Farmers Union of Malawi (FUM); EU Delegation to the Republic of Malawi; The World Bank Office in Malawi; TA Team (observer status)

Prior to signing the Administration Agreement, World Bank, EU and the Government of Malawi will discuss and agree on the followings:

- Finalisation, in a transparent manner, of the selection of districts covered in the first phase of the programme.
- Adjustment of the supervisory and support arrangements under ASWAP-SP MDTF in order to address concerns of the EU, as regard selection of districts and roads, use of labour-based methods, central roles of DCs, importance of maintenance and related financing and other as appropriate.

In addition to the above, the following arrangements will be considered and discussed with the NAO, World Bank and key ministries:

- Task Managers will be appointed for both components (TA Team Leader and World Bank task manager) and will meet regularly (suggested minimally monthly), where appropriate together with the persons in the EU Delegation and the NAO and line Ministries who are charged with supervising the programme, to discuss progress, review and settle issues and, where appropriate synchronise plans.
- Both components will share progress reports, studies, draft and final plans and may synchronise field visits, wherever practical.
- Both components will establish and maintain complementary monitoring arrangements and share monitoring information.
- The experts under the TA component will liaise closely with the DCs and with the Road Selection and Design Consultant and Supervision Consultants (recruited under the World Bank agreement).

## **5.8 Performance monitoring and reporting**

Specific monitoring arrangements besides that standard ones detailed below will be decided as needs arise during programme implementation. However, it is anticipated that the Roadmap attached to the Action Document will inform discussion throughout the programme implementation and will inform decisions about the continuation of the roads rehabilitation activities.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission, either jointly with other DPs contributing to the ASWAp MDTF or individually will undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews), including an independent consultant for regular technical audits of the work on roads.

## **5.9 Evaluation**

Having regard to the nature of the action, mid-term and final and/or ex-post evaluation(s) will be carried out for this action or its components via independent consultants. These evaluations may be carried out jointly with other DPs contributing to the ASWAp MDTF.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the interrelationships between actual rehabilitation, establishing maintenance systems and building capacities at national and sub-national levels and the evolving institutional framework.

The ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this project will consolidate experience on maintenance into policies and systems, devolve responsibilities for district roads to DCs, link rural roads to rural development and contribute to sustainable institutional development. The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. Indicatively two contracts for

evaluation services shall be concluded, under a framework contract, the first (Mid Term Evaluation) by the end of year three, the second (Ex Post Evaluation) by the end of year six.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, one contract for audit services shall be concluded under a framework contract with missions planned at the end of each financial year.

#### **5.11 Communication and Visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section above 5.6.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and Delegated Agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

A Service contract in direct management will be concluded. The contract will coincide with the conclusion of the first works contracts for the duration of the project.

APPENDIX - Indicative Log frame matrix

	Intervention logic	Indicators	Baselines 2015	Targets for 2020 <sup>18</sup>	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the Malawi government's objectives of poverty reduction through sustainable agricultural and rural development	Percentage of households able to meet their daily expenses using their current income.	IHS3 data for selected districts.	20% increase in number of households able to meet their daily expenses.	<ul style="list-style-type: none"> <li>Household surveys by National Statistics Office, SEP's and DDPs</li> <li>Data collected by Ministry of Agriculture, Irrigation and Water Development / Ministry of Industry and Trade /Farmers organisations.</li> </ul>	
		Farmers involved in commercial agriculture*	IHS3 data for selected districts.	$\frac{\text{xxx}}{\text{a}}$ <sup>19</sup> increase in number of farmers involved in commercial agriculture		
Specific objective(s): Outcome(s)	Improved access to economic and social resources by the rural population, in particular smallholder farmers, facilitated	National smallholder marketed output in tonnage for main crops: pulses, irish potatoes, groundnuts*	Ministry of Agriculture, Irrigation and Water Development data for selected districts.	>1% annual increase	<ul style="list-style-type: none"> <li>Thematic studies by TA Team</li> <li>Household surveys by National Statistics Office</li> <li>Socio-economic profiles of the</li> </ul>	<ul style="list-style-type: none"> <li>Economic conditions in Malawi do not deteriorate</li> <li>No adverse weather conditions for main crops</li> <li>Transport services respond to road improvements</li> </ul>
		Improved project roads under regular maintenance in selected districts	0 km under maintenance	1,200 km under regular maintenance and supervision		

<sup>18</sup> As districts will enter the programme at different times, target years will differ.

<sup>19</sup> This target will be evaluated.

\* Indicator also contained in the NIP

\*\* Indicator No 62 in the EU results framework.

	Intervention logic	Indicators	Baselines 2015	Targets for 2020 <sup>18</sup>	Sources and means of verification	Assumptions
		Change in motorised traffic volume on targeted rural roads*	As measured during road design study.	>10% increase in motorised vehicles on project roads.		
		Number of people with access to all season roads with EU support**	0 in the areas where the interventions will take place	TBA - once the location of each intervention is known as dependant on demographics of the area.		

Outputs	Output 1: 1,200 km of district roads rehabilitated in 12 selected districts through labour-based reshaping, spot improvements and bridge works.	Indicators	Baselines 2015	Targets for 2020 <sup>20</sup>	Sources and means of verification	Assumptions
		Length of district roads improved to agreed minimum all-weather standards in selected districts.*	0 km rehabilitated in target districts.	1,200 km of roads rehabilitated or spot-improved <sup>20</sup>	<ul style="list-style-type: none"> <li>• Reporting by ASWAp SP MDTF</li> <li>• Reporting by DPWs in the concerned districts</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Agriculture, Irrigation and Water Development and World Bank continue to support roads component under ASWAp.</li> <li>• Recommendations of design consultants reflect agreed national standards for district roads</li> <li>• Contractors comply with requirement to use labour-based methods</li> <li>• Works contracts managed efficiently by district councils.</li> <li>• Timely payment of contractors invoices.</li> </ul>
		Length of rural roads made transitable through spot improvements*	0 km in selected districts.	520 Km in selected districts.		
		Number of small bridges repaired/replaced/constructed.	0 small bridges rehabilitated.	50 small bridges constructed or repaired.		
		Number of days employment created for men and women on road improvement works in selected districts.	0 days local employment in rehabilitation works.	2 million worker-days of local labour employed. Minimum of 30% of worker-days taken up by women.		

<sup>20</sup> Target is 1,200 km in all, but needs to be broken down once districts and selected roads are known

		Wages paid to community workers.	0 wages paid.	15% of works contracts amount paid to communities.		
<b>Output 2:</b> Organisational, financial and technical arrangements are put in place to create sustainable conditions for roads management at district level.	Completeness and quality of existing legal and policy framework for rural roads	No rural roads policy in place.	Policy and strategy on rural roads adopted and applied. Public Roads Act gazetted by 2017	<ul style="list-style-type: none"> <li>• Reporting by DPWs</li> <li>• Reporting by M&amp;E Units in DCs (under DDP)</li> <li>• Reporting by RFA</li> <li>• Information collection by TA Team</li> <li>• TA training and CD reports.</li> <li>• Formal documents issued by the Ministry of Transport and Public Works and Ministry of Local Government and Rural Development</li> <li>• HRM Offices of Ministry of Local Government and Rural Development and MTPW</li> </ul>	<ul style="list-style-type: none"> <li>• Significant increase in value of road fund.</li> <li>• RFA willing and able to provide maintenance funding after rehabilitation</li> <li>• DCs and Contractors able to absorb trained technical staff</li> <li>• Costs of supervision and certification by DPW met from non-project sources</li> <li>• Government budget for rural roads increased</li> <li>• DPs continue to be willing to contribute to rehabilitation</li> <li>• Government provides key resources for national institutions to work with DCs</li> <li>• Technical staff continue with DCs after training</li> <li>• Policy elaboration possible without modification of legal instruments</li> <li>• Rural roads remain high on political agenda</li> <li>• Government budget for rural roads increased</li> <li>• DPs continue to be willing to contribute to rehabilitation</li> <li>• Government provides key</li> </ul>	
	National standards published for construction and maintenance of district and community roads.	No published standards for district roads.	Manuals and standards on district roads agreed, shared and used.			
	<ul style="list-style-type: none"> <li>• Ministry of Transport and Public Works and Ministry of Local Government and Rural Development develop and implement devolution strategy for rural roads</li> </ul>	No agreed strategy for devolution for rural roads.	Devolution strategy and approach for roads adopted and practiced. Road management in six pilot districts devolved by end of 2016 MTPW staff transferred to the DPW before roads rehabilitation commences.			
	Data base of Rural Roads	Not yet complete or published	RA supplies Database of Rural roads to all DCs			
	Increase in Revenue to RFA	7% of pump price	Increase by 2% per annum to reach 15% at the end of the programme			
	NLGFC transfers sufficient funds from RFA to DC to fund planned maintenance activities	Ad-hoc arrangements to fund only IGPWP roads directly by RFA	All planned maintenance (at least including IGPWP, RIDP and RRImP rehabilitated roads) by DC are funded via NLGFC transfers			
	Regular budgeting and planning for maintenance practiced by DCs	MWK 0 for road maintenance on district budgets.	DC budgets include vote for road maintenance. Road maintenance plans are prepared and approved at district level			

	Training available for mid-level technical staff involved with district roads.	No training for mid-level technicians.	Training provided for 80 mid-level technicians.		
	Appropriate and effective road maintenance carried out by small contractors.	Not enough competent contractors for current needs	Contractors have received capacity building and are able to satisfy demand for maintenance and rehabilitation of rural roads		
	Private producers are involved in the maintenance of the district roads	No real contribution from users commercial	At least 5 private producers are involved in road maintenance by end of the programme		