

PD-ABP-757

**MALAWI**

**NATURAL RESOURCES MANAGEMENT AND  
ENVIRONMENTAL SUPPORT PROGRAM  
(612-0246 NPA)  
(612-0247 PA)**

**OCTOBER 1995**

**ACTION MEMORANDUM FOR THE USAID/MALAWI DIRECTOR**

**FROM:** Gale Rozell, AFS *Gale Rozell*  
**SUBJECT:** Natural Resources Management and Environment Support  
(NATURE) Program (NPA No. 612-0247; Project No.  
612-0248)  
**DATE:** September 28, 1995

**I. PROBLEM:** You are requested to: (a) approve the Natural Resources Management and Environmental Support (NATURE) Program (612-0247) with a five year life of program and a funding level of \$30,500,000, and (b) to approve and authorize the NATURE Support Project (612-0248) with a five year life of project and a funding level of \$9,500,000. The Program and Project components of NATURE are being approved and obligated separately but share one Program Assistance Approval Document (PAAD). Both the Program and Project will be incrementally funded with the initial obligations in FY 1995.

**II. DISCUSSION:**

**A. Background**

Agriculture is the primary source of food, energy, employment and income for approximately 85% of all Malawians. However, since independence, dualistic economic policies, coupled with external factors and explosive population growth, have significantly constrained agricultural productivity. Poverty is widespread, with nearly 60% of households living below the poverty line. Increasing food insecurity and a diminishing quality of arable land characterize most of Malawi today. The outlook for reversing this situation is bleak. Most households lack the resources and support to undertake sound agronomic and animal husbandry practices which would provide increased incomes and improve food consumption.

These problems have created unprecedented nationwide pressures on land, water and the survival of Malawi's biodiversity. Soil erosion and deforestation have reached alarming proportions and supplies of surface and ground water are diminishing rapidly. Environmental degradation is eroding the capacity of Malawi's natural resource base to meet national requirements for food security and income growth, and threatens to launch the nation into a spiral of chronic poverty and external dependency.

Opportunities now exist to improve natural resource management in Malawi. In May 1994, almost 30 years of autocratic rule ended when Malawians voted for their first democratically elected parliament and president. The new government has explicitly recognized the need to address natural resource management issues by initiating a review of policies and legal instruments in several line ministries. One major result was the preparation of Malawi's first (1994) National Environmental Action Plan (NEAP). This extensive study documents the rampant depletion of Malawi's natural resource base, identifies priorities and provides a guideline for action oriented programming. NEAP was the product of task forces drawn from government ministries, the University of Malawi, the NGO/PVO community and the private sector. To ensure the participation of local community representatives in the NEAP process, eight consultative district workshops were held involving some 900 journalists, representatives from women's groups, traditional authorities, local politicians and government technocrats, among others.

The extensive participation of stakeholder groups in defining Malawi's natural resource priorities and actions has instructed the policy and institutional reform agenda contained in the NATURE Program. Such participation is particularly important in the multi-sectoral and multi-disciplinary natural resource management sector. There are no models to determine which institutional structures, programs and policies are most appropriate for environmentally sustainable development. Therefore, NATURE does not impose upon the GOM specific solutions to its environmental challenges; rather, the Program seeks to rationalize and impose a time-frame on the reform process while also providing technical and budgetary support, where necessary.

#### **B. Summary Program/Project Description**

The Mission's Strategic Objective (SO) No. 2. and the purpose of NATURE are the same: to increase the sustainable use, conservation and management of Malawi's renewable natural resources. The NATURE purpose will be achieved over the five year life-of-program (LOP) through a combination of non-project assistance (NPA) and project assistance (PA) totalling \$40 million. The NPA portion, amounting to \$30.5 million, will be disbursed in four tranches upon the GOM's satisfactory compliance with specific conditions linked to the following four themes:

- Establishment of a unifying, comprehensive policy and legislative framework governing natural resource management;
- Strengthened capacity of institutions responsible for managing natural resources and environmental affairs;

- Implementation of results-driven natural resource management programs; and
- Achievement of sustainable financing for private initiatives in natural resource management and environmental protection.

Project Assistance (PA) activities which support these themes will require approximately \$9.5 million. These include the following seven project elements:

- Technical assistance for the design, implementation and monitoring/evaluation of the policy framework agenda
- Environmental monitoring
- Private sector-led agroforestry programs
- Review and revision of land policy
- Community-based natural resource management systems
- Environmental education
- Management, evaluation and audit services

A Policy framework for NATURE is contained in the PAAD Policy Matrix. Specific language for conditions precedent and covenants is contained in the draft Program and Project Agreements, PAAD Attachment B.

### III. DISBURSEMENT MECHANISM:

The NPA portion of NATURE will be disbursed as a cash transfer to the GOM in four separate tranches. For NATURE, USAID/M is exempt from dollar separate account legislation. Thus, there will be no tracking of local currency generations. However, over the LOP the GOM is expected to provide the equivalent of \$36 million in support of NATURE policy actions and activities. USAID will monitor GOM financial commitments through GOM Letters of Intent (LOI) required prior to the initiation of tranche periods. LOIs, among other requirements, will include a description of the financial resources to be provided by the GOM in support of reform activities contained in the upcoming tranche. Project Assistance (PA) will be disbursed through a combination of direct USAID contracts, cooperative agreements and grants.

**IV. FEASIBILITY:**

The PAAD incorporates analytical work based on separate institutional, economic and social soundness analyses. In addition, the Program/Project design builds on specific natural resource technical reviews covering soils, forestry, water, fisheries and land policy. NATURE has been found to be technically, socially, and institutionally feasible.

**V. FINANCIAL PLAN:**

Financial plans for NATURE are contained in the NATURE PAAD. The PAAD facesheet authorizes FY95 NPA funding of \$5,000,000. Additional NPA obligations totalling \$25,500,000 are planned over the five year life of program. The Project Authorization approves planned project assistance obligations of up to \$9,500,000 over a five year life of project, including an initial obligation in FY95 of \$300,000.

**VI. ECPR ISSUES:**

As described in the Memorandum dated September, 19, 1995, the mission reviewed the NATURE PAAD on September 11, 1995. Representatives from PPD, AFS, and FMO participated in the review. Prior to the meeting, the RLA emailed her clearance of the PAAD (September 8, 1995). In that email the RLA also requested clarification on a few points which were subsequently addressed directly via email with the RLA to her satisfaction. The issues review committee found the draft PAAD well prepared and presented. No major issues were raised; however, a number of clarifications were requested along with several editorial suggestions. On September 20, 1995, the mission director chaired an executive review meeting of the PAAD. The issues raised at the ECPR and how they have been addressed are summarized below:

**Issue 1:** Theme three of the NATURE Program includes the creation of a privately managed endowment fund subject to certain economic and political considerations. The objective of the endowment is to provide a sustainable source of financing for conservation and natural resource management. The concept is grounded in the uncertainty of future donor financing and the need for leveraging private sector financial resources.

The review committee asked whether USAID would reduce the dollar value of the NPA component if the endowment were not established. AFS responded that the NPA level would remain the same given that the funding level reflects, among other considerations, estimates of Malawi's budgetary requirements during a period of structural adjustment. Over the period of the NATURE Program it is expected

that successful implementation of the ongoing adjustment program will reduce the pressures for budget support. Consequently, during the latter part of NATURE, the GOM should be positioned to capitalize a private endowment with local currency. The GOM has agreed in principal to the concept, pending a review of economic conditions during the final years of the Program. Prior to the GOM actually contributing funds, conditions precedent to USAID disbursements require it to undertake a set of prerequisite organizational, planning and legal steps which are necessary, if not sufficient, conditions for establishing the fund. The PAAD description has been modified to reflect this rationale.

**Issue 2:** The amount of \$1.65 million is budgeted in the companion project for environmental education. The anticipated outcome of the activity is "to increase the percentage of students with knowledge and understanding of improved environmental practices from an estimated 1% in 1995 to 25% by the year 2000. Two questions were raised: 1) Is the amount budgeted sufficient to achieve the desired outcome? and 2) Should this activity be integrated into the education curriculum?

AFS responded that emphasis will be on very simple, low cost supplementary materials, rather than on modifications to existing curricula. Initial discussions with Malawian private sector entities have shown their interest in providing logistical and related support. Additionally, assistance from other donors has and will continue to be actively pursued. For example, the Canadian government has expressed interest in providing paper and printing support for this endeavor. Finally, as an NGO will be responsible for implementing this activity, it was pointed out that the grant agreement will clearly define the roles, responsibilities and performance targets of the recipient. Where baseline data is required to monitor and measure performance, funds will be included in the grant for these purposes. The PAAD was modified to reflect the above clarifications.

**Issue 3:** The PAAD discusses the plethora of donor project activities in the natural resource management field. The review committee believed that the PAAD presentation would be improved with additional information on other donor programs and by specifically addressing how NATURE is unique and warranted at this time.

This concern relates to the first "Feasibility Issue" addressed under the PAAD Section IX.A., titled "Feasibility Issues". NATURE responds to this problem in two ways: 1) Program conditionality will establish the requisite policy and institutional framework for all natural resource interventions and, as such, will improve the effectiveness of existing and proposed interventions; and 2) the NATURE strategy shifts the emphasis of donor support away from the traditional concept of "projects" towards line ministry programs which make use of

existing institutional and administrative structures. The proposed approach is uniformly supported by the donor community. AFS amplified the description in the PAAD of donor funded activities and emphasized the creation of an over-arching, enabling environment for all natural resource management activities.

**Issue 4:** Section IX.B., of the PAAD, titled "Assumptions and Risks," states that "for natural resource conservation and management to become genuinely effective, rural incomes and food security for smallholder farmers will have to increase and the rate of population growth will have to decline." While USAID and other donors have major initiatives ongoing in agriculture and population, it was agreed that the PAAD must articulate the linkages between these sectors and natural resource management efforts.

Improved natural resource management and increased agricultural productivity (which leads to higher rural incomes) mutually reinforce each other. For example, it is well documented that investments in soil conservation increase land productivity and incomes; conversely, increased incomes are necessary to make the needed conservation investments. Similarly, increased incomes (hence enhanced economic security) tend to place downward pressures on family size. The PAAD was modified to reflect these linkages as well as to point out the economic and social costs of not undertaking NATURE initiatives.

#### **VII. CONDITIONS PRECEDENT TO DISBURSEMENT:**

The conditions precedent to disbursement are contained in the PAAD Policy Matrix, PAAD Section IV.B, titled "Program Conditionality", and in the draft Program Agreement, contained in PAAD Attachment B.

#### **VIII. OTHER CONCERNS:**

A. Notification to Congress: The Congressional Notification (CN) for NATURE was submitted to Congress on August 3, 1995; it expired on August 18, 1995.

B. Exemption for Dollar Tracking: The expired CN contained an exemption to the separate dollar account and tracking requirement.

C. Cash Transfer Approval: The expired CN notified the Congress that Non-Project Assistance was the financing modality for \$30.5 million in DFA grant funds.

D. Technical Reviews: The PAAD has been reviewed by the RLA, the Mission Controller, and appropriate other USAID/M staff. All clearances have been noted on the PAAD facesheet.

E. Initial Environmental Examination (IEE): Categorical Exclusions and Negative Environmental Determinations have been approved by USAID for the activities included in this PAAD. The IEE is contained in PAAD Attachment A.

F. Statutory Checklists: The statutory assistance checklist is contained in Attachment G. The country checklist was completed earlier for the Community Health Partnerships (CHAPS) Project.

**IX. DELEGATION OF AUTHORITY:**

State 135128 provided an ad hoc delegation of authority (DOA) to the USAID/M Director to approve NATURE Program/Project papers and to authorize the NATURE Program/Project in an amount not to exceed \$35.0 million and \$5.0 million, respectively. The funding proposed in the PAAD, while totalling \$40.0 million, has a different mix of NPA and PA than that included in the State cable. The PAAD proposes \$30.5 million in NPA and 9.5 million in PA. While the NPA level is within the referenced cable's limit, the PA amount is over the specified ad hoc DOA level -- but the total of both the NPA and PA amounts is still within the Mission Director's authority under DOA 551, which is \$50 million for new project and program assistance activities (DOA 551, Section 4.A.(1)).

That the Director has the authority to approve the revised funding mix was confirmed by AFR/DP in the attached email dated 9/28/95, stating that as long as the funding level is within the limits authorized under DOA 551, there is no problem with rearranging the funding mix. As stated above, the proposed funding levels are within the limits of DOA 551 and therefore, the Mission Director has the authority to authorize the NATURE Program and Project as recommended below.

**X. RECOMMENDATION:**

That you sign:

- (1) The PAAD facesheet for the Natural Resource Management and Environmental Support Program thereby approving a five year combined non-project assistance program (612-0247) and project (612-0248), and authorizing the obligation of \$5.0 million in FY95 NPA funds; and
- (2) The attached Project Data Sheet and Project Authorization for the Natural Resource Management and Environmental Support Project (612-0248), thereby approving a life of project amount of \$9.5 million and an initial obligation in FY95 of \$300,000;
- (3) Both the Program and Project Agreements, obligating \$5,000,000 and \$300,000 respectively, of FY 1995 DFA funds.

APPROVED Croyell

DISAPPROVED \_\_\_\_\_

DATE: 30 Sept. 1995.

**Attachments:**

1. PAAD Facesheet/Authorization
2. Project Data Sheet
3. Project Authorization
4. PAAD

Drafter: AFS:DHimelfarb: [Signature] (DOC:O:\dhimelfa\docs\atmem.nat)  
Clearances: AFS:SMachira: [Signature] Date: 9/28/95  
AFS:KRockeman: [Signature] Date: 9/28/95  
FMO:MPowdermaker: [Signature] Date: 9/28/95  
PPD:MSarhan: [Signature] Date: 9/28/95  
RLA:Tfillinger: (10) Date: 9/28/95

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CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT  PROGRAM ASSISTANCE APPROVAL DOCUMENT  (PAAD)		1. PAAD Number 612-T-606	
		2. Country Malawi	
		3. Category Non-Project Sector Assistance	
		4. Date	
5. To : Cynthia F. Rozell, Mission Director		6. OYB Change Number n/a	
7. From : Gale Rozell, Supervisory Agricultural Development Officer Thru : Scot Covert, Assistant Mission Director		8. OYB Increase: n/a  To be taken from:	
9. Approval Requested for Commitment of \$5,000,000.00		10. Appropriation Budget Plan Code GSS5-95-31612-KG39	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal Formal <input checked="" type="checkbox"/> None	13. Estimated Delivery Period 9/95 - 9/2000	14. Transaction Eligibility Date October 1, 1995
15. Commodities Financed None			
16. Permitted Source U.S. only  Limited F.W.  Free World  Cash		17. Estimated Source U.S.  Industrialized Countries  Local  Other	
18. Summary Description See attached			

19. Clearances	Date	20. Action
AFS: D. Himelfarb	9/29/95	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
AFS: K. Rockeman	9/29/95	
AFS: S. Machira	9/29/95	Authorization Signature: <i>Cynthia F. Rozell</i> Date: 30 Sept. 1995  Title: Mission Director, USAID/Malawi
FMO: M. Powdermaker	9/29/95	
PPD: M. Sarhan	9/29/95	
RLA: T. Fillingier (in draft)	9/8/95	

**PAAD FACESHEET, ITEM 18, SUMMARY DESCRIPTION**

The attached PAAD contains the full justification for a \$30.5 million program assistance grant for the Natural Resource Management and Environmental Support Program (NATURE). Of this amount, the PAAD facesheet authorizes \$5.0 million in FY95. The PAAD also contains justification for a \$9.5 million Support Project to assist with the implementation of the policy and institutional reforms encompassed in the program. The project is subject to a separate authorization and project grant agreement.

The purpose of the NATURE Program is to increase the sustainable use, conservation and management of Malawi's renewable natural resources. This purpose will be achieved over a five year period through a combination of non-project assistance (NPA) and project assistance (PA). The NPA portion, amounting to \$30.5 million, will be disbursed in four tranches upon the Government of Malawi's (GOM) compliance with specific conditions linked to the following four themes: establishment of a unifying, comprehensive policy and legislative framework governing natural resource management; strengthened capacity of institutions responsible for managing natural resources; implementation of results-driven natural resource management programs; and achievement of sustainable financing for private initiatives in natural resource management and environmental protection. The specific required conditions and actions that the GOM must complete, together with such other terms and conditions deemed appropriate by USAID, are presented in PAAD Attachment B which contains the draft Program and Project Agreements.

The program will be exempt from the separate account requirements of Sec.536(b) (4) of the 1995 Foreign Operations, Export Financing and Related Programs Appropriation Act. Congress was notified of USAID's intent to allow this exemption via the normal Congressional Notification process as permitted by Sec. 536(b) (4). The program will not generate local currency nor require a special local currency deposit.

Pursuant to Chapter 10 of the Foreign Assistance Act of 1961, as amended, and provisions of Title II of the FY 91 Foreign Operations, Export Financing and Related Programs Appropriations Assistance, I hereby approve for obligation the non-project component described herein.



## PROJECT AUTHORIZATION

Name of Country: Malawi  
Name of Project: Natural Resource Management and  
Environmental Support (NATURE)  
Number of Project: 612-0248

1. Authorization. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Natural Resource Management and Environmental Support (NATURE) Project (the "Project") for the Republic of Malawi (the "Cooperating Country"), involving planned obligations of not to exceed \$9,500,000 in grant funds over a five year period from date of authorization, subject to the availability of funds in accordance with the USAID OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is five years from the date of initial obligation.

2. Purpose. The Project consists of assistance to the Cooperating Country to support policy reforms and other activities designed to increase the sustainable use, conservation and management of Malawi's renewable natural resources.

3. Essential Terms and Conditions. The Project Grant Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with USAID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as USAID may deem appropriate.

### Source and Origin of Commodities, Nationality of Services

Commodities financed by USAID under the Project shall have their source and origin in countries included in Geographic Code 935, except as USAID may otherwise agree in writing.

Except for ocean shipping and air transportation and travel services to or from the U.S., the suppliers of commodities or services shall have countries included in Geographic Code 935 as their place of nationality, except as USAID may otherwise agree in writing.

Ocean shipping financed by USAID under the Project shall, except as USAID may otherwise agree in writing, be financed only on flag vessels of Geographic Code 935 countries, subject to the 50/50 United States shipping requirements of the U.S. Cargo Preference Act and the regulations promulgated thereunder. Air travel and transportation services to and from the U.S. shall be financed only on U.S. flag air carriers to the extent they are available. Procurement of commodities and services of U.S. source, origin and nationality shall be maximized to the extent practicable.

Cynthia F. Rozell  
Cynthia F. Rozell  
Mission Director  
USAID/Malawi

DATED: 30 Sept. 1995

Drafter: DHimelfarb: (ID)

Clearances: AFS:SMachira [Signature] Date: 9/28/95  
AFS:KRockeman [Signature] Date: 9/28/95  
AFS:GRozell [Signature] Date: 9/29/95  
FMO:MPowdermaker: [Signature] Date: 9/29/95  
PPD:MSarhan: [Signature] Date: 9/28/95  
RLA:TFillinger (ID) Date: 9/25/95

**NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT  
(NATURE) PROGRAM**

NPA 612-0247 - PA 612-0248

**PROGRAM ASSISTANCE APPROVAL DOCUMENT  
AND  
PROJECT PAPER**

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**ATTACHMENTS:**

- A. Initial Environmental Examination
- B. Draft Program and Project Agreements
- C. CN Release Cable
- D. DOA Cable
- E. Program/Project Statutory Checklist (see official files)

**ANNEXES:**

- A. Institutional Analysis
- B. Economic Analysis
- C. Social Soundness Analysis
- D. NATURE Discussion Papers (No. 1 - No. 6)

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## ACRONYMS

ADO	Agricultural Development Officer
AFLU	Adult Functional Literacy Unit
AFS	Office of Agriculture and Food Security
API	Assessment of Program Impact
ASAP	Agricultural Sector Assistance Program
CPSP	Country Program Strategic Plan
DEA	Department of Environmental Affairs
DFA	Development Fund for Africa
DNPW	Department of National Parks and Wildlife
EMB	Environmental Management Bill
ESP	Environmental Support Program
EU	European Union
FHH	Female Headed Households
GOM	Government of Malawi
Ha.	Hectares
MACS	Mission Accounting and Control System
MER	Mission Evaluation and Reporting System
MIWD	Ministry of Irrigation and Water Development
MOALD	Ministry of Agriculture and Livestock Development
MOLV	Ministry of Lands and Valuation
MOREA	Ministry of Research and Environmental Affairs
MOT	Ministry of Tourism
MNR	Ministry of Natural Resources
MWCCASW	Ministry of Women's, Children's and Community Affairs and Social Welfare
NATURE	Natural Resource Management and Environmental Support Program
NEAP	National Environmental Action Plan
NEP	National Environmental Policy
NGO	Non-Governmental Organization
NPA	Non-Project Assistance
ODA	British Overseas Development Administration
PA	Project Assistance
PACD	Project Activity Completion Date
PIC	Program Implementation Committee
PMC	Program Management Committee
PPD	Office of Program and Project Development
PVO	Private Voluntary Organization
SO	Strategic Objective
SPRS	Semi-Annual Project Reporting System
TCGE	Technical Consultative Group for the Environment
UNDP	United Nations Development Program
USAID/M	United States Agency for International Development in Malawi
WB	World Bank

# I. EXECUTIVE SUMMARY

## A. Program Description

### 1. Background

Agriculture is the primary source of food, energy, employment and income for approximately 85% of all Malawians. However, since independence, dualistic economic policies, coupled with external factors and explosive population growth, have significantly constrained agricultural productivity. Poverty is widespread, with nearly 60% of households living below the poverty line. Increasing food insecurity and a diminishing quality of arable land characterize most of Malawi today. The outlook for reversing this situation is bleak. Most households lack the resources and support to undertake sound agronomic and animal husbandry practices which would provide increased incomes and improve food consumption.

These problems have created unprecedented nationwide pressures on land, water and the survival of Malawi's biodiversity. Soil erosion and deforestation have reached alarming proportions and supplies of surface and ground water are diminishing rapidly. Environmental degradation is eroding the capacity of Malawi's natural resource base to meet national requirements for food security and income growth, and threatens to launch the nation into a spiral of chronic poverty and external dependency.

Malawi's ability to respond in a positive manner to natural resource challenges is constrained by the cross-sectoral nature of natural resource problems, overly centralized and ineffective administrative procedures, weak legal structures, and the general absence of public environmental education. To address these constraints, NATURE will assist the GOM to build a unifying institutional framework for environmentally sustainable development. Such a framework requires a coherent policy environment, including legislative and administrative mechanisms, within which to carry out resource management and conservation programs.

### 2. Discussion

Opportunities now exist to significantly improve natural resource management in Malawi. In May 1994, almost 30 years of autocratic rule ended when Malawians voted for their first democratically elected parliament and president. The new government has explicitly recognized the need to address natural resource management issues by initiating a review of policies and legal instruments in several line ministries. One major result was the preparation of Malawi's first (1994) National Environmental Action Plan (NEAP). This extensive study documents

the rampant depletion of Malawi's natural resource base, identifies priorities and provides a guideline for action oriented programming. NEAP was the product of task forces drawn from government ministries, the University of Malawi, the NGO/PVO community and the private sector. To ensure the participation of local community representatives in the NEAP process, eight consultative district workshops were held involving some 900 journalists, representatives from women's groups, traditional authorities, local politicians and government technocrats, among others.

The extensive participation of stakeholder groups in defining Malawi's natural resource priorities and actions has instructed the policy and institutional reform agenda contained in the NATURE program. Common themes, both throughout these discussions and underlying the NATURE design, include the need to:

- Accelerate the devolution of natural resource management to rural communities through developing appropriate policies and legislation and strengthening community-based resource management systems;
- Encourage private sector participation in production activities, particularly in agroforestry; and
- Improve the productivity of those resources which remain under central government control.

It is recognized that there are no models to determine which institutional structures are appropriate for environmentally sustainable development. Therefore, NATURE does not attempt to impose upon the GOM any specific solutions to its environmental challenges; rather, the program seeks to rationalize and impose a time-frame on the reform process while also providing technical and budgetary support, where necessary.

### **3. Summary Program/Project Description**

The Strategic Objective (SO) and purpose of NATURE are to increase the sustainable use, conservation and management of Malawi's renewable natural resources. The SO and purpose will be achieved over the five year life-of-program (LOP) through a combination of non-project assistance (NPA) and project assistance (PA) totalling \$40 million. The NPA portion, amounting to \$30.5 million, will be disbursed in four tranches upon the GOM's satisfactory compliance with specific conditions linked to the following four themes:

- Establishment of a unifying, comprehensive policy and legislative framework governing natural resource management;

- Strengthened capacity of institutions managing natural resources and the environment;
- Implementation of results-driven natural resource management programs; and
- Achievement of sustainable financing for private initiatives in natural resource management and environmental protection.

Project Assistance (PA) activities which support these themes will require approximately \$9.5 million. These include the following seven project elements:

- Technical assistance for the design, implementation and monitoring/evaluation of the policy framework agenda
- Environmental monitoring
- Private sector-led agroforestry programs
- Review and revision of land policy
- Community-based natural resource management systems
- Environmental education
- Management, evaluation and audit services

#### 4. Disbursement Mechanism

The NPA portion of NATURE will be disbursed as a cash transfer to the GOM in four separate tranches. USAID/M has requested an exemption from dollar separate account legislation. If approved, there will be no tracking of local currency generations. However, over the LOP the GOM is expected to provide the equivalent of \$36 million in support of NATURE policy actions and activities. USAID will monitor GOM financial commitments through GOM Letters of Intent (LOI) required prior to the initiation of each tranche period. LOIs, among other requirements, will include a description of the financial resources to be provided by the GOM in support of reform activities contained in the upcoming tranche. Project Assistance (PA) will be disbursed through a combination of direct USAID contracts, cooperative agreements and grants.

5. Summary Program/Project Budget

A summary of the NATURE budget follows below:

Summary of USAID Program/Project Budget  
(\$000)

<u>Source</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>Total</u>
NPA	5,000	7,000	7,500	11,000		30,500
PA	1,335	2,925	2,705	1,650	885	9,500
<b>Total</b>	<b>6,335</b>	<b>9,925</b>	<b>10,205</b>	<b>12,650</b>	<b>885</b>	<b>40,000</b>
GOM	7,235	7,235	7,235	7,235	7,235	36,175

B. Policy Matrix

The Policy Matrix is presented on the following pages.

## POLICY FRAMEWORK

### NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL SUPPORT PROGRAM (NATURE)

<b>NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL SUPPORT PROGRAM (NATURE)</b>	
	<b>Impact Indicators*</b>
<b>Strategic Objective and Purpose:</b>  To increase the sustainable use, conservation and management of Malawi's renewable natural resources.	<p>The area of indigenous woodland under sustainable community-based management should increase from 3,000 ha in 1994 to 150,000 ha by the year 2000.</p> <p>The percent of cultivated land under improved conservation practices should increase from 8 in 1994 to 20 by the year 2000.</p> <p>The percent of students with knowledge and understanding of improved environmental practices will increase from an estimated one percent in 1995 to 25 percent by the year 2000.</p>

\*Impact indicators are illustrative and will be refined and expanded under Theme Three, below, "Implementation of Results-Driven Natural Resource Management Programs".

<b>Theme One: ESTABLISHMENT OF COMPREHENSIVE POLICY AND LEGISLATIVE FRAMEWORK</b>				
<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>	<b>Program Indicators</b>
<p><b>National Environmental Policy:</b></p> <p>GOM approval of National Environmental Policy.</p>	<p>National Environmental Framework Legislation submitted to Parliament for approval.</p>			<p>Legislation approved and published.</p>
<p><b>Sector Policies and Legislation:</b></p> <p>Approved time-phased action plan for: 1) comprehensive assessment of natural resource management policies &amp; legislation; and 2) drafting, submission, and approval of such policies/legislation.</p> <p><b>Co-management of Natural Resources:</b></p>	<p>Comprehensive assessment completed.</p> <p>New policies &amp; legislation drafted, submitted, approved and published in accordance with action plan schedule.</p> <p>Policies/legislation make specific provisions to permit community participation in natural resource management.</p>	<p>Ministries implementing, and in full compliance with, revised sectoral policies and legislation.</p>		<p>GOM certification, published legislation and Program evaluation.</p>
<p><b>National Land Policy:</b></p> <p>Approved time-phased action plan for comprehensive review directed at improving tenure security and the efficiency of land use.</p>	<p>Land policy review in progress in accordance with action plan schedule.</p>	<p>Recommendations for improved land policy submitted to Cabinet for approval.</p>	<p>Improved land policy legislation submitted to Parliament for approval.</p>	<p>Revised national land policy and legislation approved and published.</p>

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**Theme Two: STRENGTHENED CAPACITY OF INSTITUTIONS RESPONSIBLE FOR MANAGING NATURAL RESOURCES AND THE ENVIRONMENT**

Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p><b>Coordinating Framework:</b></p> <p>Clearly delineated role for the institution responsible for coordinating and monitoring environment and natural resource management activities.</p> <p>DEA fully staffed.</p>	<p>Coordinating and monitoring framework fully functioning.</p>			<p>GOM certification, approved legislation and Program evaluation.</p>
<p><b>Sector Roles:</b></p> <p>Approved time-phased action plan for comprehensive review of ministry and other institutional roles and responsibilities.</p> <p><b>Co-management of Natural Resources:</b></p>	<p>Review completed.</p> <p>Report/review recommendations implemented in accordance with approved schedule.</p> <p>Wildlife Resources &amp; Management Board operational in accordance with multi-year action plan.</p> <p>Institutional mechanisms for developing community participation in natural resource management designed.</p>	<p>Satisfactory performance against action plan targets.</p> <p>Institutional mechanisms for developing community participation in natural resource management established and implemented.</p>		<p>GOM certification, approved legislation and Program evaluation.</p>
<p><b>Compliance and Enforcement:</b></p>	<p>Approved time-phased action plan to develop and implement effective programs for compliance and enforcement of environment and natural resource management policies/regulations.</p>	<p>Implementation of action plan activities in accordance with approved schedule.</p>	<p>Compliance and enforcement programs fully staffed and operational.</p>	<p>Policies and legislation for compliance and enforcement published; Program evaluation.</p>

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Theme Three: IMPLEMENTATION OF RESULTS-DRIVEN NATURAL RESOURCE MANAGEMENT PROGRAMS				
Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p><b>Natural Resource Management Programs:</b></p> <p>Guidance developed for preparation of performance-based multi-year priority work programs.</p>	<p>Programs designed by participating agencies and submitted to, and approved by, the appropriate GOM ministry.</p>	<p>Approved programs financed through the budgetary process and implemented. Results evaluated against targets. Programs/targets reviewed and re-established for subsequent period.</p>	<p>Implementation of approved programs continues.</p> <p>Impact of performance-based management procedures assessed.</p>	<p>Performance-based programs implemented and impacts assessed.</p>

Theme Four: ACHIEVEMENT OF SUSTAINABLE FINANCING FOR NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL PROTECTION				
Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p>Endowment Fund working group formed that represents NGOs, private business and government.</p>	<p>Action plan prepared to establish and manage endowment fund.</p>	<p>Working group completes: a charter, financial plan, and selection of board.</p> <p>Legal consultants retained, as needed.</p> <p>Contract prepared for financial management of endowment.</p> <p>Agreed upon procedures to select financial management company.</p>	<p>Endowment registered by GOM and granted formal recognition under the Trustees Incorporation Act.</p> <p>Endowment gazetted as eligible for tax deductible charitable donations from corporations and citizens.</p> <p>Executed management contract for financial administration of Fund.</p> <p>Receipt of Fund investments and/or financial commitments.</p>	<p>Tranche 4 activities completed.</p>

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## II. BACKGROUND

### A. Economic Setting

#### 1. Economic Structure

Agriculture is the primary source of food, energy, employment and income for approximately 85% of all Malawians. The agricultural sector is strongly dualistic in structure, with commercial estates on private land under freehold or leasehold status, and smallholder farms under customary tenure. Smallholders contribute 80% of total agricultural production, while the estate sector controls 90% of the export trade. Overall, agriculture accounts for more than 35% of the country's GDP, over 90 % of foreign exchange earnings and 82% of the employed labor force.

Economic growth in Malawi was impressive during the two decades following independence in 1964. However, this growth was confined largely to the expanding estate sector, at the expense of smallholder farmers who comprise the majority of Malawi's population. To both compete with the smallholders and attract labor to the estate sector, a set of policies was introduced during this period which effectively constrained smallholder production by limiting smallholders' access to productive resources and markets. Largely as a result, economic growth slowed dramatically in the 1980s. Between 1979 and 1991, per capita food production fell by 24%; by 1987 GDP had dropped below its 1980 level. Agricultural growth has averaged less than one percent annually since 1986, with much of this growth confined to the estate sector. Smallholder farmers have become increasingly marginalized. In the early 1990s, the poorest 40% of Malawi's population earned only 7% of the national income, compared with 19% in the 1960s.

Exogenous factors such as rising oil prices and a decline in the terms of trade have also contributed to Malawi's economic downturn. Additionally, civil strife in neighboring Mozambique resulted in an influx of more than 900,000 refugees into Malawi. The conflict in Mozambique also increased Malawian costs for international trade by forcing traffic to be diverted from least cost routes through Mozambique to more costly routes through South Africa and Tanzania. Most of the refugees have now returned to Mozambique, but the full restoration of trade routes will take some time. Significant food imports resulting from prolonged drought have also placed downward pressure on Malawi's economy.

## 2. Population

While dualistic economic policies and external factors have significantly constrained Malawian development, it is the escalating population growth which poses the greatest threat to contemporary development efforts. Malawi's current population of 10 million is growing by 3.2 percent annually. The nation's population density is among the highest on the continent. By the year 2015 the population is expected to double. Poverty is already widespread, with nearly 60% of smallholder households living below the poverty line - despite enormous efforts to generate and promote production-increasing technologies. Per capita GDP was US\$ 210 in 1993<sup>1</sup>. An average Malawian family simply goes without such basic needs as adequate food, water, fuel, health, shelter and education.

## 3. Outlook

Increasing poverty, food insecurity, rapid population growth and a diminishing quality of arable land characterize most of Malawi today. The outlook for reversing this situation is bleak. Most households lack the resources and support to undertake sound agronomic and animal husbandry practices which would provide increased incomes and improve food consumption. Agricultural inputs are increasingly costly or unobtainable. Family labor, so vital to smallholder agricultural production, is decreasing during peak production periods, due to the necessity of engaging in off-farm employment for survival. Particularly vulnerable are female-headed households (FHH), burdened by the added tasks of collecting water and fuelwood, cooking, child rearing and other domestic chores. FHHs comprise 30% of all rural households, of which 72% have less than 1 ha; by contrast, only 6% of all Malawians with more than 3 ha. are FHHs.

The problems highlighted above have created unprecedented nationwide pressures on land, water and the survival of Malawi's biodiversity. Soil erosion and deforestation have reached alarming proportions and supplies of surface and ground water are diminishing rapidly. Such environmental degradation is eroding the capacity of Malawi's natural resource base to meet national requirements for food security and income growth, and threatens to launch the nation into a spiral of chronic poverty and external dependency.

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<sup>1</sup> The significant depreciation in the value of the Malawian kwacha since it was floated in February 1994 has significantly reduced per capita income in U.S. dollar terms. The 1994 per capita income is now estimated at U.S. \$140.

## B. Natural Resource Overview

Malawi is a land locked country occupying the southern part of the East African Rift Valley. Some 9.4 million ha. of its 11.8 million ha. total area is land, with the balance comprising Lake Malawi and other smaller lakes. The country is endowed with a diversified natural resource base which includes some of the most fertile soils in Southern Africa. Approximately 31%, or 2.95 million ha. of the country's total land area, is suitable for agriculture at traditional levels of management; another 31% is marginal. Forest resources occupy 3.5 million hectares or 37% of the land area and supply 93% of the country's energy needs as well as timber for construction and industrial use.

Malawi contains important wetland ecosystems, such as the shoreline plains of Lake Malawi, Lake Chiuta, and Lake Chilwa, as well as a number of "dambo" ecosystems and the marshes of the Shire river system. The fishing industry is a major provider of dietary protein (60 to 70% of the animal protein consumed). Lake Malawi, the country's major source of fish (40-60% of total catch), is also endowed with an extraordinary diversity of aquatic resources, due largely to its unique biophysical characteristics: a long (585 km.), deep (670 m.) and narrow (80 km.) basin; marked seasonality of weather and lake surface conditions; and abundant stocks of small sized fish.

The nation's wildlife resources include a wide range of flora, fauna, microbiota and vertebrates. However, the diversity and abundance of Malawi's wildlife resources are, and have historically been, small in comparison to those of surrounding countries. This is principally due to the type of vegetation across large areas of the country which does not support dense game populations. Malawi does exhibit some wildlife features of regional significance, including the mountain grassland communities of the Nyika plateau, a dense population of nyala antelope in Lengwe National Park and a viable sable population in Liwonde National Park. Five national parks, four wildlife reserves, and 69 forest reserves occupy 21% of the country's total land surface. These areas have been set aside to help protect Malawi's watershed areas and biodiversity.

Malawi's mineral resources have not been fully explored and the mining industry is in its infancy. Deposits of bauxite, monazite and strontianite, limestone, marble, vermiculite, graphite, and phosphates, among others, have been found. Feasibility studies are either underway or planned for several identified mineral resources<sup>1</sup>.

### C. Land Policy Issues

While several interrelated forces are currently shaping overall land policy in Malawi, four themes dominate the contemporary debate, as follows:

1. Security of customary land tenure - Traditional customary land-use practices have historically provided adequate land security while preserving the integrity of the natural resource base. However, recent population pressures have imposed such strains on the customary system that over-exploitation and inequities in land distribution are now common in large portions of the country. While the replacement of customary land tenure with a system of individual title is not viewed as appropriate, it is clear that the existing systems could function better, particularly through the creation of a transparent mechanism for land allocation and settling disputes.
2. Shifting balance between the customary (smallholder) and estate sectors and the efficiency of estate sector land use - A major area of contention concerns the degree to which estate land, the amount of which has grown enormously at the expense of customary land, is actually cultivated. One study suggested that only 28% of the more than 1.0 million ha. of estate land was under cultivation in the 1989-90 season.
3. Proper function of public (reserved) lands - Almost 2 million ha., or 21% of Malawi's total land area, is occupied by national parks, wildlife reserves and forest reserves. Of this amount, 600,000 ha. may be considered suitable for agriculture and a further 700,000 ha. comprises forests suitable for sustainable exploitation of timber and fuelwood. The intense pressure on land, particularly for agriculture, raises questions as to the most appropriate use of these lands.

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<sup>1</sup> For example, feasibility work is underway for exploiting a bauxite deposit on Mulanje Mountain, said to be the largest in the SADC region.

4. Role and effectiveness of land administration - The demands exerted on land in Malawi by its population and commercial development are now in open conflict with the interests of conservation and sustainable management. The development and implementation of policies to conserve and maximize the productivity of land while guaranteeing equity of access and balancing competing resource needs (agriculture, water and forest resources, wildlife and tourism) is now an urgent necessity.

#### D. Priority Natural Resource Concerns

##### 1. Threat to Soil Resources

High population density has placed enormous pressure upon Malawi's landscape. Smallholder agriculture is beset by associated problems of small and declining holding sizes and declining soil fertility. The shortage of customary land has forced many families to cultivate marginal areas which are particularly vulnerable to erosion. In many cases, those forced to the margins are those who are least able, through lack of education or resources, to employ the improved technologies required for sustainable agricultural production. In the estate sector, insecurity of tenure and the low incomes prevailing among tenant farmers provide little incentive to invest labor in soil and water conservation, and many of the areas recently opened for small-scale tobacco production have been on land unsuitable for cultivation at the levels of technology employed. Consequently, land degradation in Malawi has become acute. Soil erosion is estimated to average 20 tons ha. per annum (World Bank 1991), with rates as high as 50 tons ha. in some areas. Costs to the economy, agriculture and the environment are enormous. Based on current production alone, these costs are estimated at 1 to 5% of GDP (World Bank).

Despite the severe, negative impacts of soil erosion on agricultural productivity, the GOM has not articulated a commitment to soil conservation either in policy documents or in current legislation. The Ministry of Agriculture and Livestock Development's (MOALD) Strategy and Action Plan (1994) contains only tangential reference to the conservation of land resources. Similarly, the MOALD's Department of Agricultural Extension and Training's Five Year Extension Strategy Plan (1993) lists soil conservation as the last of six extension policy aims.

Under the provision of the Land Act (1965), all farmers are obligated to use land in accordance with sound land husbandry principles. However, these provisions are weak. Proposed amendments to the Land Act for "Development of Conservation Measures and Messages" were endorsed by MOALD in 1992, but never acted upon. Moreover, land use in the estate sector is bound by

leasehold covenants which are only marginally less ambiguous than the provisions of the Land Act. The Ministry of Lands and Valuation (MOLV) does not have the capacity to enforce lease covenants, but is currently considering developing an enforcement capability. Effective control over the use of estate lands would almost certainly require the revision of existing lease covenants, which should be applied to new leases and to old ones as they are renewed.

While agricultural policies can have major environmental implications, MOALD currently lacks a formalized system for ensuring that existing policies or changes to them are vetted for environmental impact.

## 2. Threat to Forestry Resources

In 1990, forests covered more than 3.5 million ha. or 37% of Malawi's land area, having declined from an estimated 6 million ha. at the beginning of this century. Between 1972 and 1990, total forest cover declined by an appalling 41%, averaging a loss of 2.3% annually<sup>1</sup>. Deforestation in Malawi results primarily from the clearing of land for agriculture, and, to a lesser extent, from clear felling of indigenous woodland to supply woodfuel to the tobacco industry, other rural industries and urban markets. Rural household energy requirements are met from many sources including crop residues, coppicing of on-farm trees and forest products. Such households rarely obtain fuelwood and building poles from forests by clear-felling and, as such, exploitation of forests for these items results not in deforestation, but in forest degradation.

An analysis of forest yields and national fuel requirements suggests a current national fuelwood shortfall of 4 million cubic meters. This deficit is currently being made up by the (once-only) yield from land cleared for agriculture. In the southern region, where agricultural expansion has almost reached its limit, the fuelwood budget is seriously unbalanced. Demands are being met increasingly through commercial clear-felling of the few remaining customary woodlands. This same process will inevitably occur in other areas of the country as they reach the same stage in the production-demand cycle. Although proven plantation technologies exist which would guarantee self-sufficiency in wood products, these are not being developed

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<sup>1</sup> There is a lack of consensus on the rate of deforestation, with estimates varying between 48,000 and 123,000 ha/annum. The former estimate is equivalent to 1.0%, or the mean annual conversion of forest to agricultural land over the past 15 years, and should be taken as the lowest estimate of deforestation.

sufficiently to meet the growing demand. Instead, forests which perform vital soil- and water-conserving functions are being removed in uncontrolled and illegal commercial operations.

The threats to Malawi's forest resources are grouped around three core issues: competing uses for land, high energy requirements of urban and rural-industrial consumers and the unsustainable use of forests by rural communities. It is believed that these issues have developed for two reasons. First, customary forests are an open access resource, i.e., local communities have no clear forest property rights and are not empowered to profit from managing the resource. Second, the GOM has historically set fuelwood producer prices at or below the economic cost of production which discourages investments in tree production and improved forest management.

The legal framework for the conservation, management and utilization of forest resources is provided in the Forest Act (1973). The Act, which provides extensive protection to Malawi's forests and woodlands (protected reserves and parks), reflects an era in which pressures on land and natural resources were less intense and the boundaries between forestry and agriculture more clearly defined. It does not address issues relating to ownership of natural resources on customary land. The only trees over which farming households have undisputed rights are fruit trees or other exotics which they have planted themselves. In addition, the Act's provisions do not extend to private land. Thus, the management, use and commercialization of forests on private land are not addressed. Finally, the Act is essentially regulatory and has required a large force of forest guards to enforce. It makes little provision for the active management of indigenous forests. The Ministry of Natural Resources (MNR) is in the process of developing a new forestry act which is expected to address several of these concerns.

### **3. Threat to Fisheries Resources**

With the widespread adoption of modern technologies in the 1960s, annual production of fish increased dramatically, reaching 70,000 tons in 1970. In recent years, fish landings have declined and stabilized at around 10,000 tons, despite continued expansion of the fishing fleet. In itself, the stagnation of production in the face of a rapidly expanding fishing effort is a clear indication of over-exploitation. As the major source of animal protein in the nation's diet, the health of the fishing sector is too vital to ignore.

Closest to the classic picture of over-fishing come the artisanal commercial fisheries of Lake Malombe and the southeast arm of Lake Malawi. In the former, the adoption of small-meshed nets in the 1980s resulted in dramatically reduced stocks, with catches

falling from 5-8000 tons in the early 1980s to 2-3,000 tons a decade later to 50 tons in 1994. While the situation in the southern portion of Lake Malawi is more complex, this fishery has experienced a decline in yields for the past three consecutive years. Again, an increase in the use of small-meshed nets is probably implicated in this decline.

While the draft fisheries bill, prepared by the Department of Fisheries of the Ministry of Natural Resources (MNR) in 1994, was a major improvement over the existing Fisheries Act (1976), the draft legislation requires further development to incorporate provisions for a) the co-management of fishery resources; b) the possibility of restricting entry into artisanal fisheries and providing alternative income sources; and c) support for improving access to improved technologies, principally to increase the range of artisanal fishing to relieve pressure on heavily fished near-shore waters. The production of a clear policy statement and the finalization of a new fisheries act should be accorded high priority.

#### **4. Threat to Wildlife Resources and Biodiversity**

The most productive areas for wildlife have historically been the low-lying lakeshore plains of the Rift floor, almost all of which are now under cultivation. Of the surviving wildlife habitats, most of the productive areas are currently under protection as national parks (7,000 km<sup>2</sup>), wildlife reserves (4,000 km<sup>2</sup>) and forest reserves (8,700 km<sup>2</sup>). Although Malawi's wildlife resources are limited, they nevertheless comprise a vital component in a package of attractions which make Malawi a marketable tourist destination. As the loss of its wildlife features would clearly constrain tourism, the development of national parks and wildlife reserves as international attractions is a high priority in the Ministry of Tourism's (MOT) policy and action plan.

Malawi's wildlife resources are under immediate threat from two inter-related sources. The first derives from relentless and unsustainable levels of hunting, predominantly unlicensed, in both the customary lands and protected areas. Over-exploitation results from a lack of understanding of the finite nature of wildlife, the absence of community-level management capacity, the perception of wildlife as government property and the need for adequate quantities of food. Unlicensed hunting in protected areas is also motivated by the widespread attitude that consumption is the only benefit which might accrue from wildlife.

The second threat relates to shifts in perceived benefits from alternative uses of public lands. There is growing public pressure to allow agricultural expansion into "protected" areas. Most people see no direct benefit from the continued withholding of cultivable land from productive use. The decline in game populations due to over-hunting, combined with a fall in the standards for visitor facilities, has exacerbated the situation by reducing the contribution of tourism to the national economy.

Rational management of wildlife populations requires knowledge of resource size and population dynamics as well as an understanding of relevant interactions within communities. Comprehensive resource inventories have not been undertaken within the national parks and wildlife reserves since the mid-1980s. Thus, population data for the major concentrations of wildlife are so outdated that they are of limited value for management purposes, and quantitative data on wildlife populations in forest reserves and on customary land are lacking entirely.

Current natural resource management philosophy embraces the concept of encouraging community ownership of resources while fostering the capacity to manage them, or participate in their management, in a sustainable manner. However, under the Wildlife Act (1992), the Director of the Department of National Parks and Wildlife (DNPW) has no power to delegate ownership or management responsibilities to communities, NGOs or members of the public.

DNPW is further constrained by chronic resource limitations. While private sector interest and willingness to invest in wildlife-based enterprises is growing steadily, such investment is constrained by unclear and largely restrictive government policies. Policies are needed which create an environment that is attractive to private investment, without compromising DNPW's management authority and responsibilities. The benefits of a partnership with the private sector are likely to extend laterally. Profitable tourist enterprises would be willing to pay rents set at realistic market rates, which, if channeled through the NPW Fund, would enable DNPW to more effectively maintain park facilities and curb poaching. A share of private sector returns could also be channeled in such a way as to benefit local communities.

Given the sometimes supportive, sometimes competitive, alternative uses of wildlife resources, the concept of establishing a Wildlife Research and Management Board has been introduced. Convention of such a board, with broad membership, should be seen as a high priority. Additionally, given that the change from open access to effective community management of natural resources will take considerable time, effective enforcement mechanisms are necessary to stem an accelerating rate of misuse.

## 5. Threat to Water Resources

It is essential that adequate supplies of uncontaminated water be available for domestic use, irrigation and industrial supplies. Malawi is now nearing the limits of availability of surface and ground water to meet domestic and productive needs. There is also substantial water resources degradation caused by sedimentation, poor sanitation and chemical contamination.

The GOM recognizes that the water sector is characterized by rapidly growing demand and difficulty in ensuring the financial and physical sustainability of existing schemes. Existing water supply and sanitation services are fragmented among several ministries and institutions, with inadequate inter-agency coordination. Community participation is lacking in most cases, resulting in relatively expensive, centralized systems of operation and maintenance. The appropriate response to these problems requires an integrated set of strategies, leading to actions which will lower operating costs, reduce water losses, ensure compatible technology and service levels with the levels desired by communities served, and reform pricing policies and practices. As an important first step, the Ministry of Irrigation and Water Development (MIWD) developed a policy framework (1994) to guide the sustainable management of water resources and the provision of services. This framework addresses: the management and use of water for conservation and environmental protection; stakeholder involvement; allocation of water; investment of public funds; and pricing strategies.

### E. NATURE Rationale

#### 1. Rationale

Malawi's ability to respond in a positive manner to resource management and conservation problems is constrained by the cross-sectoral nature of resource management problems, overly centralized and ineffective administrative procedures, a weak legal framework, the general absence of public environmental education and awareness, and major budgetary limitations. To address these challenges, the GOM must build an institutional framework for environmentally sustainable development. Among other elements, such a framework first and foremost requires a coherent policy, including legislative and administrative mechanisms, within which to carry out resource management and conservation programs.

As may be expected, sectoral policy developments, although broadly compatible, have been driven at widely differing rates on a department-by-department basis, with little cross-sectoral coordination. (As the GOM develops its national environmental

policy (NEP), there will be a need to review all sectoral policies to ensure conformity with it.) Legal reforms are long overdue or have not kept pace with the advances in policy formulation. Similarly, the government's general acceptance of greater community involvement in natural resource management has not yet been matched by comparable institutional reforms needed to forge partnerships between government, rural communities and the private sector. Means must be developed that secure these partnerships without the GOM abdicating its responsibility or accountability for the nations' overall environmental status.

The expanding pressures on the natural resource base urgently require that Malawians become aware of how certain land use practices and policies have an impact on their environment and its potential to provide sustainable benefits to current and future generations. Underlying all these factors is the GOM's lack of financial resources with which to implement its emerging environmental policies and the relatively poor field-level performance achieved with the limited funds available.

## 2. Opportunities

Opportunities now exist to significantly improve natural resource management in Malawi. In May 1994, almost 30 years of autocratic rule ended when Malawians voted for their first democratically elected parliament and president. Thus, the NATURE program will be implemented under the significantly more open political atmosphere now prevailing in the country.

Importantly, the new government has explicitly recognized the need to address natural resource management issues by initiating a review of policies and legal instruments in several line ministries. UNDP, the World Bank and other donors have been instrumental in supporting this process. One major result was the preparation of Malawi's first (1994) National Environmental Action Plan (NEAP). This extensive study documents the rampant depletion of Malawi's natural resource base, identifies priorities and provides a guideline for action oriented programming. NEAP was the product of task forces drawn from government ministries, the University of Malawi, the NGO/PVO community and the private sector. To ensure the participation of local community representatives in the NEAP process, eight consultative district workshops were held involving some 900 journalists, representatives from women's groups, traditional authorities, local politicians and government technocrats, among others.

The extensive participation of stakeholder groups in defining Malawi's natural resource priorities and actions has instructed the policy and institutional reform agenda contained in the NATURE program. A common theme, both throughout these

discussions and underlying the NATURE design, is the need to accelerate the devolution of natural resource management to rural communities, encourage private sector participation in production activities and improve the productivity of those resources which will remain under central government control.

It is recognized that there are no models to determine which institutional structures are appropriate for environmentally sustainable development. Therefore, NATURE does not attempt to impose upon the GOM any specific solutions to its environmental challenges; rather, the program seeks to rationalize and impose a time-frame on the reform process while also providing technical and budgetary support, where necessary.

#### **F. USAID Development Strategy in Malawi**

USAID/Malawi's Country Program Strategic Plan (CPSP) - 1995-2000, sets forth the strategic framework and program rationale for USAID in Malawi. It includes five Strategic Objectives (SO):

1. Increased agricultural incomes on a per capita basis;
2. Increased sustainable use, conservation and management of renewable natural resources;
3. Increased adoption of measures that reduce fertility and risk of HIV transmission while promoting child health practices;
4. Increased access to quality and efficiency of basic education, especially for girls; and
5. Strengthened and broadened base for democratic and economic participation.

NATURE will be the Mission's principal instrument for achieving SO No. 2. In conjunction with the Agricultural Sector Assistance Program (ASAP), NATURE will also support SO No. 1, as it is recognized that increased incomes can only be assured if Malawi protects its inherited resource base. Both ASAP's and NATURE's efforts to improve land management practices are fundamental to raising agricultural productivity and, hence, broad-based income growth.

## **G. Relationship to Other Donor Programs**

The World Bank (WB), European Union (EU) and British ODA, are the key players in the natural resource management sector. The NATURE policy agenda, which will establish an enabling institutional and policy environment for natural resource management, is uniformly supported by the donor community. Such an approach will enhance the effectiveness of all donor interventions as well as leverage future donor and GOM natural resource investments.

ODA, EU and USAID are helping Government develop a land use data base for estate, customary and public lands. Together, this joint effort will provide the information needed to review and revise current land policy and tenure laws. ODA and the WB are providing support to Malawi's fishery and forestry sectors. The WB is supporting the Land Policy Unit of the Ministry of Lands and Valuation and has played a catalytic role in Malawi's formulation of the National Environmental Action Plan (NEAP). The WB is also coordinating, in conjunction with NATURE, the design of the Environmental Support Program (ESP). The latter will serve as a future guideline for priority donor and GOM natural resource investments. The EU is developing a community-based agroforestry program incorporating the rehabilitation of areas previously occupied by refugees. The UNDP is strengthening MOREA by funding staff and environmental management training in six pilot districts. UNDP, through the Dutch Trust Fund, is also providing assistance to develop Malawi's legal regime regarding compliance and enforcement of environmental legislation.

With numerous donors engaged in environmental programs in Malawi, each with differing objectives, methods of administration, and approaches, it is essential to establish some mechanism for improved donor communication and information sharing. In this context, NATURE will endeavor to establish a multi-donor secretariat to bring donors together on regular occasions to discuss specific programs and rationalize technical assistance.

## **III. PURPOSE AND APPROACH**

### **A. Purpose**

The purpose of NATURE is to increase the sustainable use, conservation and management of Malawi's renewable natural resources.

## **B. Approach**

The purpose will be accomplished through a combined set of policy reform actions and project activities as described below. A major intended impact of this program, in combination with complementary initiatives by the World Bank, EU, ODA and UNDP, is to accelerate the devolution of natural resource management and ownership to those populations which use and depend upon the resources, encourage private sector participation in production activities and improve the productivity of those resources which will remain under central government control.

The NPA portion of the Program, amounting to \$30.5 million, will be disbursed in four tranches upon the GOM's satisfactory compliance with specific conditions supporting the following four themes:

- \* Establishment of a comprehensive policy and legislative framework;
- \* Strengthened capacity of institutions responsible for managing natural resources and environmental affairs;
- \* Implementation of results-driven natural resource management programs; and
- \* Achievement of sustainable financing for natural resource management.

Certain activities required to support the four program themes are more appropriately financed under the PA modality. A total of \$9.5 million will be allocated for this type of financing. Companion project activities which relate directly to and support program themes are described in Section V., below.

## **IV. NON-PROJECT ASSISTANCE - PROGRAM DESCRIPTION**

### **A. Program Elements**

NPA totalling \$30.5 million will be used in support of the GOM's policy reform efforts in natural resource management. The presentation of the reform package in this section is organized around the four program themes mentioned above. This section provides an overview of the reforms and related activities to be carried out over the five year duration of the program. Section IV.B., Conditionality, provides additional detail as well as the sequencing of reforms by tranche.

**Theme 1. Establishment of a comprehensive policy and legislative framework**

The first theme of the NATURE Program is designed to establish a unifying, coherent and comprehensive set of natural resource policies and sectoral legislation.

(a) National Environmental Policy

■ The existence of a broad, cross-sectoral National Environmental Policy (NEP) is an essential prerequisite to the formulation of individual sector policies and legislation for natural resource management. The GOM, through the Ministry of Research and Environmental Affairs (MOREA), will finalize the draft NEP and submit it to the Cabinet for approval.

■ The national environmental framework legislation - the Environmental Management Bill (EMB) - will be finalized by MOREA and submitted to Parliament for approval.

(b) Sector policies and legislation

■ MOREA will coordinate the preparation of a time-phased action plan for a comprehensive review of sectoral environmental/natural resource management policies and legislation including the drafting, submission and approval of new/modified policies and legislation. If warranted, the action plan will include a terms of reference for technical assistance to support this effort.

■ As part of the review, MNR, MOALD, MIWD and MOT will assess and, where necessary, revise or update sectoral policies and legislation. Modified policies and legislation will be supportive of the NEP and the EMB, and will make specific provisions for creating an enabling environment for the development of co-management systems for natural resources. Revisions to legislation will pay particular attention to the issues of resource tenure and will empower government departments to delegate the responsibility for resource management to the degree dictated by sectoral policies.

■ New draft policies and legislation (and/or amendments) will be presented to the appropriate body (Cabinet or Parliament) for approval. The GOM will publish and implement approved sectoral policies and legislation.

(c) National Land Policy

■ The MOLV will prepare a time-phased action plan to complete a comprehensive review of all land use and tenure policies and legislation including the drafting, submission and approval of new/modified land tenure policies and legislation. If warranted, the action plan will include a terms of reference for technical assistance to support this effort.

The land tenure policy review will be directed towards improving tenure security and the efficiency of land use as it relates to national development policies and economic strategies, the NEP, and sectoral policy development. Additionally, the review will identify constraints to land tenure security that are particular to women and will recommend corrective actions. As a primary information source, the review will utilize the results of land utilization studies proposed for the estate, customary, and public land sectors.

■ A draft land policy paper, accompanied by draft revisions to, or replacement of, current land legislation, will result from the review. The MOLV will submit the draft policy paper to the Cabinet for approval and will make such amendments as are found necessary. Once approval has been granted, the MOLV will finalize legislation for submission to Parliament for approval.

**Theme 2. Strengthened capacity of institutions responsible for managing natural resources and the environment**

The second theme of the NATURE Program is designed to ensure that the institutional framework for natural resource management is strengthened and, where necessary, reorganized to enable revisions to policies and legislation to be effectively administered and enforced. This will require the following:

(a) Coordinating Framework for Natural Resource Management

■ The GOM will clearly delineate the role for the institution responsible for coordinating and monitoring environment and natural resource management activities.

■ The GOM will recruit for and fill all 15 established MOREA positions within the Department of Environmental Affairs.

(b) Sector roles and responsibilities

■ At the sectoral level, the GOM will prepare an action plan for a comprehensive review of ministry and other institutional roles and responsibilities in the areas of natural resource management and environmental protection. The review will investigate not only the existing institutional framework, but also the need for new mechanisms to facilitate the expanding role of rural communities in natural resource management. In this regard, the desirability and modality of developing partnerships between the GOM, NGOs and the private sector will be explored.

The output of the institutional review will be a GOM report providing: 1) a clear description of the responsibilities of MOALD, MNR, MOLV, MOIWD and MOT and their respective departments with regard to natural resource management and environmental protection; 2) detailed recommendations for institutional reform; and 3) a time-phased reform implementation program.

■ The MNR will operationalize the Wildlife Research and Management Board, created under the National Parks and Wildlife Act (1992). It is anticipated that similar advisory boards will be created under sectoral legislation for fisheries and forestry, now in draft.

(c) Monitoring and Enforcement

■ MOREA will continue to support the development of an environmental monitoring capability within line ministries.

■ The MNR will prepare and implement a time-phased action plan for improved compliance and enforcement of legislation in forestry, fisheries and wildlife. The action plan will be operationalized through the budgetary process in a timely manner and may be included in the MNR's program submission to the MOF for support under Theme 3 of NATURE.

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**Theme 3. Implementation of results-driven natural resource management programs**

The third theme of NATURE will help assure: (a) sufficient GOM resources for interventions in environmental conservation and natural resource management; and (b) more effective implementation of funded programs in these areas through introduction of a performance-based budgeting process. As such, this theme will support implementation of a new generation of environmental policies in a way which allows line ministries and departments to propose programs matched to their individual capacities and priorities. This process will also impose a level of GOM accountability for performance, to be assessed through the achievement of agreed-upon results. The lead actors are expected to include, but not necessarily be restricted to, each of the departments of the MNR as well as the Land Resources and Conservation Branch and possibly the Agricultural Communication Branch of the MOALD. The likely sequence of actions required for program financing and results assessment are summarized below:

- ⌘ Participating ministries will prepare multi-year, priority work programs in the fields of environmental conservation or natural resource management. Each program will include a budget and performance indicators.
- ⌘ The MOF will forward details of approved programs to USAID.
- ⌘ Upon the completion of each successive tranche of NATURE, the GOM must demonstrate that the approved programs have achieved their targets for the respective time interval. At the same time, budgets, and targets for subsequent tranche periods will be reassessed and, if necessary, modified to ensure that planned outputs are properly tuned to implementation capacity and levels of investment.
- ⌘ During the final tranche of NATURE, USAID will commission a review to evaluate the effectiveness of the results-oriented budget support program.

The methodology described above has the potential to provide a powerful tool for financing work programs rewarded on the basis of achievement, but it is as yet untested and must be developed with care. The initial program designs and, particularly, the selection of indicators, will require close attention, since commitment to an inappropriate target in one sectoral workplan could possibly suspend disbursements under the Program. Indicators should be simple and easily verified. USAID/Malawi will therefore: 1) work closely with participating departments in developing guidance for preparing and prioritizing workplans; and 2) will provide technical support as needed.

4. Achievement of sustainable financing for natural resource management and environmental protection

Theme four of NATURE will, subject to economic and political considerations, establish a privately managed endowment fund. The objective of the fund will be to provide a sustainable source of financing for conservation and natural resource management. This concept is presented in recognition of the uncertainty for future donor financing and the need for leveraging private sector financial resources. Over the period of the NATURE Program it is expected that successful implementation of the GOM's ongoing structural adjustment program will reduce pressures for increased budget support. Consequently, during the latter part of NATURE, the GOM should be positioned to capitalize a private endowment with local currency. The GOM has agreed in principle to the concept pending a review of economic conditions during the latter tranches of NATURE. Prior to the GOM actually contributing funds, conditions precedent to USAID disbursements require it to undertake a set of prerequisite organizational, planning and legal steps which are necessary, if not sufficient, conditions for establishing the fund. Under this theme the following activities are proposed:

- The GOM will organize an Endowment Trust Working Group comprised of representatives from NGOs, the business community and the GOM to identify and address issues relating to the creation and operation of an endowment fund.
- The Endowment Trust Working Group will prepare and implement an action plan to establish and manage the endowment. The plan will include preparation of a charter and financial and operational plans, as well as selection of the first board of directors. Financial administration of the endowment will be under professional management.
- The GOM will register the endowment and grant it formal recognition under the Trustees Incorporation Act. The endowment will be gazetted as eligible for tax deductible charitable donations from corporations and private citizens.

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## B. PROGRAM CONDITIONALITY

The NATURE program is divided into four tranche periods. The proposed actions and activities under each tranche are detailed below.

### 1. Tranche One

Actions to be Completed Prior to First Disbursement. Prior to the first disbursement under the Grant, which shall be in the amount of Five Million United States Dollars (U.S. \$5,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish to or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that:

#### Specific Actions

##### Theme 1: Establishment of a comprehensive policy and legislative framework

- (a) The GOM has approved the National Environmental Policy (NEP) drafted by MOREA.
- (b) The GOM has prepared a time-phased action plan for a comprehensive review of natural resource management policies and legislation including the drafting, submission and approval of new/modified policies and legislation. Particular attention will be given to the degree to which the policies and legislation are compatible with the NEP and the draft Environmental Management Bill. If warranted, the plan will include a terms of reference for technical assistance required to support this effort.
- (c) The GOM, through the MOLV, has prepared a time-phased action plan to complete a comprehensive review of all land use and tenure policies and legislation including the drafting, submission and approval of new/modified land tenure policies and legislation. If warranted, the action plan will include a terms of reference for technical assistance to support this effort.

The land tenure policy review will be directed towards improving tenure security and the efficiency of land use as it relates to national development policies and economic strategies, the NEP, and sectoral policy development. Additionally, the review will identify constraints to land

tenure security that are particular to women and will recommend corrective actions. As a primary information source, the review will utilize the results of land utilization studies proposed for the estate, customary, and public land sectors.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (d) The GOM has clearly delineated the role for the institution responsible for coordinating and monitoring environment and natural resource management activities.
- (e) The GOM has recruited for and filled all 15 established positions within the Department of Environmental Affairs of MOREA.
- (f) The GOM has prepared an action plan for a comprehensive review of ministry and other institutional roles and responsibilities in the areas of natural resource management and environmental protection.

The review will investigate not only the existing institutional framework, but also the need for new mechanisms to facilitate the expanding role of rural communities in natural resource management. In this regard, the desirability and modality of developing partnerships between the GOM, NGOs and the private sector will be explored. The output of the institutional review will be a GOM report providing: 1) a clear description of the responsibilities of MOALD, MNR, MOIWD and MOT and their respective departments with regard to natural resource management and environmental protection; 2) detailed recommendations for institutional reform; and 3) a time-phased reform implementation program.

**Theme 3: Implementation of results-driven natural resource management programs**

- (g) The GOM has prepared guidance for prioritizing, preparing and approving budgeted, multi-year, work programs in the fields of environmental conservation and natural resource management. Work programs, containing verifiable performance indicators, will be prepared by participating ministries and submitted to, and approved by, the appropriate GOM ministry beginning in the second tranche.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (h) The GOM has organized an Endowment Trust Working Group comprised of representatives from NGOs, the business community and the GOM to identify and address issues relating to the creation of a private endowment fund.

**General Actions**

- (i) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the second tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative and/or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list of actions; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.

**2. Tranche Two**

Actions to be Completed Prior to Second Disbursement. Prior to disbursement of the second tranche of the Grant, which shall be in the amount of Seven Million United States Dollars (U.S. \$7,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that:

**Specific Actions**

**Theme 1: Establishment of a comprehensive policy and legislative framework**

- (a) The GOM has finalized the draft environmental framework legislation - the Environmental Management Bill (EMB), and has submitted it to Parliament for approval.
- (b) The GOM has completed the comprehensive review of policies and legislation required under tranche one. New (or modified) policies and legislation will be drafted, submitted, approved, published and implemented in accordance with the action plan schedule.

The revised policies and legislation will make specific provisions for creating an enabling environment for the development of co-management systems for natural resources and for fostering partnerships between rural communities,

government, NGOs and the private sector in support of this objective. Revisions to legislation will pay particular attention to the issues of resource tenure and will empower government departments to delegate to rural communities the responsibility for resource management to the degree dictated by sectoral policies.

- (c) The GOM has implemented the land policy and legislation review in accordance with the approved action plan schedule developed in tranche one.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (d) The GOM has certified that the coordinating and monitoring framework described in tranche one is fully functioning.
- (e) The GOM has: 1) completed the review of institutional roles and responsibilities; and 2) initiated implementation of the report's recommendations in accordance with the action plan schedule. It is anticipated that the review will consider provisions to establish advisory boards (similar to the Wildlife Research and Management Board created under the National Parks and Wildlife Act - 1992) as well as other mechanisms for promoting community participation in natural resource management and for resolving resource-use conflicts.
- (f) The Wildlife Research and Management Board has met, developed a multi-year plan of action, and is satisfactorily implementing the action plan.
- (g) The MNR will prepare a time-phased action plan for improved compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

**Theme 3: Implementation of results-driven natural resource management programs**

- (h) Based upon guidance prepared under the first tranche, participating ministries, have prepared budgeted, multi-year, priority work programs in the field of environmental conservation and natural resource management.

Subject to guidance developed in tranche one, it is anticipated that work programs will be submitted to the MOF for approval. The MOF will subsequently forward to USAID details of approved programs which: 1) identify the responsible individual and/or office for each program; 2)

identify verifiable performance indicators<sup>1</sup>; and 3) provide funding levels commensurate with achieving the performance indicators.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (i) The Endowment Trust Working Group, if warranted by the results of tranche one activities under this theme, has prepared an action plan to establish and manage the endowment.

**General Actions**

- (j) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the third tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list of actions; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.
- (k) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche one activities for expenses covering tranche two activities have, in fact, been provided in a timely manner.

**3. Tranche Three**

Actions to be Completed Prior to Third Disbursement. Prior to disbursement of the third tranche of the Grant, which shall be in the amount of Seven Million Five Hundred Thousand United States Dollars (U.S. \$7,500,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that:

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<sup>1</sup> It is expected that the task of monitoring performance indicators will become integrated into MOREA's overall monitoring responsibilities.

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## Specific Actions

### Theme 1: Establishment of a comprehensive policy and legislative framework

- (a) The GOM has certified that line ministries have satisfactorily implemented, and are in compliance with, all revised sectoral policies and legislation.
- (b) The GOM, through the MOLV, has: 1) completed its review of land tenure policy and legislation; 2) and submitted a draft of a revised land tenure policy paper to the Cabinet for review and approval.

### Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment

- (c) The GOM has achieved satisfactory performance against action plan targets relating to institutional roles and responsibilities.
- (d) The MNR has operationalized its action plan for compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

### Theme 3: Implementation of results-driven natural resource management programs

- (e) Performance indicators identified under this theme in partial satisfaction of tranche two activities have been achieved in a timely manner.
- (f) Performance indicators developed in tranche two for the fourth tranche have been reassessed and, if necessary, modified to ensure that planned outputs are properly tuned to implementation capacity and levels of investment.
- (g) The MOF has forwarded details of approved programs under the fourth tranche to USAID which: 1) identify the responsible individual/office for each program; 2) identify verifiable performance indicators; and 3) provide funding levels commensurate with achieving the performance indicators.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (h) The Endowment Trust Working Group has, if warranted by the results of earlier tranche activities under this theme, prepared a charter and financial plan, and has defined, implemented and completed the process of selecting the first Board of Directors. The Board, with help as necessary from legal consultants financed under the NATURE support project, has: a) prepared a contract to place the financial administration of the endowment fund under professional management; and 2) agreed upon procedures for selecting an appropriate management company.

**General Actions**

- (i) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the fourth tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative and/or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.
- (j) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche two activities for expenses covering tranche three activities have, in fact, been provided in a timely manner.

**4. Tranche Four**

**Actions to be Completed Prior to Fourth Disbursement.** Prior to disbursement of the fourth tranche of the Grant, which shall be in the amount of Eleven Million United States Dollars (U.S. \$11,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that:

**Specific Actions**

**Theme 1: Establishment of a comprehensive policy and legislative framework**

- (a) The revised land tenure legislation has been submitted to Parliament for approval.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (b) The MNR has fully implemented its action plan for improved compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

**Theme 3: Implementation of results-driven natural resource management programs**

- (c) The performance indicators identified under this theme in partial satisfaction of tranche two and three activities have been achieved in a timely manner.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (d) If warranted the results of earlier tranche activities under this theme, the Board has entered into a management contract for the financial administration of the Endowment. The Endowment has: (1) been legally registered and granted formal recognition under the Trustees Incorporation Act; (2) been gazetted as eligible for tax deductible charitable donations from corporations and private citizens and (3) become operational through the receipt of investments and/or firm financial commitments by the GOM, donors and the private sector.

**General Actions**

- (e) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche three activities for expenses covering tranche four activities have, in fact, been provided in a timely manner.

**V. PROJECT ASSISTANCE - PROJECT DESCRIPTION**

**A. Overview**

The NATURE Program will be complemented by a \$9.5 million support project comprising a number of activities which support the Program's overall objectives. These include:

1. Providing technical assistance to the GOM for the design, implementation and monitoring/evaluation of the policy framework agenda;

2. Expanding the environmental monitoring pilot activity initiated under the Agricultural Sector Support Program;
3. Developing nationwide, private sector-led agroforestry programs;
4. Assisting the GOM in developing a revised land policy;
5. Strengthening community-based natural resource management systems; and
6. Undertaking a national environmental education effort.

Project funds will also be used to finance Program/Project management, evaluation and audit services.

As shown in Section VI.B2, "Project Assistance", other than for technical assistance and management, evaluation and audit services, project funds will be channeled through a combination of NGO grants and cooperative agreements. Each assistance instrument will clearly define the roles, responsibilities (reporting, financial management, audit, etc.), and performance targets of the recipient. Where baseline data is required to monitor and measure performance, funds will be included in the financial instruments for this purpose.

## **B. Project Elements**

### **1. Technical Assistance**

The project will provide a long-term environmental policy advisor (three years) and short-term technical expertise necessary to support the policy, legislative and institutional reforms listed in the program description. Where justified, the support project will also finance short-term technical assistance for the formulation and design of natural resource management programs by individual line ministries and in-country and overseas training in support of broad program objectives.

### **2. Environmental Monitoring**

This component will extend and build upon the ongoing USAID-supported Environmental Monitoring Program (EMP) located in the Department of Environmental Affairs (DEA) of MOREA. Originally, the primary objective of EMP was to monitor the impacts of ASAP policy reforms associated with increased smallholder burley tobacco production. Under NATURE, the overall objective of EMP will be expanded to include establishing a national capability to monitor and document trends related to environmental and natural resource use. This component will

emphasize linking environmental monitoring to current or proposed mitigation programs with line agencies. Specific objectives will be to:

- Strengthen DEA's capacity to analyze and synthesize environmental data which is gender disaggregated, where appropriate, to support development of informed policy;
- Coordinate environmental monitoring at the national level by building capacity within responsible line ministries to undertake environmental monitoring and collect information which is uniform in nature and which accords to the appropriate national and international standards;
- Develop a national environmental database within DEA through provision of appropriate technologies for the production of reports and information related to the environment; and
- Support environmental research upon which a viable environmental information system can be developed.

Key strategies of EMP will include:

- Consolidation of monitoring methodologies and implementation strategy;
- Formalization of approaches, procedures and technical practices for the analysis and utilization of data;
- Introduction of other appropriate EM technologies, upon review and approval by MOREA;
- Overt and systematic linkage of environmental monitoring with improved environmental and natural resource management practices;
- Internalization of the knowledge base and methodologies through research and training within the University of Malawi; and
- Formalization of technical and policy oversight of environmental monitoring, policy and management decisions.

### 3. Agroforestry Promotion

This element consists of a private sector-led effort to develop partnerships between selected NGOs, government entities, and the private sector designed to increase options for communities to meet their food, cash and wood needs, with sustained use of natural resources. The objectives of the agroforestry component will be to:

- Increase adoption of agroforestry technologies by both men and women by improving the production and delivery of quality planting material to meet the growing demand for various types of trees and grasses;
- Promote community participation in using forest resources based on sound management guidelines that will provide sustained benefits to the community;
- Expand the institutional capacities of the public, private and NGO sectors to transfer skills and knowledge in tree-based management systems;
- Establish a support network to generate, share and transmit information to policy-makers and users for addressing present and emerging needs in agroforestry and community management of forest resources.

Three strategies are required for achieving the foregoing objectives, as follows:

- Multiplication, propagation and distribution of quality planting material for agroforestry, fruit production, and woodlots/plantations.
- Training in tree propagation methods, agroforestry practices, and communal management of forest resources.
- Information and technical services to support field initiatives in propagating trees and implementing agroforestry and communal systems of managing forest resources.

#### 4. Land policy Development

The Ministry of Lands and Valuation (MOLV) has initiated a Land Policy and Reform Program with donor support from the WB, USAID, EU and ODA. A vital element of the program will be the completion of three complementary and contemporaneous national land utilization reviews in the customary, estate and public land sectors. The objective of these studies is to provide a sound information base for policy formulation and to resolve anomalies in existing information. As part of this program, the NATURE support project will undertake the study of all lands in the public sector and will provide technical assistance for the development of policies for the future use of public lands, taking into account the competing needs of wildlife conservation and management, watershed conservation, forest conservation and utilization, agriculture and gender issues.

The public land review will concentrate on protected areas (national parks, wildlife and forest reserves). The primary objectives of the study will be to:

- Describe in detail the extent and distribution of public lands in Malawi and to classify lands in the public sector both by vegetation type and their importance in watershed conservation;
- Assess the extent to which public lands are physically capable of sustaining agricultural production and to identify and categorize such potential;
- Assess the extent to which public lands can support sustainable utilization of forest resources;
- Assess the extent of encroachment on public lands, to describe the use of lands immediately adjacent to protected areas, and to suggest strategies for the management of "buffer zones"; and
- Recommend a framework whereby the future use of public lands may be periodically reassessed, having regard to the competing needs of wildlife conservation and management, watershed conservation, forest conservation and utilization, and agriculture.

#### 5. Community-Based Resource Management

The strengthening of community-based natural resource management systems does not lend itself to a uniform, national extension approach. Rather, it will occur through the initiation of discrete, nuclear activities, each tailored to the needs and aspirations of individual communities and to the conformation of resources - land, forest, wildlife or fisheries - available to them. To fully maximize the benefits of community-based natural resource management, a number of fundamental changes are required in the policy, legal and institutional context. These reforms are included in the NATURE Program Agreement.

Under the support project, a small, mobile and highly interactive unit will be created, with the primary function of working in the field to assist NGOs, government and communities in developing and/or strengthening community-based natural resource management systems. Funding support for community micro-projects will be principally sourced from the donor community and through particular line ministries. Regarding the latter, micro-project costs could be incorporated into a ministry's results-oriented action program, and thus may qualify for budgetary support under Theme 3 of the NATURE program.

## 6. Environmental Education

This activity will make use of formal and informal education channels to help Malawians develop a better understanding of environmental issues. Interventions will focus on the development, production and dissemination of simple, low-cost supplementary educational materials for primary schools. The potential for raising environmental awareness through local theater, radio, art campaigns, etc., will also be explored.

Educational approaches and materials will be developed with assistance from one or more NGOs, such as the Malawi Wildlife Society, in consultation with the Ministry of Education, MOREA's Training, Education and Communication Unit, and the Malawi Institute of Education. Efforts will be made to enlist the support of the private sector and other donors to expand the outreach and impact of this activity. For example, Malawian private sector entities have shown their interest in providing logistical and related support; and the Canadian government has expressed interest in providing paper and printing assistance. Key environmental education objectives will be to:

- Develop an appropriate strategy for promoting educational awareness and education.
- Develop and field test environmental education materials;
- Provide training on how to use materials;
- Evaluate strategy and impacts.

## VI. FINANCIAL PLAN

### A. Illustrative Financial Plans

The Summary Illustrative Financial Plan for NATURE is presented in Table 1, below. Total proposed life-of-program funding amounts to \$40 million of which \$30.5 million of non-project assistance (NPA) would be disbursed as a cash transfer for GOM budgetary support. The remaining \$9.5 million of project assistance (PA) will be channelled through such financial instruments as grants, cooperative agreements and direct USAID contracts. Table 2 provides a Summary of Obligations by Fiscal Year. Table 3 provides the Summary of USAID Disbursements by Fiscal Year; and Table 4 provides the Illustrative Project Budget.

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**Table 1**  
Summary Illustrative Financial Plan  
(\$000)

<u>Source</u>	<u>Total</u>	<u>Disbursement</u>
DFA (NPA)	30.5	Policy Performance
DFA (PA)	9.5	Direct Contracts Cooperative Agreements Grants

**Table 2**  
Summary of USAID Obligations by Fiscal Year  
(\$000)

<u>Source</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>TOTAL</u>
NPA	5,000	7,000	7,500	6,000	5,000	30,500
PA	300	2,000	2,500	2,500	2,200	9,500
<b>Total</b>	<b>5,300</b>	<b>9,000</b>	<b>10,000</b>	<b>8,500</b>	<b>7,200</b>	<b>40,000</b>

**Table 3**  
Summary of USAID Disbursements by Fiscal Year  
(\$000)

<u>Source</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>Total</u>
NPA	5,000	7,000	7,500	11,000		30,500
PA	1,335	2,925	2,705	1,650	885	9,500
<b>Total</b>	<b>6,335</b>	<b>9,925</b>	<b>10,205</b>	<b>12,650</b>	<b>885</b>	<b>40,000</b>

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**Table 4**  
**Illustrative Project Budget**  
**(\$000)**

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
Technical <sup>1</sup> Assistance	485	425	355	50	50	1,365
Envir. Monitoring		600	600	500	300	2,000
Agro- forestry	500	550	500	200	250	2,000
Land Policy	250	250				500
Community Management	50	600	650	500	200	2,000
Envir. Education	50	500	600	400	85	1,635
<b>TOTAL</b>	<b>1,335</b>	<b>2,925</b>	<b>2,705</b>	<b>1,650</b>	<b>885</b>	<b>9,500</b>

**B. Disbursement of Funds**

**1. Non-Project Assistance**

The NPA portion of NATURE will be disbursed as a cash transfer to the GOM. There are several factors that contributed to the Mission's decision to use the cash transfer mechanism: emphasis on program results rather than inputs; ownership of the program by Malawians; most efficient form of budgetary support; Mission confidence that USG dollar resources will be responsibly managed through Malawi's foreign exchange allocation system; and the program's use of sound procedures, through a Letter of Intent mechanism, to ensure sufficient Government financial resources to implement NATURE policy and institutional reform actions. NATURE has received Agency approval for an exemption to dollar separate account legislation.

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<sup>1</sup>This component includes \$200,000 for evaluation/audit services.

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**Results Oriented Approach** - Program success will be measured through a number of results-oriented conditions and indicators. Program conditionality is described in Section IV.B., "Program Conditionality and Covenants". Performance indicators are presented in Section VIII, "Definition of Success".

**Ownership** - GOM ownership and leadership are fundamentally important to implementation of the NATURE reform agenda. The cash disbursement method ensures that the GOM remains in charge of the implementation actions required to achieve the policy reform program envisaged. USAID/M believes that the GOM must be in charge of the financial resources required to achieve agreed-upon reform actions to the maximum extent possible. A cash transfer modality, based on a phased, results-oriented process, enables the GOM to lead the process of reform better than the alternative, project modality, which makes the GOM dependent on USAID administrative actions.

**Budgetary Support** - NPA financing will enable the GOM to increase local currency budgetary outlays in the areas of environmental protection and natural resource management. (All foreign-exchange financed commodities and services required to achieve the objectives are being provided on a project basis through the companion support project.) These additional outlays are required to establish and maintain appropriate structures for environmentally sustainable development and to expand needed government field-level services.

**Responsible Use of Dollars** - Under Malawi's new foreign exchange allocation system, the GOM has eliminated all exchange controls and floated the country's currency, the kwacha. Exchange rates are determined on the basis of the supply and demand for foreign currency. The GOM has put in place several instruments to implement the system. The Reserve Bank of Malawi conducts weekly fixing sessions at which buyers and sellers of foreign exchange are matched to arrive at a reference market clearing rate. This rate is applied to all official transactions handled by the GOM. During the week, authorized commercial banks and licensed foreign exchange bureaus and brokers buy and sell foreign currency at freely determined market exchange rates. Under the system, all import orders and payments are no longer subject to the prior approval of the Reserve Bank of Malawi. Additionally, limits on the amount of foreign exchange which could be purchased for foreign travel were raised and are now administered flexibly. At the same time, the GOM has abolished the surrender requirement on all export earnings, except for a temporary 10% levied on traditional exports such as tobacco, tea and sugar. The new system also permits tobacco exporters to hold foreign currency denominated accounts for their own day-to-day use.

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**Accountability** - USAID will disburse funds for a particular tranche upon the successful achievement of all policy and institutional reform actions contained in that tranche. Dollars will be disbursed directly to Malawi's account in the Federal Reserve Bank of New York. All disbursements will be against phased results which are directly linked to end-of-program impacts. Prior to the initiation of each phase or tranche period, the GOM will submit a **Letter of Intent** which, within the parameters of the Program/Project Agreement: (a) specifies the actions that the GOM will take to achieve the conditionality under the subject tranche; (b) provides the name of the principal representative/entity responsible for each action detailed in the Letter of Intent; (c) provides a description of the financial resources to be provided by the Government in support of program objectives; and (d) identifies indicators of performance for priority natural resource management programs. A review of whether budgetary resources were made available and whether performance indicators were met will be an integral part of the assessment of actions to be completed prior to each tranche disbursement. This process will obviate the need for the creation and management by USAID of a special local currency account.

Pursuant to Section 536 (b)(4) of the 1995 Foreign Operations, Export Financing and Related Programs Appropriations Act, USAID proposes to exempt this program from the dollar separate account and tracking requirement for the following reasons: (1) foreign exchange in Malawi can be accessed by individuals and businesses on demand at market-determined rates, (2) uses of foreign exchange are not administratively determined, and (3) trade licensing arrangements are not primarily aimed at restricting imports or allocating foreign exchange. Imposing a separate account and dollar tracking system would interfere with this open, non-directive system.

The disbursement modality for NPA includes USAID oversight of host country expenditures through the GOM budgetary process. The GOM's policies and procedures for budgeting, accounting and controlling funds for several GOM ministries have recently been assessed by an independent accounting firm. The assessment indicates that accounting procedures are adequate with the compliance of certain measures to correct identified weaknesses. All assessments indicate that GOM ministries have the managerial, technical, administrative and financial capabilities to carry out project or program related accounting. The Auditor General's Office of the GOM has been certified by RIG/A/Nairobi to perform recipient audits, a rare distinction among governments in Africa.

## 2. Project Assistance (PA)

Project Assistance will be disbursed in accordance with the methods of implementation and financing shown below.

### Methods of Implementation and Financing ((\$000))

<u>Item</u>	<u>Implementation</u>	<u>Financing</u>	<u>Amount</u>
Long-Term Policy Advisor	USAID Direct Contract	Direct Payment	915
Short-Term TA (Action Plan/Land Policy Dev & Trng)	USAID Direct Contract	Direct Payment	750
Agroforestry	Grant/Cooperative Agreement	Letter/Credit	2,000
Environmental Monitoring	Cooperative Agreement	Letter/Credit	2,000
Environmental Education	Grant Agreement	Direct Payment	1,635
Community Management	Grant Agreement	Letter/Credit	2,000
Evaluation/ Audit	USAID Direct Contract	Direct Payment	200
TOTAL			9,500

## C. USAID Management Costs

NATURE will be managed by one U.S. direct hire, the deputy chief of the Office of Agriculture and Food Security (AFS). The Chief, AFS, will ensure that the program complies with mission and Agency policy and that outputs correspond with the appropriate strategic objectives. Within USAID/M, these two officers will be assisted by one foreign service national (FSN) and one U.S. PSC, both of whom will be funded from project resources (the former under NATURE, the latter under ASAP). The role of the project-funded Policy Advisor is described below in Section VI., "Management Procedures".

## D. GOM Financial Contribution

Over the five year period of NATURE, it is anticipated that GOM will contribute the equivalent of \$36,174,000 or approximately MK 553,462,000<sup>1</sup>, as shown below. For purposes of the NATURE grant agreement, the additional resources to be provided by the GOM (grantee) for the Program will be not less than the equivalent of \$10,000,000<sup>2</sup>.

### GOM Counterpart Funding ((\$000))

<u>Element</u>	<u>1996 to 2000</u>
Land Husbandry	338
Forestry	25,059
Parks & Wildlife	3,144
Fisheries	3,733
MOREA	1,654
Nat. Res. College	1,796
Estate Management	<u>450</u>
TOTAL	36,174

## VII. MANAGEMENT PROCEDURES

### A. Joint GOM and USAID Responsibilities

The cross-sectoral nature of environmental programs, the lack of skilled nationals to manage such programs and the lack of suitable structural "models" for environmentally sustainable development all call for a broad-based, participatory management approach. Such an approach should involve the private sector, NGOs, religious and women's organizations, academic and research institutes and local and regional leaders. Unless all these actors participate in defining the needed institutional structures and subsequently are involved in managing and implementing programs, environmentally sustainable development efforts in Malawi will certainly fail.

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<sup>1</sup> Contributions are straight line, dollar equivalent projections based on the GOM's Estimate of Expenditures on Recurrent Account for FY 1995-96. Calculations are based on an exchange rate of MK15.30 to \$1.00.

<sup>2</sup> \$10,000,000 is equivalent to 25% of the total USAID NATURE Program cost of \$40,000,000.

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During program start up, the GOM will be tasked with establishing two committees whose memberships will reflect the diversity suggested above. The first will be the Program Management Committee (PMC), to be chaired by the Ministry of Finance. This committee, which will include the USAID/Director, will monitor implementation performance, including progress toward achievement of agreed-upon actions (conditionality). The Committee will meet at least twice annually, as well as on an ad hoc basis as the need arises.

The second committee will be the Program Implementation Committee (PIC), to be chaired by MOREA. The PIC will function at the executive level and will include the USAID Deputy Agricultural Officer or his designee. This committee will monitor implementation on a more regular basis and will deal with routine implementation concerns. The PMC and PIC will be assisted by an environmental policy advisor placed within the GOM to assist in coordinating the implementation and monitoring of the NATURE policy agenda.

## **B. GOM Responsibilities**

The GOM, through the Ministry of Finance, has the leadership responsibility for implementing the NATURE program. This includes undertaking the necessary reform actions and managing the constituent program and project activities. Based on actions taken, the GOM is responsible for submitting to USAID evidence that mutually agreed-upon reform activities have been completed. The GOM also ensures that covenants included in the program agreement are met. GOM responsibilities are executed through the various ministries in which activities take place. Coordination to ensure that overall program objectives are being met will be undertaken through the PIC with support from the above-mentioned policy advisor.

## **C. USAID Responsibilities**

Within USAID, the program and companion support project are managed by the Agriculture and Natural Resources Office. Overall supervision of implementation is the responsibility of the Supervisory Agricultural Development Officer (ADO). That officer is assisted by the deputy ADO, a U.S. PSC and a foreign national professional. The Deputy ADO, or his designee, represents USAID on the PIC. The Mission Director represents USAID on the PMC.

A NATURE Program Committee has been established within USAID to assist with program management. This committee includes representatives from the Project and Program Development (PPD) Office and the Controller's Office. The ADO is the chairman of

this committee. The function of the Mission Program Committee is to monitor implementation progress and help identify and address potential problems and concerns. NATURE is a complex program, requiring a variety of resources from within the mission for its successful implementation.

In addition to these structures, USAID will endeavor to organize a donor-secretariat that meets at least quarterly to coordinate activities (particularly technical assistance) in the natural resources field and share information. Such a mechanism will help avoid duplication of effort and hopefully lessen the management burden on the GOM.

#### **D. Systems to Track Resources/Monitor Results**

USAID/M's monitoring, evaluation and reporting (MER) system is the means by which resources are tracked, results are monitored and progress reported. The system incorporates three components: the mission's accounting and control system (MACS), the Bureau for Africa's semi-annual portfolio reviews (SPRs) and the monitoring of indicator information undertaken as part of the Assessment of Program Impact (API). In addition, the mission monitors program implementation through bi-weekly management team meetings with each of the technical offices. These meetings are chaired by the Mission Director. Other participants include the Office of Program and Project Development, the Financial Management Office and other offices at the request of the chair.

#### **E. Internal Controls/Procurement Procedures for Organizations Managing USAID Funds**

USAID funds disbursed under the project component will be channeled through a combination of direct contracts, cooperative agreements and grants. The recipients of funds will be required to comply with all applicable USAID requirements for these financial instruments. It is anticipated that some U.S. registered PVOs will participate in NATURE. Such PVOs will have been certified as eligible to receive, manage and account for USAID funds. Any non-U.S. registered PVOs considered for funding will be required to undergo a financial review which certifies that the organization is eligible to receive, manage and account for USAID funds.

## F. Procurement

Key procurement actions are organized in terms of year and quarter (in parenthesis), as shown below. Methods of implementation and financing are presented above in Section VI.B(2), Financial Plan - Project Assistance.

<u>Procurement Activity</u>	<u>Year 1</u>	<u>Year 2</u>
Long-term Policy Advisor Contract	(2)	
Short-term Sectoral TA Contract	(2)	
Envir. Monitoring Grant/Cooperative Agreee.		(1)
Agroforestry Grant/ Cooperative Agreement	(3)	
Land Policy Contract	(1)	
Comm. Management TA Contract Comm. Management Grant	(2)	(1)
Envir. Education TA Contract Envir. Education Grant	(2)	(1)
Endowment TA Contract	(2)	

## VIII. DEFINITION OF SUCCESS

### A. Strategic Objective-Level Outcomes and Indicators

NATURE directly supports the Mission's SO No. 2, "Increased sustainable use, conservation and management of Malawi's renewable natural resources." Outcome Indicators for this SO are:

1. Area of indigenous woodland under community-based management increased from 3,000 ha. in 1994 to 150,000 ha. by the year 2000;
2. Percent of cultivated land under improved conservation practices increased from 8 in 1994 to 20 by the year 2000; and,

3. Percent of students with knowledge and understanding of improved environmental practices will increase from an estimated one percent in 1995 to 25% by the year 2000.

Achievement of these indicators will demonstrate successful implementation of the program. However, the GOM line ministries responsible for interventions in these fields are not expected to have completed the detailed design of sectoral programs until the second tranche of NATURE. At this time the list of performance indicators at all levels will be refined and expanded.

## **B. Program-Level Outcomes and Indicators**

Five program outcomes will support achievement of the SO:

1. Establishment of a comprehensive GOM environmental framework with policies and supporting legislation conducive to improved natural resource management and conservation.

Indicator:

Adoption of key legislation defining environmental monitoring, coordination and enforcement as well as community-based natural resource ownership and management.

2. Strengthened institutional capacity to administer and monitor environmental policies and programs.

Indicators:

Ministry sectoral roles and responsibilities clearly defined as they relate to natural resource management; implementation of institutional plan for environmental coordinating and monitoring; implementation of performance-based budgeting system for environmental protection and resource management activities.

3. Expansion in the participation of rural communities in the management of natural resources and the environment.

Indicators:

Increased area under strengthened common property resource management programs; increased number of communities participating in and receiving benefits from such programs.

4. Nationwide adoption of physical soil conservation and agroforestry measures.

Indicators:

Increased land area brought under improved land husbandry/agroforestry practices; increased number of nurseries supplying tree seeds, seedlings and other planting materials to meet effective demand for agroforestry practices.

5. Establishment of national environmental education program.

Indicators:

Natural resource conservation concepts introduced in primary and/or secondary schools and effectively incorporated into national agricultural extension program. Percent increase in number of school students with enhanced understanding of environmental practices.

### C. Monitoring and Revalidation of Results

Documentation from the MOF demonstrating completion of agreed-upon actions (conditionality), as well as reports from MOREA and other participating ministries will serve as primary sources of information for monitoring program performance. Requirements for additional baseline and other data for monitoring and evaluating performance will be incorporated into NGO and university grants and cooperative agreements, as appropriate. Data from these sources will be incorporated into the mission's overall monitoring, evaluation and reporting (MER) system which is managed by the Office of PPD. Should the project be unable to achieve its indicators, project priorities, strategies, allocation of resources and other factors will be examined. By conducting biannual self-examinations and sector strategy updates, the Mission will be able to quickly identify opportunities and problems, make modifications or corrections, and take other actions that may be necessary to keep the program on track.

### D. Time Frame to Achieve Results

The NATURE program is organized sequentially by tranches. Funds for a particular tranche will be released when all the policy and institutional reform measures for that tranche have been successfully implemented. Therefore, NATURE does not provide a binding, time-phased implementation plan. However, for planning purposes, a schedule of anticipated completion dates for each tranche is presented below.

<u>Completion Date</u>	<u>Tranche No.</u>
December 1995	1
September 1996	2
December 1997	3
March 1999	4

It is anticipated that program/project level results will be achieved within a five year time frame. Project implementation will begin in FY96 and the anticipated ending date (Project Assistance completion Date -PACD) is September 30, 2000.

## **IX. FEASIBILITY, KEY ASSUMPTIONS AND RISKS**

### **A. Feasibility Issues**

Issue No. 1: There are a large number of donor-funded natural resource projects in Malawi which impose substantial management and administrative burdens on the Government. Will the management requirements of NATURE overwhelm the GOM's limited capacity to manage donor-funded efforts in the sector?

Response: A recent USAID/M study identified 64 ongoing, donor-funded, environmental and natural resource management projects, and noted that the management requirements of these projects were beyond the GOM's implementation capacity. The reasons for this include (a) the project process tends to concentrate physical, financial and human resources in limited field or geographical areas, without heeding the consequences for other fields or geographical areas; and (b), the intensification of GOM activity in planning and policy-making, fostered by the emergence of democracy and fueled by donor enthusiasm, has directed attention away from the field, effectively paralyzing GOM entities at the community level in areas not supported by donor projects.

NATURE responds to this problem in two ways: 1) the NATURE policy agenda will establish the requisite institutional framework for all natural resource interventions and, as such, will improve the effectiveness of existing and proposed interventions; and 2) the NATURE strategy shifts the emphasis of donor support away from the traditional concept of "projects" towards line-ministry programs which make use of existing institutional and administrative structures.

Issue No. 2: Given the broad scope of the policy agenda and the short five-year time frame of NATURE, are the proposed indicators appropriate and realistic?

Response: Initial NATURE actions focus on the establishment of environmentally sustainable development structures (policies, legislation, and institutional roles and responsibilities). While this is indeed a complex, multi-dimensional task, the GOM has already initiated the process of policy, legislative and institutional reform. NATURE will help rationalize this process while applying a time-frame for specific actions. Indicators at this stage in the program relate to approval of policies and passing of legislation, the defining of institutional roles, etc. and are based on current policy/institutional status and the time-frames which will be included in future GOM action plans. SO level indicators are field-specific, results-oriented performance measures which will remain illustrative until the institutional framework is largely in place and line-ministries submit detailed plans (budgets and targets) for priority activities. In this context, indicators will be further developed, refined and most likely expanded in collaboration with counterparts during the second tranche period.

Issue No. 3: What is the relationship between NATURE and regional (Southern Africa) natural resource initiatives?

Response: Clearly natural resource issues often extend beyond national borders. Moreover, regional experiences and lessons learned in, for example, community-based natural resource management, could be very pertinent in Malawi. NATURE, therefore, will seek to build on existing and proposed regional relationships, particularly in the context of information sharing and sourcing of technical expertise. However, NATURE's focus is on developing a unifying domestic framework for natural resource management. Hence, more direct linkages between NATURE and regional initiatives are not envisioned. Importantly, it is believed that once such a framework is in place, Malawi will be better positioned to effectively participate in the regional dialogue on environmental concerns.

## **B. Assumptions and Risks**

Failure to undertake the policy and institutional reforms encompassed in NATURE entails enormous risks to the future of Malawians: continuing deterioration of the nation's agricultural base - resulting in chronic malnutrition, worsening national incomes, civil strife and long-term donor dependence. To increase the chances of success, any approach to improved resource use in Malawi must recognize the interrelationship between poverty and environmental deterioration. Farm families on the edge of survival cannot be expected to adopt improved land use practices which provide few immediate benefits. Hence, for natural resource conservation and management to genuinely be effective, rural incomes and food security for smallholder

farmers will have to increase and the rate of population growth will have to decline. USAID and other donor are financing major programs in these sectors. It is essential to recognize the linkages between sectors. For example, improved natural resource management and increased agricultural productivity (which leads to higher rural incomes) mutually reinforce each other. It is well documented that investments in soil conservation increase land productivity and rural incomes; conversely, increased incomes are necessary to make the needed conservation investments. Similarly increased incomes (hence enhanced economic security) tend to place downward pressure on family size.

While cognizant of the challenges in these related sectors, one must also appreciate the enormous economic and social costs of not undertaking NATURE initiatives. The attached economic analysis (Annex B) shows that the range of annual economic losses due to environmental degradation is between \$132 million and \$163 million, equivalent to 12% and 15% of 1994 GDP, respectively. Moreover, given the dependence of the overwhelming majority of Malawians on rural agriculture (60% of whom live below the poverty line), these economic costs effect the poor disproportionately.

The success of NATURE will depend on the GOM recognizing that environmental management is cross-sectoral and multi-disciplinary. The environment must be the concern of all sectoral agencies, and therefore, every ministry and technical service should have an environmental unit or group of dedicated staff. This unit should act as the liaison with the central environmental agency (MOREA), and be part of a cross-sectoral network. The MOREA must have adequate powers and resources to increase the chances of effective collaboration and cooperation. The NATURE program will endeavor to support the development of institutional structures that embody these basic principles.

Finally, in two of the past three years, Malawi has been hit hard by droughts which have dramatically decreased national income and household food security. Such exogenous factors reduce smallholder farmers' ability to respond to resource management and conservation initiatives. Program outcomes will be severely limited if the country continues to be suffer from such external blows.

## C. Summary of Technical Analyses

### 1. Summary of Institutional Analysis

The management of natural resources in Malawi is primarily the task of the central government, with several ministries responsible for different sectors. Because there are strong interactions and inter-dependencies between natural resource sectors, a high degree of coordination between the line agencies involved in natural resource management is required. In addition, an appropriate higher-level policy and strategic framework within which each ministry must operate is essential.

The GOM has recognized the need to reform natural resource management policies and to improve the performance of concerned institutions. At the policy level, NATURE will facilitate the implementation of an improved strategic framework under which those ministries involved in natural resource management will function. At the institutional level, a number of line agencies have already undertaken reviews of sectoral policies and institutional capacity and, as a result, are currently engaged in an institutional strengthening or reform process. Among these are the four ministries which will principally be responsible for implementation of NATURE: MOREA, MNR, MOALD and MOLV. The individual strengths and weaknesses of each of these ministries have been reviewed (see Annex A) and the ministries have formulated their own strategies for improving performance. NATURE will help rationalize this process, impose a time-frame on the results, and provide the budgetary support needed to achieve compliance with the strategies.

MOREA, which is the lead agency for NATURE, is responsible for cross-sectoral coordination of natural resource management concerns. As such, it has no special authority over line ministries with environmental responsibility; it simply coordinates and advises. USAID and UNDP are currently providing assistance to strengthen the Ministry's capacity to perform its functions, and the WB is planning to provide additional and complementary assistance. Controversy over whether or not MOREA should continue to exist in its present form (as a ministry) could delay implementation of the proposed strategy in the short term, but may ultimately lead to a more effective environmental protection and natural resource management.

NATURE recognizes that the institutions involved in natural resource management are weak and therefore promotes institutional strengthening as its second theme. The program encourages the ministries to take responsibility for their own reform process by deliberately NOT imposing any specific solutions to problems on

the GOM. Rather, NATURE supports the review and analysis process which will lead to the institutions' own solutions to their problems. In this regard, a comprehensive review of all institutional structures involved in natural resource management is a key condition contained under the initial two tranches of NATURE.

While each of the above four ministries has its own individual strengths and weaknesses, three cross-sectoral public service issues affect the institutional capacity of all: (1) Effective natural resource management requires large and dispersed field staffs to interface with the rural populations. Yet, cuts in spending are usually first made at the field level. Lack of resources for items such as transport, allowances and supervision result in limited program delivery. (2) The number of donor-funded projects widely exceeds the implementation capacity of the ministries. This problem is accentuated by lack of donor coordination and conflicting demands on ministries by donors. (3) Low morale and poor staff performance are pervasive in all ministries. Public service personnel policies need to be modified and implemented.

## 2. Summary Economic Analysis

Reversing environmental degradation is a long term process. The main strategy being proposed under NATURE is to provide a favorable policy framework and enabling environment for communities and the private sector to respond to more sustainable natural resource management practices. It is difficult to quantify accurately what the economic benefits of this strategy are likely to be as the strategy involves behavioral responses from a very large group of entities. However, in principle it is feasible to estimate the economic benefits of some of the key activities which are to be supported under NATURE. The analysis supporting these estimates is contained in Annex B.

NATURE involves an investment of US\$ 40 million in program and project support. The table below summarizes the initial assessment of potential benefits. This suggests that a minimum benefit of US\$ 52 - 57 million per annum or about 5% of GDP, could be achieved within 5 years of the program's commencement. Since the benefit streams are in perpetuity, their NPV will be many times more than the proposed investment of US\$ 40 million. The economic analysis confirms that the potential economic benefits of the program will far out weigh the investment costs.

## SUMMARY OF COSTS AND POTENTIAL BENEFITS (US\$ million per annum)

-	NATURE cost (5 years)	40.0
-	Maximum benefit of reversing present degradation trends	160.0
-	Minimum benefits from NATURE:	
	Soil stabilization	22.0
	Productivity gains	13.3
	Community forestry	17.6
	<b>TOTAL</b>	<b>52.9</b>

### 3. Summary of Social Soundness Analysis

#### (a) Introduction

The Social Soundness Analysis (contained in Annex C) concludes that NATURE is well-conceived from a socio-economic and socio-political perspective. It responds to one of Malawi's most serious developmental issues, the rapid deterioration of the nation's environment and natural resource base. As primarily a program rather than a project, NATURE will provide the government with the flexibility and capacity to respond quickly to changing circumstances, and should be viewed by all stakeholders as supporting an adaptive process of progressive change - an approach with considerable advantages, particularly when social systems are in rapid and complex transition. NATURE does not attempt to impose on the government specific solutions to the environmental/natural resources issues confronting Malawian stakeholders, rather, the Program encourages the GOM to both develop and implement policy and institutional reforms in a timely manner. Thus the approach is non-prescriptive, allowing the government and other stakeholders flexibility in how best to achieve overall Program outcomes and targets.

#### (b) Illustrative Social Benefits

There are a number of positive results anticipated in NATURE, the most significant include: 1) devolving authority to the communities for control over natural resource benefits; 2) improving land utilization; 3) improving linkages among stakeholders with interests in long-term natural resource

sustainability; and 4) improving government performance in implementing natural resource management and environmental protection programs.

**Devolving authority to communities for control over natural resource benefits:**

NATURE support for the develop of policy and passage of legislation in this area can be expected to create a sense of individual and community ownership over local resources which is the first important step toward their sustainable management. Similarly, emphasis on co-management of natural resources between communities and the state's custodians of forestry reserves, protected areas and national parks is essential to the future sustainability of these national assets. These same principles apply to management of the nation's fisheries resources. NATURE will accelerate the devolution of authority and the increased mobilization of communities for self-governance. This is particularly important given the cumulative effects of 30 years of autocratic rule in which community initiative was discouraged, and suspicion and fear were very much part of daily existence. Community control over resources, combined with NATURE support for extension of appropriate technical packages including land husbandry, agroforestry, environmental monitoring, and environmental awareness, can be expected to lead over time to effective community management for sustainable multiple-use benefits. NATURE will incorporate strategies for building community capacity in self-governance as a pre-requisite for effective delivery of environmental/natural management practices and technologies through linkages among NGOs, government extension services and the private sector.

**Establishing policies/legislation to promote improved land utilization:**

NATURE support for land policy and legislative reform contributes to a concerted government and multi-donor effort to address the increasing marginalization of Malawi's smallholders, growing landlessness, poor labor conditions and inefficiencies in the productive utilization of land in the public, customary and estate subsectors.

**Improving linkages among stakeholders with interests in long-term sustainability:**

Sustainable environmental and natural resource management in the Malawian context requires sufficient stakeholder commitment to long-term management strategies to overcome interests in short-term benefits which are not sustainable. Most stakeholders' interests in Malawi are short-term, regardless of the issue of sustainability. To achieve lasting results, a key area of

emphasis under NATURE is the mobilization of a strong coalition of interests in sustainability, together with participatory efforts to increase awareness of sustainable management principles. Thus under NATURE, priority will be given to forging partnerships among government departments involved in natural resource management, NGOs, the private sector, political and religious leaders, and educators. At the same time, participatory involvement in the development of anticipated policies, legislation, institutional reforms, local initiatives and interventions is critical.

**Improving government implementation performance:**

Malawi's recent move to a more open and democratic society has created both enthusiasm for change and a myriad of new initiatives in several sectors. These initiatives place additional strain on government resources already stretched beyond manageable capacity by a combination of administrative inefficiencies, recurrent cost crises and the demands placed on professional staff that result from the requirements imposed by a host of donors in providing projectized assistance. NATURE helps to address these constraints by encouraging the reorientation of existing administrative structures, the introduction of results-oriented programming, and the channeling of financial resources through existing government mechanisms.

**(c) Identifying and Addressing Risks**

While most of the themes and elements under NATURE should encounter minimal resistance, the NATURE design is sensitive to those areas of intervention where moderate to significant competition or resistance to change may be most likely to affect Program results. The most significant areas of risk include: (i) resistance to enforcement of new regulations governing the use of resources on public lands; (ii) opposition to higher rents and fees; and (iii) opposition to internal government reforms.

Given the large number of interventions anticipated under the Program, and possible stakeholder impediments, MOREA must systematically develop with affected line ministries and departments, and other key stakeholders outside government, realistic action plans and indicators of performance, and to reflect seriously on the approaches required for effective GOM coordination and oversight. This process of engagement with line agencies and key stakeholder interests is particularly critical given that MOREA is a newly created institution, still in the throws of early organizational definition and development.

### Minimizing opposition to enforcement

Moderate to significant resistance to certain initiatives may emerge in stages as the Program moves in succession from policy formulation and legislative drafting (minimal controversy), to institutional improvements and passage of legislation (moderate opposition), and implementation and enforcement of mandated reforms (significant resistance). Only limited opposition to change may be encountered initially, in part because weak enforcement of environmental/natural resource laws and regulations has been the historical norm. Because of this historical milieu, most stakeholders are unlikely to consider preparation and passage of any new legislation to be of concern until they experience its legitimate enforcement. With improvements in Malawi's judicial system, increased emphasis on decentralized community self-enforcement and the possibility of much strengthened GOM oversight, strong resistance may develop to changes which threaten existing patterns of exploitation. To reduce such resistance, NATURE must place a priority on fully vetting new laws and regulations with affected stakeholders and communities prior to their adoption. The requirements for airing the views and opinions of affected stakeholders will be incorporated in the action plans to be developed from the GOM's review of institutional roles and responsibilities, allowing the GOM to determine the most appropriate fora (whether these be through creation of advisory boards, public hearings, social science surveys and participatory rural appraisals, or other mechanisms) for promoting community participation and resolving resource use conflicts. The approach to enforcement will be to minimize centralized control, instead relying on self-governance structures wherever possible. Levels of resistance to regulation should not be underestimated, especially when the previous authoritarian approach to governance is still fresh in the minds of Malawi's citizens. Further, there is a perception that the new government will no longer impose laws on its people from which they receive little or no benefit, and which in the past often led to abuses of authority. This sense of "liberation" from state oversight may in fact initially hamper the new government's efforts to establish equitable regulatory systems for reform legislation, whether related to sustainable natural resources or initiatives in other sectors.

Accelerating encroachment and illegal extraction of resources from the nation's protected areas and lakes threatens irreversible depletion before more effective management structures can be installed. Exponential demographic growth and land pressure reinforces a general perception of rural populations that public lands and resources do not benefit them and should therefore be converted to agricultural production or exploited for their wildlife and timber resources. Historical

protection and enforcement approaches are untenable under these conditions. In response to this risk, NATURE will support efforts to make these lands into multiple-use economically profitable units in which neighboring communities are full participants and secure an equitable share of the benefits from their participation. Adoption of co-management strategies of this kind represent perhaps the only opportunity for sustainable use of these resources in the face of their continuing unplanned use and degradation. NATURE will also encourage extension of this approach to the fisheries subsector, given current perceptions among rural fishing populations that they do not have ownership of these resources, and therefore have no stake in their management for long-term sustainable economic returns.

#### Countering resistance to higher fees and rents for resource utilization

In addition to regulatory efforts to reduce over-exploitation of the resource base, opposition may also become intense over possible approaches to generating new revenues to cover the recurrent costs of the government's restructured operations, for example, through higher rents on estate lands, concession and license fees, fees for service, etc. If new or higher revenue generating mechanisms are developed, it can be expected that their imposition could generate vehement resistance, if those affected have yet to experience any direct benefits from improved government services, or have not been given prior opportunity to express their concerns before enforcement processes take effect.

Changes in ground rents on estate lands to more closely reflect the opportunity costs of different land classifications are likely to be strongly resisted, especially if rent collection improves. Again NATURE's strategy will be to bring leaseholders into the planning process, through incorporation within action plans of the most appropriate fora for this purpose (such as well-publicized conferences, use of radio and print, public hearings, etc.), well in advance of legislative and regulatory reform to explain the reasons behind proposed changes, reduce the severity of opposition and increase stakeholder endorsement and sense of participation in the reforms.

#### Resistance to restructuring and improved efficiency in environment/natural resource governmental institutions

Moderate resistance, largely internal to the government, may also result from the anticipated reform of the forestry and wildlife sectors, where re-orientation of extension activities toward participatory community-based natural resource management at the field level may generate discontent from retrenched employees. Also, intense debate within line-ministries and the MOF could emerge over possible approaches to generating new revenue to

cover the recurrent costs of field operations. For example, over whether or not line ministries should be allowed to retain funds they generate for their own operations or return them to Treasury.

To help address and minimize potential risks overall, the Mission will:

- \* Closely monitor implementation of the policy agenda and provide appropriate expert advice, as needed, on the myriad of issues that are likely to emerge;
- \* Explicitly include all stakeholders and beneficiaries in policy discussions;
- \* Involve other donors in the efforts to promote natural resource management reforms;
- \* Advise the GOM that USAID is committed to an honest and continual appraisal of progress under NATURE, and that USAID will be prepared to cancel the NATURE Program if the GOM is not demonstrating sufficient commitment to the principles of the Program.

#### **D. Conditions Warranting Termination of Assistance**

The GOM has demonstrated a commitment to create the necessary structures for managing the country's natural resources more effectively. The preparation of the NEAP and the creation of MOREA were two essential elements. However, as noted above, improved natural resource use calls for a coordinated, multi-sectoral effort from all agencies involved in managing natural resource. Such an effort is embodied in the NATURE conditionality. If agreed-upon actions are not undertaken in a timely manner, and if such performance reflects a reduced GOM commitment to reform, the program will be terminated.

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## ATTACHMENTS

### NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT (NATURE) PROGRAM

Program No. 612-0247 - Project No. 612-0248

- ATTACHMENT A. Initial Environmental Examination
- ATTACHMENT B. Draft Program and Project Agreements
- ATTACHMENT C. Congressional Notification Release Cable
- ATTACHMENT D. Delegation of Authority (DOA) Cable
- ATTACHMENT E. Statutory Checklist (see official files)

**ATTACHMENT: A**

**INITIAL ENVIRONMENTAL EXAMINATION**

**INITIAL ENVIRONMENTAL EXAMINATION  
OR  
CATEGORICAL EXCLUSION**

**I PROGRAM/PROJECT DATA:**

Program Number: 612-0247  
Project Number: 612-0248

Country/Region: Malawi

Project Title : Natural Resource Management and Environmental Support Program (NATURE)  
Funding Begin: FY 95 Funding End: FY 00 LOP Amount: US\$ 40,000,000

ICE Prepared By: Benison Fair, AFL Date: September 19, 1995

**ENVIRONMENTAL ACTION RECOMMENDED:** (Place XX where applicable)

Categorical Exclusion: X Negative Determination: X  
Positive Determination:    Deferral:   

**ADDITIONAL ELEMENTS:** (Place X where applicable)

EMEMP: X CONDITIONS: X PVO/NGO: X

**SUMMARY OF FINDINGS:**

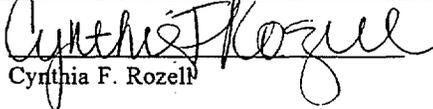
NATURE is not expected to have a direct significant impact on threatened or endangered species or critical habitat areas. The over-all purpose is to increase the sustainable use, conservation and management of renewable natural resources. Adverse negative impacts are therefore not expected, and since the major portion of the Project Assistance portion of NATURE ( 0248) will be Technical Assistance, this component is recommended for a **Categorical Exclusion** under Sections 216.2(c)(1)(i) and 216.2(c)(2)(i) &(iii).

Under the Non-Project Assistance component (0247) there will be long-term impacts (positive and negative) on the natural resource base. Any adverse long-term impacts due to policy reform will be mitigated by using the Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP) which has already been set up under the ASAP program, which will ensure course correction of the NATURE program as appropriate during implementation. This will be mostly achieved by feed-back to the GOM regarding changes in policy reform and/or regulations. In this case, therefore, the policy reform section of NATURE (NPA) is recommended for a **Negative Determination** {as per Section 22 CFR 216.3 (a)(2)(i)}.

**APPROVAL OF ENVIRONMENTAL ACTION RECOMMENDED:** (Type Name Under Signature Line)

**CLEARANCE:**

Mission Director:

  
Cynthia F. Rozell

Date:

9/30/95

**CONCURRENCE:**

Bureau Environmental  
Officer:

Draft  
John J. Gaudet

Date:

7/27/95

Approved: X

Disapproved:   

**CLEARANCE:**

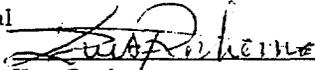
General Counsel  
(Africa Bureau)

Draft  
D. Luten

Date:

8/3/95

**ADDITIONAL CLEARANCES:** (Type Name Under Signature Line)

Mission Environmental  
Officer:  Date: 9/20/95  
Kurt Rockeman

Project Manager:  Date: 9/20/95  
D. Gale Rozell

Regional Environmental  
Officer: Draft Date: 8/21/95  
Eric Loken

## INITIAL ENVIRONMENTAL EXAMINATION

### PROJECT DATA:

Program Number: 612-0247  
Project Number: 612-0248  
Country/Region: Malawi  
Project Title: Natural Resource Management and Environmental Support (NATURE) Program

### **1.0 BACKGROUND AND PROJECT DESCRIPTION**

Despite efforts to generate and promote production-increasing technologies among smallholder farmers, nearly 60% of rural households currently live below the poverty line. An average rural Malawian family (with a per capita income of about \$210, and more than half the population below the poverty line of \$40 per capita annually) is deprived of basic needs such as adequate food, water, fuel, health, shelter, and education. Worse still, few rural households have the means or opportunity to reverse this situation. Access to credit, inputs, cash crops, markets, extension services and relevant production-increasing technologies are increasingly unattainable due to rising costs. The supply of family labor, so vital to the nature of smallholder agriculture and improved conservation practices is decreasing due to the necessity for most to seek off-farm employment. This is especially acute among the resource poor, most notably female-headed households burdened by the additional labor-consuming activities of fetching water and fuel wood, cooking and child rearing. The lack of appropriate technology and family incomes to undertake resource conservation and management practices is a problem for all small farmers, male and female.

The NATURE Program proposed here will assist the GOM to: a) develop a comprehensive public policy framework which enables and stimulates natural resource management and conservation actions; b) strengthen the GOM's capacity to administer, implement and monitor environmental policies and programs; c) expand community-based, organized and led resource management programs; d) address critical land tenure issues on communal, estate and public lands; and e) create a private endowment as a means for sustained funding of natural resource management activities. The program will be complemented by a companion project to finance technical assistance, expanded environmental monitoring, community based agroforestry and wildlife programs, and environmental education.

### **2.0 COUNTRY AND ENVIRONMENTAL INFORMATION (BASELINE INFORMATION)**

Food security, rural incomes and productivity can only be improved if Malawi increases its efforts to protect and sustain its natural resource base. During the 1960s and 1970s, the country experienced an overall growth in the agricultural sector. However, this economic growth was confined largely to the expanding estate sector at the expense of the majority smallholder agriculture. Economic policies that limited smallholders' access to productive resources and markets have combined with the country's escalating population density to create unprecedented pressures on land, water and the survival of the country's biodiversity nationwide. Increasing poverty, food insecurity, the diminishing quality of arable land and generalized environmental degradation characterize most of the country today.

Soil erosion and deforestation have reached alarming proportions. Soil loss from cultivated land is estimated to be as high as 20 tons per hectare per annum<sup>1</sup> and increasing, with disastrous consequences on future food security. Between 1972 and 1990, total forest cover declined by an appalling 41%. Clearing land to expand cultivation continues to be a major destructive force, exacerbated by massive deforestation to meet the

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<sup>1</sup> Some authorities regard this to be a substantial underestimate.

daily household demand for fuelwood. Deforestation rates have actually declined recently in some areas of Malawi, only because there are no longer any forests to harvest. Other environmental concerns include the loss of biodiversity and diminishing surface and ground water supplies. Concomitant siltation and contamination of streams, rivers, dams, and lakes have far-reaching effects including increased dangers of flooding.

### **3.0 EVALUATION OF PROJECT/PROGRAM ISSUES WITH RESPECT TO ENVIRONMENTAL IMPACT POTENTIAL**

The daunting list of the causes of natural resource depletion in Malawi is headed by the present 3.2% population growth rate, one of the highest in Africa, if not the world. Decreasing farm size and insecure tenure for the majority of Malawian farmers is also high on the list along with soil erosion, deforestation, extensive water resource degradation and depletion, uncontrolled over-fishing of Lake Malawi, and the rampant decline of Malawi's remaining wildlife. Increasing vulnerability to drought compounds these problems. Malawi's ability to respond in a positive manner to resource management and conservation problems is exacerbated by a proliferation of weak institutions, poor communications and coordination, overly centralized and ineffective administrative procedures, a weak legal framework, and the general absence of public environmental education and awareness.

The problems and issues highlighted above are drastically altering the context of Malawi's economy and environment. Agricultural production is declining or stagnant, costs of fossil-fuel based inputs are escalating, foreign exchange earnings are inadequate, and the country's natural resources are rapidly deteriorating. Traditional land-use practices that once preserved the integrity of the natural resource base have changed to exploitative practices due to the desperate struggle to survive. Collectively, these factors are undermining the country's agricultural potential to supply national and household food security. However, resource conservation and management for its own sake will not succeed in Malawi. To be successful, they must be linked to improving incomes, creating jobs and optimizing family labor.

### **4.0 ENVIRONMENTAL DETERMINATIONS**

The NATURE program (NPA) includes several components or items bearing on policy reform. In this case Section 496 of the Foreign Assistance Act, which sets out the terms of the DFA should be noted, because this specifically requires that "policy reforms shall also include provisions to protect...long-term environmental interests from possible negative consequences of the reforms." It is realized that the NATURE effort in policy reform is intended to be of a positive nature, but it is also realized that reforms to improve natural resource management may generate unforeseen adverse impacts. Thus meeting the above requirement will be difficult, because little is known for sure either about the impacts of policy reform on the environment or about how to mitigate those impacts.

This requirement of the DFA therefore calls for an analytical consideration of the kinds of policy reforms which are likely to have an impact on the management of the environment in the long run. At a glance, the list might include reforms which have some impact on:

- the forms of land tenure which are permitted by law or tradition;
- how land is used, and how its use responds to economic change;
- structures for marketing and pricing natural products;
- trade policy and the terms of trade between agriculture and industry relative to use of wood resources;
- import pricing, subsidies, quotas, tariffs, and other trade policy tools.

The present project will therefore be designed with built-in "feed-backs" to ensure that through a carefully planned and implemented monitoring and evaluation program, negative environmental impacts will be discovered and reviewed, resulting in appropriate actions needed to mitigate impacts. This approach is in response to the concern that Reg 16 is not a "balancing test". If a project has the potential to bring about any

negative impacts, even if outweighed by significant positive impacts, a positive determination would normally be required relative to the Initial Environmental Examination.

Under the Non-Project Assistance component (0247) there will be long-term impacts (positive and negative) on the natural resource base. Any adverse long-term impacts due to policy reform will be mitigated by using the Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP) which has already been set up under the ASAP program (and is further discussed below), which will ensure course correction of the NATURE program as appropriate during implementation. This will be mostly achieved by feed-back to the GOM regarding changes in policy reform and/or regulations. In this case, therefore, the policy reform section of NATURE (NPA) is recommended for a **Negative Determination** {as per Section 22 CFR 216.3 (a)(2)(i)}.

## 5.0 RECOMMENDED MITIGATION ACTIONS (INCLUDING MONITORING AND EVALUATION)

On the positive side, there is an increasing perception and awareness on the part of farmers, Malawian officials and the public at large that urgent results oriented actions are needed. Government has recently completed a National Environmental Action Plan (NEAP) and a conservation oriented Agricultural Development Strategy which reflect careful analysis and lengthy stakeholder deliberations. The opportunity now exists for USAID and other donors in a coordinated effort to assist government in ensuring successful implementation of action oriented and people-focused natural resource management programs. There is little doubt that achievement of the objectives of the following program are a precondition for sustained improvements in rural incomes and national and household food security.

The NATURE program builds on the experience and comparative advantage of USAID within the donor community, its hybrid non-project and project assistance modality and the success of the Mission's previous work in the agricultural policy area. It will support and enhance projects under design or being implemented by government, the British ODA, EC and World Bank. This program is intended to provide a framework to improve policy, legislative and institutional weaknesses that severely limit the results of all these efforts. The single most important impact of this program, if successful, will be to empower individuals and communities on their own to act in ways that improve the management and conservation Malawi's natural resources.

In order to achieve the above, the NATURE program will build on and make use of the **Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP)**, which is already in place under the ASAP project. This EMEMP ensures course correction of programs as appropriate during implementation. The kind of environmental monitoring as set out in the EMEMP will evaluate the more important positive and negative environmental impacts, therefore it must be designed and budgeted within the NATURE program implementation plan.

In order to ensure that the results of the monitoring and evaluation effort will be used to change the course of project implementation, if need be, it is essential that during the design short-term environmental consultants set out specific environmental indicators to be used by the GOM. Also the design will identify the responsible GOM institutions that will be providing the data that will be used to monitor performance in the environmental sector.

The information derived from the indicators and evaluation of performance will be fed back to the GOM using any existing system under the present EMEMP (e.g., annual conferences or workshops, etc.) At these sessions the latest data acquired could be compared to the Baseline Data already coming from ASAP in order to determine whether impacts are significant, and whether they are positive or negative. The program staff will then be charged with ensuring that the GOM is made aware of the impacts and recommendations (e.g., of the conference/workshops), in order to allow for needed course correction in program implementation.

Some indication should also be included in the program design as to how this monitoring and evaluation program will be carried forward after the PACD.

## 6.0 SUMMARY OF FINDINGS

NATURE is not expected to have a direct significant impact on threatened or endangered species or critical habitat areas. The over-all purpose is to increase the sustainable use, conservation and management of renewable natural resources. Adverse negative impacts are therefore not expected, and since the major portion of the Project Assistance portion of NATURE ( 0248) will be Technical Assistance, this component is recommended for a **Categorical Exclusion** under Sections 216.2(c)(1)(i) and 216.2(c)(2)(i) &(iii).

Under the Non-Project Assistance component (0247) there will be long-term impacts (positive and negative) on the natural resource base. Any adverse long-term impacts due to policy reform will be mitigated by using the Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP) which has already been set up under the ASAP program, which will ensure course correction of the NATURE program as appropriate during implementation. This will be mostly achieved by feed-back to the GOM regarding changes in policy reform and/or regulations. In this case, therefore, the policy reform section of NATURE (NPA) is recommended for a **Negative Determination** {as per Section 22 CFR 216.3 (a)(2)(i)}.

**ATTACHMENT: B**

**DRAFT PROGRAM AND PROJECT AGREEMENTS**

Grant Agreement No. 612-T-606  
Program No. 612-0247

**PROGRAM GRANT AGREEMENT**

for the

**NATURAL RESOURCE MANAGEMENT AND  
ENVIRONMENTAL SUPPORT  
(NATURE) PROGRAM**

between

**THE GOVERNMENT OF THE  
THE REPUBLIC OF MALAWI**

and the

**THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA**

acting through

**THE AGENCY FOR INTERNATIONAL DEVELOPMENT**

**DATED: September 30, 1995**

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### Attachments:

Annex 1 - Amplified Program Description

PROGRAM GRANT AGREEMENT FOR THE NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT (NATURE) PROGRAM  
Grant Agreement No. 612-T-606; Program No. 612-0247

Article 1: The Agreement

This Agreement, dated September 30, 1995, is hereby entered into by and between the Government of the Republic of Malawi ("Grantee") and the Government of the United States of America, acting through the Agency for International Development ("USAID"), together referred to as the "Parties". The purpose of this Agreement is to set out the understandings of the Parties with respect to the Natural Resource Management and Environmental Support Program (the Program) described below, and with respect to the financing of the Program by the Parties.

Article 2: The Program

Section 2.1. Definition of the Program. (a) The Program, which is further described in Annex 1, attached hereto, will consist of assistance to the Grantee for the purpose of increasing the sustainable use, conservation and management of Malawi's renewable natural resources. The Program purpose will be accomplished through the Grantee's completion of specific actions supporting the following four themes:

- Establishment of a unifying, comprehensive policy and legislative framework governing natural resource management;
- Strengthening the capacity of institutions responsible for managing natural resources and the environment;
- Implementation of results-driven natural resource management programs through introduction of performance-based budgeting systems; and
- Achievement of sustainable financing for private initiatives in natural resource management and environmental protection.

Within the limits of the above definition of the Program, Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in accordance with Section 7.9., without formal amendment of this Agreement.

(b) Supporting Project Assistance. In support of the Program, USAID will help finance a separate but related Project (USAID Project No. 612-0248) to provide technical support (in such areas as policy and legislation), improved environmental monitoring, expanded agroforestry programs, strengthened community-based natural resource management systems, environmental education, training, necessary equipment and related management, monitoring, evaluation and audit services.

Section 2.2. Incremental Nature of the Program. USAID's contribution to the Program will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to USAID and authorization by USAID for such purpose, and to the mutual agreement of the Parties, at the time of subsequent increments.

Article 3: Financing

Section 3.1. The Grant. To support and assist the Grantee in carrying out the Program, USAID, pursuant to the U.S. Foreign Assistance Act of 1961, as amended, hereby grants to the Government of Malawi, subject to the terms and conditions of this Agreement, an amount not to exceed Five Million United States Dollars (U.S. \$5,000,000) (the "Grant"). USAID plans, subject to the availability of funds and the agreement of the Parties, to grant to the Grantee an additional amount of Twenty-five Million Five Hundred Thousand United States Dollars (U.S. \$25,500,000) in future increments, bringing the overall planned Program total to Thirty Million Five Hundred Thousand United States Dollars (U.S. \$30,500,000).

Section 3.2. Grantee Resources for the Program: General. The Grantee agrees to provide or cause to be provided for the Program all funds, in addition to the Grant, and all other human, physical infrastructure and budgetary resources required to carry out the Program effectively and in a timely manner.

Section 3.3. Grantee Resources for the Program: Specific. The resources to be provided by the Grantee for the Program will not be less than the equivalent of Ten Million United States Dollars (U.S. \$10,000,000), including costs borne on an "in kind" basis.

Section 3.4. Dollar Disbursements. The Grant shall be disbursed in four (4) tranches. The Grantee may obtain disbursement of each tranche by written request to USAID following receipt of the notification described in Section 5.7 below that the actions to be completed prior to disbursement of that particular tranche have been satisfied. For each tranche, the funds shall be disbursed into a single account to be specified by the Grantee in such request, in the name of the Grantee or one of it's agencies, and shall become part of the general foreign exchange reserves of the Grantee, to be used in accordance with the laws and procedures in effect at that time in the Republic of Malawi.

Article 4: Program Assistance Completion Date ("PACD").

Section 4.1. The PACD, which is September 30, 2000, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all activities contemplated by the Program will have been performed or furnished, respectively, as contemplated in this Agreement.

Section 4.2. Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for the Program as contemplated in this Agreement subsequent to the PACD.

Article 5: Actions Precedent to Disbursement.

Section 5.1. Actions to be Completed Prior to Disbursement. Prior to disbursements under the Grant, the Grantee will, except as the Parties may otherwise agree in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties:

General Actions

- (a) a written opinion of counsel acceptable to USAID certifying that this Agreement has been duly authorized by and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with its terms and conditions.
- (b) a written statement of the names and titles of the persons holding or acting in the office of the Grantee specified in Section 7.9, and of any additional representatives, together with a specimen signature of each person specified in such statement.
- (c) a Letter of Intent covering each activity/action to be included under the first tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative and/or entity responsible for implementing or causing to be implemented or accomplished, each action detailed in the list of actions; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.

Section 5.2. Actions to be Completed Prior to First Disbursement. Prior to the first disbursement under the Grant, which shall be in the amount of Five Million United States Dollars (U.S. \$5,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish to or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that:

**Specific Actions**

**Theme 1: Establishment of a comprehensive policy and legislative framework**

- (a) The GOM has approved the National Environmental Policy (NEP) drafted by MOREA.
- (b) The GOM has prepared a time-phased action plan for a comprehensive review of natural resource management policies and legislation including the drafting, submission and approval of new/modified policies and legislation. Particular attention will be given to the degree to which the policies and legislation are compatible with the NEP and the draft Environmental Management Bill. If warranted, the plan will include a terms of reference for technical assistance required to support this effort.
- (c) The GOM, through the Ministry of Lands and Valuation (MOLV), has prepared a time-phased action plan for a comprehensive review of all land use and tenure policies and legislation including the drafting, submission and approval of new/modified land tenure policies and legislation. If warranted, the action plan will include a terms of reference for technical assistance to support this effort.

The land tenure policy review will be directed towards improving tenure security and the efficiency of land use as it relates to national development policies and economic strategies, the NEP, and sectoral policy development. Additionally, the review will identify constraints to land tenure security that are particular to women and will recommend corrective actions. As a primary information source, the review will utilize the results of land utilization studies proposed for the estate, customary, and public land sectors.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (d) The GOM has clearly delineated the role for the institution responsible for coordinating and monitoring environment and natural resource management activities.
- (e) The GOM has recruited for and filled all 15 established Ministry of Research and Environmental Affairs (MOREA) positions within the Department of Environmental Affairs.
- (f) The GOM has prepared an action plan for a comprehensive review of ministry and other institutional roles and responsibilities in the areas of natural resource management and environmental protection.

The review will investigate not only the existing institutional framework, but also the need for new mechanisms to facilitate the expanding role of rural communities in natural resource management. In this regard, the desirability and modality of developing partnerships between the GOM, NGOs and the private sector will be explored. The output of the institutional review will be a GOM report providing: 1) a clear description of the responsibilities of Ministry of Agriculture and Livestock Development (MOALD), Ministry of Natural Resources (MNR), Ministry of Irrigation and Water Development (MOIWD), Ministry of Lands and Valuation (MOLV) and Ministry of Tourism (MOT) and their respective departments with regard to natural resource management and environmental protection; 2) detailed recommendations for institutional reform; and 3) a time-phased reform implementation program.

**Theme 3: Implementation of results-driven natural resource management programs**

- (g) The GOM has prepared guidance for prioritizing, preparing and approving budgeted, multi-year, work programs in the fields of environmental conservation and natural resource management. It is anticipated that work programs, containing verifiable performance indicators, will be prepared by all participating ministries and approved by the appropriate GOM ministry beginning in the second tranche.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (h) The GOM has organized an Endowment Trust Working Group comprised of representatives from NGOs, the business community and the GOM to identify and address issues relating to the creation of an endowment fund.

**General Actions**

- (i) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the second tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative and/or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list of actions; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.

Section 5.3. Actions to be Completed Prior to Second Disbursement. Prior to disbursement of the second tranche of the Grant, which shall be in the amount of Seven Million United States Dollars (U.S. \$7,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that the following illustrative actions have been achieved. Tranche 2 actions may be refined when funding for tranche 2 is authorized and obligated.

**Specific Actions**

**Theme 1: Establishment of a comprehensive policy and legislative framework**

- (a) The GOM has finalized the draft national environmental framework legislation - the Environmental Management Bill (EMB), and submitted it to Parliament for approval.
- (b) The GOM has completed the comprehensive review of policies and legislation required under tranche one. New (or modified) policies and legislation will be drafted, submitted, approved and published in accordance with the action plan schedule.

The revised policies and legislation will make specific provisions for creating an enabling environment for the development of co-management systems for natural resources and for fostering partnerships between rural communities, government, NGOs and the private sector in support of this objective. Revisions to legislation will pay particular attention to the issues of resource tenure and will empower government departments to delegate to rural communities the responsibility for resource management to the degree dictated by sectoral policies.

- (c) The GOM has implemented the land policy and legislation review in accordance with the approved action plan schedule developed in tranche one.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (d) The GOM has certified that the coordinating and monitoring framework described in tranche one is fully functioning.
- (e) The GOM has: 1) completed the review of institutional roles and responsibilities; and 2) initiated implementation of the report's recommendations in accordance with the action plan schedule. It is anticipated that the review will consider provisions to establish advisory boards (similar to the Wildlife Research and Management Board created under the National Parks and Wildlife Act - 1992) as well as other mechanisms for promoting community participation in natural resource management and for resolving resource-use conflicts.
- (f) The Wildlife Research and Management Board has met, developed a multi-year plan of action, and is satisfactorily implementing the action plan.
- (g) The MNR will prepare a time-phased action plan for improved compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

**Theme 3: Implementation of results-driven natural resource management programs**

- (h) Based upon guidance prepared under the first tranche, participating ministries have prepared budgeted, multi-year, priority work programs in the field of environmental conservation and natural resource management.

The MOF will forward to USAID details of approved programs which: 1) identify the responsible individual and/or office for each program; 2) identify verifiable performance indicators\*; and 3) provide funding levels commensurate with achieving the performance indicators.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (i) The Endowment Trust Working Group, if warranted by the results of tranche one activities under this theme, has prepared an action plan to establish and manage the endowment.

**General Actions**

- (j) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the third tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list of actions; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.
- (k) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche one activities for expenses covering tranche two activities have, in fact, been provided in a timely manner.

Section 5.4. Actions to be Completed Prior to Third Disbursement. Prior to disbursement of the third tranche of the Grant, which shall be in the amount of Seven Million Five Hundred Thousand United States Dollars (U.S. \$7,500,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that the following illustrative actions have been achieved. Tranche 3 actions may be refined when funding for tranche 3 is authorized and obligated.

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\* It is expected that the task of monitoring performance indicators will become integrated into MOREA's overall monitoring responsibilities.

## Specific Actions

### Theme 1: Establishment of a comprehensive policy and legislative framework

- (a) The GOM has certified that line ministries have satisfactorily implemented, and are in compliance with, all revised sectoral policies and legislation.
- (b) The GOM has completed its review of land tenure policies and legislation. A draft land policy paper has been submitted to the Cabinet for approval.

### Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment

- (c) The GOM has achieved satisfactory performance against action plan targets relating to institutional roles and responsibilities.
- (d) The MNR has operationalized its action plan for compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

### Theme 3: Implementation of results-driven natural resource management programs

- (e) Performance indicators identified under this theme in partial satisfaction of tranche two activities have been achieved in a timely manner.
- (f) Performance indicators developed in tranche two for the fourth tranche have been reassessed and, if necessary, modified to ensure that planned outputs are properly tuned to implementation capacity and levels of investment.
- (g) The GOM has forwarded details of approved programs under the fourth tranche to USAID which: 1) identify the responsible individual/office for each program; 2) identify verifiable performance indicators; and 3) provide funding levels commensurate with achieving the performance indicators.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (h) The Endowment Trust Working Group, if warranted by the results of previous tranche activities under this theme, has prepared a charter and financial plan, and has defined, implemented and completed the process of selecting the first Board of Directors. The Board, with help as necessary from legal consultants financed under the NATURE support project, has: a) prepared a contract to place the financial administration of the endowment fund under professional management; and 2) agreed upon procedures for selecting an appropriate management company.

**General Actions**

- (i) The GOM has submitted to USAID a Letter of Intent covering each activity/action to be included under the fourth tranche containing: 1) a comprehensive list of actions that the Grantee intends to complete; 2) the name of the principal office, representative and/or entity responsible for implementing, or causing to be implemented or accomplished, each action detailed in the list; and 3) a budget of financial resources to be committed by the Grantee in support of Program activities.
- (j) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche two activities for expenses covering tranche three activities have, in fact, been provided in a timely manner.

Section 5.5. Actions to be Completed Prior to Fourth Disbursement. Prior to disbursement of the fourth tranche of the Grant, which shall be in the amount of Eleven Million United States Dollars (U.S. \$11,000,000), or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish or cause to have furnished to USAID, in form and substance jointly agreed to by the Parties, evidence that the following illustrative actions have been achieved. Tranche 4 actions may be refined when funding for tranche 4 is authorized and obligated.

**Specific Actions**

**Theme 1: Establishment of a comprehensive policy and legislative framework**

- (a) The revised land tenure legislation has been submitted to Parliament for approval.

**Theme 2: Strengthened capacity of institutions responsible for managing natural resources and the environment**

- (b) The MNR has fully implemented its action plan for improved compliance and enforcement of legislation and regulations in forestry, fisheries and wildlife.

**Theme 3: Implementation of results-driven natural resource management programs**

- (c) The performance indicators identified under this theme in partial satisfaction of tranche two and three activities have been achieved in a timely manner.

**Theme 4: Achievement of sustainable financing for natural resource management and environmental protection**

- (d) The Board, if warranted by the results of previous tranche activities under this theme, has entered into a management contract for the financial administration of the Endowment. The Endowment has: (1) been legally registered and granted formal recognition under the Trustees Incorporation Act; (2) been gazetted as eligible for tax deductible charitable donations from corporations and private citizens and (3) become operational through the receipt of investments and/or firm financial commitments by the GOM, donors and the private sector.

**General Actions**

- (e) The estimated budgetary resources contained in the GOM's Letter of Intent submitted in partial satisfaction of tranche three activities for expenses covering tranche four activities have, in fact, been provided in a timely manner.

Section 5.6. Prior Actions. It shall be a continuing requirement to disbursement of all tranches subsequent to the first that all actions taken or agreed to be taken or completed for previous disbursements shall not be rescinded or altered by Grantee in a manner which materially interferes with the objectives of the Program.

Section 5.7. Terminal Date for Completion of Initial Actions. If the actions contained in Section 5.1 (a), 5.1 (b) and 5.1 (c) have not been satisfied within ninety (90) days from the date of signature of this Agreement, or such later date as USAID may agree to in writing, then USAID at its option may terminate this Agreement on thirty (30) days written notice to the Grantee.

Section 5.8. Notification. When USAID has determined that the actions specified in each of Section's 5.2, 5.3, 5.4, and 5.5 have been satisfied, USAID will promptly notify the Grantee in writing.

Article 6: Covenants

The Grantee will provide assurances that it will:

(a) ensure timely and sufficient funds for personnel and operational expenses required to implement the Program; and

(b) conduct annual reviews jointly with USAID on progress toward meeting the Program objectives.

Article 7: Miscellaneous

Section 7.1. Reports, Records, Inspections, and Audit.

(a) Grantee will maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records and underlying documentation relating to this Agreement as are necessary to show adequately, without limitation, compliance with this Agreement, including the policy reforms and decisions undertaken under the Program.

(b) Grantee shall furnish to authorized representatives of USAID such information and reports relating to this Agreement and include such supporting documentation as may reasonably be required by USAID.

(c) Grantee will afford authorized representative of USAID the opportunity at all reasonable times to inspect the books, records and other documents relating to this Agreement, including the policy reforms and decisions undertaken under the Program.

Section 7.2. Implementation Letters. To assist the Grantee in the implementation of the Program, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the Amplified Program Description in Annex 1.

Section 7.3. Program Evaluations. The Parties agree to cooperate on an evaluation program for the Program. The evaluation program will include a final evaluation. The evaluation program may include, during the implementation of the Program:

- (a) establishment of baseline data and indicators for the Program;
- (b) evaluation of progress toward attainment of the objectives of the Program;
- (c) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (d) assessment of how such information may be used to help overcome such problems; and
- (e) evaluation, to the degree feasible, of the overall development impact of the Program.

Section 7.4. Consultation. The Parties will cooperate to assure that the purposes of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Program and other matters relating to the Program.

Section 7.5. Completeness of Information. The Grantee hereby confirms:

- (a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Program and the discharge of responsibilities under this Agreement; and
- (b) that it will inform USAID, in a timely fashion, of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Program or the discharge of responsibilities under this Agreement.

Section 7.6. Taxation. The Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the Republic of Malawi, or which may become effective during the term of this Agreement.

Section 7.7. Publicity. The Grantee will give appropriate publicity to this Grant and Program and activities carried out hereunder as a program to which the United States has contributed. Representatives of the Grantee and USAID will confer from time to time to make specific arrangements for such publicity.

Section 7.8. Suspension and Termination.

(a) USAID may suspend disbursement for up to ninety (90) days upon written notice to the Grantee.

(b) USAID may cancel any disbursement under this Agreement upon written notice to the Grantee if, at any time: (1) the Grantee shall fail to comply with any provision of this Agreement; (2) an event occurs that USAID determines to be an exceptional situation that makes it impossible either to attain the purpose of the Grant or for the Grantee to perform its obligations under this Agreement; or (3) any disbursement by USAID would be in violation of the legislation governing USAID.

(c) This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days' written notice. Termination of this Agreement shall terminate any obligations of the Parties to provide financial or other resources pursuant to this Agreement.

(d) Notwithstanding any suspension or termination, the provisions of this Agreement shall continue in full force and effect with respect to any portion of the Grant provided prior to or notwithstanding such suspension or termination.

Section 7.9. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Finance and USAID will be represented by the individual holding or acting in the office of the USAID Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than amending this Agreement. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 7.10. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Grantee: The Secretary to the Treasury  
Ministry of Finance  
P.O. Box 30049  
Lilongwe 3, Malawi

To USAID: USAID/Malawi  
P.O. Box 30455  
Capital City  
Lilongwe 3, Malawi  
Attention: Director

All such communications will be in English. Other addresses may be substituted for the above upon the giving of notice.

In WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE GOVERNMENT OF THE REPUBLIC OF MALAWI

BY: \_\_\_\_\_

*Aleke K. Banda*

Aleke K. Banda  
Minister of Finance

Date: \_\_\_\_\_

*30/9/95*

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

BY: \_\_\_\_\_

*Cynthia F. Rozell*

Cynthia F. Rozell  
Mission Director  
USAID/Malawi

DATE: \_\_\_\_\_

SEP 30 1995

Annex 1: Amplified Program Description

Natural Resource Management and Environmental  
Support Program

*Moosa A. Valli*

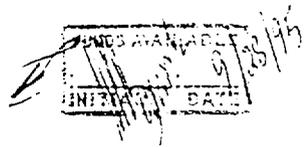
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Moosa A. Valli  
Charge d'Affaires, a.i.  
of the United States of America

SEP 30 1995

Fiscal Data

Program No: 612-0247.00  
PAAD No: 612-T-606  
Appropriation: 725/61014  
Budget Plan Code: GSS5-95-31612-KG39  
Allowance:  
Reservation Control No: M250095  
Obligation No: PA-612-T-606  
Amount: \$5,000,000.00



NATURE PROGRAM AGREEMENT NO.: 612-T-606.00

DRAFT:

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CLEARANCE:

RLA, TFILLINGER	(ID)	date	9/14/95
AFS, SMACHIRA	<i>MS</i>	date	9/28/95
AFS, KROCKEMAN	<i>Krockeman</i>	date	9/28/95
AFS, GROZELL	<i>Grozell</i>	date	9/28/95
PPD, MSarhan	<i>MSarhan</i>	date	9/28/95
FMO, MPOWDERMAKER	<i>M Powdermaker</i>	date	9/25/95

**NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT  
(NATURE) PROGRAM**

**ANNEX 1**

**AMPLIFIED PROGRAM DESCRIPTION**

**A. Introduction**

The \$40 million Natural Resource Management and Environmental Support (NATURE) Program includes \$30.5 million in Program funds and \$9.5 million in Project funds. The Program component will be released in 4 tranches, following satisfaction of all the actions to be completed prior to disbursement specified in Article 5 of the Program Grant Agreement. The first tranche is planned to be released by the end of the fourth quarter of 1995. By the end of the first quarter of 1999, if all actions to be taken prior to disbursement are satisfied, all of the Program funds will have been released. The Project component is described in a separate Project Agreement (No. PA-95-G-612-0248).

The disbursements under the Program will become part of the general foreign exchange reserves of Malawi. However, the actions to be taken prior to disbursement are designed to achieve the purpose of the Program as described in Section "C", below.

**B. Background**

Agriculture is the primary source of food, energy, employment and income for approximately 85% of all Malawians. However, since independence, dualistic economic policies, coupled with external factors and explosive population growth, have significantly constrained agricultural productivity. Poverty is widespread, with nearly 60% of households living below the poverty line. Increasing food insecurity and a diminishing quality of arable land characterize most of Malawi today. Most households lack the resources and support to undertake sound agronomic and animal husbandry practices which would provide increased incomes and improve food consumption.

These problems have created unprecedented nationwide pressures on land, water and the survival of Malawi's biodiversity. Soil erosion and deforestation have reached alarming proportions and supplies of surface and ground water are diminishing rapidly. Environmental degradation is eroding the capacity of Malawi's natural resource base to meet national requirements for food security and income growth.

The GOM has recognized the need to address natural resource management issues by initiating a review of policies and legal instruments in several line ministries. One major result was the preparation of Malawi's first (1994) National Environmental Action Plan (NEAP). This extensive study

documents the depletion of Malawi's natural resource base, identifies priorities and provides a guideline for action oriented programming. The NATURE Program is designed to build upon and support the NEAP process.

### **C. Program Description**

The purpose of NATURE is to increase the sustainable use, conservation and management of Malawi's renewable natural resources. The purpose will be achieved through the completion of specific actions supporting the following four themes:

- Establishment of a unifying, comprehensive policy and legislative framework governing natural resource management;
- Strengthening the capacity of institutions responsible for managing natural resources and the environment;
- Implementation of results-driven natural resource management programs; and
- Achievement of sustainable financing for private initiatives in natural resource management and environmental protection.

Supporting actions to be completed by the GOM during each tranche period are described in the Program Grant Agreement, as well as in the Policy Framework Matrix, below. The separate NATURE Project Agreement will support the four Program themes stated above by financing the following activities:

- Technical assistance for the development and implementation of the policy framework agenda
- Environmental monitoring
- Private sector-led agroforestry support
- Review and revision of land policy
- Community-based natural resource management systems
- Environmental education
- Program and Project management, evaluations, monitoring and audit services

### **D. Monitoring, Evaluation and Audit**

Funds have been reserved in the NATURE Project Agreement for program and project management, monitoring, evaluation and audit services.

## **E. Responsibilities of the Parties**

The GOM will be responsible for implementing the NATURE Program. It will provide the financial resources, including staff, staff support, supplies, equipment and materials, required to carry out Program activities. The host country contribution for the Program will be no less than the amount specified in Sections 3.2 and 3.3 of the Program Grant Agreement, and is the minimum requirement under U.S. law.

The GOM, through the Ministry of Finance (MOF), has the leadership responsibility for implementing the Program. This includes undertaking the necessary reform actions and managing the constituent activities. The GOM is responsible for submitting to USAID evidence that mutually agreed-upon reform activities have been completed. The GOM also ensures that covenants included in the Program agreement are met. GOM responsibilities are executed through the various ministries in which activities take place. Coordination to ensure that overall Program objectives are being met will be undertaken through committee structures as described below, with support from an environmental policy advisor placed within the GOM.

During Program start up, the GOM will be tasked with establishing two committees. The first will be the Program Management Committee (PMC), to be chaired by the Ministry of Finance. This committee, which will include the USAID/Director, will monitor implementation performance, including progress toward achievement of agreed-upon actions. The Committee will meet at least twice annually, as well as on an ad hoc basis as the need arises.

The second committee will be the Program Implementation Committee (PIC), to be chaired by the Ministry of Research and Environmental Affairs (MOREA). The PIC will function at the executive level and will include the USAID Supervisory Agricultural Officer or his designee. This committee will monitor implementation on a more regular basis and will deal with routine implementation concerns. The PMC and PIC will be assisted by the above-mentioned policy advisor.

The cross-sectoral nature of environmental programs and the lack of suitable structural "models" for environmentally sustainable development call for a broad-based, participatory management approach. Such an approach should involve the private sector, NGOs, women's organizations, academic and research institutes and local and regional leaders. Unless such actors participate in defining the needed institutional structures and subsequently are involved in managing and implementing programs, environmentally sustainable development efforts in Malawi are unlikely to succeed. Therefore, it is expected that the management structures described above will reflect the need for this level of diversity.

Within USAID, the Program and companion support Project will be managed by the Agriculture and Food Security Office. Overall supervision of implementation is the responsibility of the Supervisory Agricultural Development Officer (ADO). That officer is assisted by the deputy ADO, a U.S. personal services contractor (PSC) and a foreign national professional. The Deputy ADO, or his designee, represents USAID on the PIC.

USAID's role will be to support the GOM's efforts to implement the Program by financing Project components. USAID will also monitor the GOM's progress in meeting the objectives of the NATURE Program. Specifically, USAID will monitor GOM completion of the actions contained in the Program agreement.

Monitoring GOM compliance with Program actions will serve two purposes. It will verify continued GOM support of NATURE objectives and it will provide information on implementation performance that will be useful in evaluating the impacts of the Program. USAID staff will meet regularly with personnel from MOF, MOREA, Ministry of Lands and Valuation (MOLV), Ministry of Agriculture and Livestock Development (MOALD), Ministry of Natural Resources (MNR) and Ministry of Irrigation and Water Development (MIWD) to monitor those institutions' progress in implementing Program activities.

Finally, USAID will endeavor to organize a donor-secretariat that meets at least quarterly to coordinate activities (particularly technical assistance) in the natural resources field and share information. Such a mechanism will help avoid duplication of effort and hopefully lessen the management burden on the GOM.

#### **F. Policy Framework Matrix**

The Policy Framework Matrix is presented on the following pages.

## POLICY FRAMEWORK

### NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL SUPPORT PROGRAM (NATURE)

<b>NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL SUPPORT PROGRAM (NATURE)</b>	
	<b>Impact Indicators*</b>
<b>Strategic Objective and Purpose:</b>  To increase the sustainable use, conservation and management of Malawi's renewable natural resources.	<p>The area of indigenous woodland under sustainable community-based management should increase from 3,000 ha in 1994 to 150,000 ha by the year 2000.</p> <p>The percent of cultivated land under improved conservation practices should increase from 8 in 1994 to 20 by the year 2000.</p> <p>The percent of students with knowledge and understanding of improved environmental practices will increase from an estimated one percent in 1995 to 25 percent by the year 2000.</p>

\* Impact indicators are illustrative and will be refined and expanded under Theme Three, below, "Implementation of Results-Driven Natural Resource Management programs".

**Theme One: ESTABLISHMENT OF COMPREHENSIVE POLICY AND LEGISLATIVE FRAMEWORK**

Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p><b>National Environmental Policy:</b></p> <p>GOM approval of National Environmental Policy.</p>	<p>National Environmental Framework Legislation submitted to Parliament for approval.</p>			<p>Legislation approved and published.</p>
<p><b>Sector Policies and Legislation:</b></p> <p>Approved time-phased action plan for a comprehensive assessment of natural resource management policies &amp; legislation, including drafting, submission, and approval of such policies/legislation.</p> <p><b>Co-management of Natural Resources:</b></p>	<p>Comprehensive assessment completed.</p> <p>New policies &amp; legislation drafted, submitted, approved and published in accordance with action plan schedule.</p> <p>Policies/legislation make specific provisions to permit community participation in natural resource management.</p>	<p>Ministries implementing, and in full compliance with, revised sectoral policies and legislation.</p>		<p>GOM certification, published legislation and Program evaluation.</p>
<p><b>National Land Policy:</b></p> <p>Approved time-phased action plan for comprehensive review directed at improving tenure security and the efficiency of land use.</p>	<p>Land policy review in progress in accordance with action plan schedule.</p>	<p>Recommendations for improved land policy submitted to Cabinet for approval.</p>	<p>Improved land policy legislation submitted to Parliament for approval.</p>	<p>Revised national land policy and legislation approved and published.</p>

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**Theme Two: STRENGTHENED CAPACITY OF INSTITUTIONS RESPONSIBLE FOR MANAGING NATURAL RESOURCES AND THE ENVIRONMENT**

Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p><b>Coordinating Framework:</b></p> <p>Clearly delineated role for the institution responsible for coordinating and monitoring environment and natural resource management activities.</p> <p>DEA fully staffed and operational.</p>	<p>Coordinating and monitoring framework fully functioning.</p>			<p>GOM certification, approved legislation and Program evaluation.</p>
<p><b>Sector Roles:</b></p> <p>Approved time-phased action plan for comprehensive review of ministry and other institutional roles and responsibilities.</p> <p><b>Co-management of Natural Resources:</b></p>	<p>Review completed.</p> <p>Report/review recommendations implemented in accordance with approved schedule.</p> <p>Wildlife Resources &amp; Management Board operational in accordance with multi-year action plan.</p> <p>Institutional mechanisms for developing community participation in natural resource management designed.</p>	<p>Satisfactory performance against action plan targets.</p> <p>Institutional mechanisms for developing community participation in natural resource management established and implemented.</p>		<p>GOM certification, approved legislation and Program evaluation.</p>
<p><b>Compliance and Enforcement:</b></p>	<p>Approved time-phased action plan to develop and implement effective programs for compliance and enforcement of environment and natural resource management policies/regulations.</p>	<p>Implementation of action plan activities in accordance with approved schedule.</p>	<p>Compliance and enforcement programs fully staffed and operational.</p>	<p>Policies and legislation for compliance and enforcement published; Program evaluation.</p>

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**Theme Three: IMPLEMENTATION OF RESULTS-DRIVEN NATURAL RESOURCE MANAGEMENT PROGRAMS**

Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p><b>Natural Resource Management Programs:</b></p> <p>Guidance developed for preparation of performance-based multi-year priority work programs.</p>	<p>Programs designed by participating agencies and submitted to, and approved by, the appropriate GOM ministry.</p>	<p>Approved programs financed through the budgetary process and implemented. Results evaluated against targets. Programs/targets reviewed and re-established for subsequent period.</p>	<p>Implementation of approved programs continues.</p> <p>Impact of performance-based management procedures assessed.</p>	<p>Performance-based programs implemented and impacts assessed.</p>

**Theme Four: ACHIEVEMENT OF SUSTAINABLE FINANCING FOR NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL PROTECTION**

Tranche 1	Tranche 2	Tranche 3	Tranche 4	Program Indicators
<p>Endowment Fund working group formed that represents NGOs, private business and government.</p>	<p>Action plan prepared to establish and manage endowment fund.</p>	<p>Working group completes: a charter, financial plan, and election of board.</p> <p>Legal consultants retained, as needed.</p> <p>Contract prepared for financial management of endowment.</p> <p>Agreed upon procedures to select financial management company.</p>	<p>Endowment registered by GOM and granted formal recognition under the Trustees Incorporation Act.</p> <p>Endowment gazetted as eligible for tax deductible charitable donations from corporations and citizens.</p> <p>Executed management contract for financial administration of Fund.</p> <p>Receipt of Fund investments and/or financial commitments.</p>	<p>Tranche 4 activities completed.</p>

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Grant Agreement No. PA-95-G-612-0248  
Project No. 612-0248

**PROJECT GRANT AGREEMENT**

for the

**NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT (NATURE)**

**PROJECT**

between

**THE GOVERNMENT OF THE  
THE REPUBLIC OF MALAWI**

and the

**GOVERNMENT OF THE  
UNITED STATES OF AMERICA**

acting through

**THE AGENCY FOR INTERNATIONAL DEVELOPMENT**

**DATED: September 30, 1995**

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Article 8:	Miscellaneous
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Section 8.2.	Representatives
Section 8.3.	Standard Provisions Annex

### Attachments:

- Annex 1 - Amplified Project Description
- Annex 2 - Project Grant Standard Provisions

PROJECT GRANT AGREEMENT FOR THE  
NATURAL RESOURCE MANAGEMENT AND ENVIRONMENTAL SUPPORT  
(NATURE) PROJECT

Dated: September 30, 1995

Between

The Government of the Republic of Malawi  
(hereinafter referred to as the "Grantee")

and

The United States of America, acting through the  
Agency for International Development  
(hereinafter referred to as "USAID").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

Section 2.1. Definition of Project.

The Project, which is further described in Annex 1, is designed to support and complement the Natural Resource Management and Environmental Support ("NATURE") Program contained in a separate Program Grant Agreement (No. 612-T-606). The purpose of both the NATURE Program and Project is to increase the sustainable use, conservation and management of Malawi's renewable natural resources. Annex 1, attached, amplifies the above definition of the Project. The Project will provide financial assistance in support of the following four themes:

- Establishment of a unifying, comprehensive policy and legislative framework governing natural resource management;
- Strengthening the capacity of institutions responsible for managing natural resources and the environment;
- Implementation of results-driven natural resource management programs; and
- Achievement of sustainable financing for private initiatives in natural resource management and environmental protection.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Section 2.2. Incremental Nature of Project.

- (a) USAID's contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to USAID and authorization by USAID for such purpose, and to the mutual agreement of the Parties, at the time of subsequent increments.
- (b) Within the overall Project Assistance Completion Date ("PACD") stated in this Agreement, USAID, based upon consultations with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by USAID under each individual increment of assistance.

Article 3: Financing

Section 3.1. The Grant.

- (a) To assist the Grantee to meet the costs of carrying out the Project, USAID, pursuant to the U.S. Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee, subject to the terms of this Agreement, an amount not to exceed Three Hundred Thousand United States ("U.S.") Dollars (U.S.\$ 300,000) ("Grant"). USAID plans, subject to the availability of funds and the agreement of the Parties, to grant to the Grantee an additional amount of Nine Million Two Hundred Thousand United States Dollars (U.S.\$ 9,200,000) in future increments, bringing the overall planned Project total to Nine Million Five Hundred Thousand United States Dollars (U.S.\$ 9,500,000).

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 of this Agreement, and local currency costs, as defined in Section 6.2 of this Agreement, of goods and services required for the Project.

- (b) If at any time USAID determines that its contribution to the Project under Subsection 3.1(a) exceeds the amount which reasonably can be committed for Project purposes during the current or following U.S. fiscal year, upon written notice to the Grantee, USAID may withdraw the excess amount, thereby reducing the amount of the Grant, as set forth in Subsection

3.1(a). Actions taken pursuant to this Subsection shall not reduce USAID's total estimated contribution to the Project below that contained in Subsection 2.2(a), subject to the availability of funds to USAID for this purpose and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

Section 3.2. Grantee Resources for the Project.

- (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner. Grantee resources for the Project shall include amounts contributed by the Grantee in support of the NATURE Program, as specified in the NATURE Program Grant Agreement Sections 3.2. and 3.3.
- (b) The total resources provided by the Grantee for both the Project and Program will be not less than the equivalent of U.S. \$ 10,000,000, including costs borne on an "in-kind" basis. This represents 25% of total Project and Program costs.

Section 3.3. Project Assistance Completion Date (PACD).

- (a) The PACD, which is September 30, 2000, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.
- (b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.
- (c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by USAID or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as USAID agrees to in writing. After such period, USAID giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Actions Precedent

Section 4.1. Actions Precedent to First Disbursement.

Except as USAID may otherwise agree in writing, prior to any disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to USAID, in form and substance satisfactory to USAID, a written statement setting forth the names and titles of persons holding or acting in the Office of the Grantee and of any additional representatives, and representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each such person certified as to its authenticity.

Section 4.2. Notification.

When USAID has determined that the action precedent specified in Section 4.1 has been met, USAID will promptly so notify the Grantee.

Section 4.3. Terminal Dates for Actions Precedent.

If the action specified in Section 4.1 has not been met within 90 days from the date of this Agreement, or such later date as USAID may agree to in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

Section 5.1. Project Evaluation.

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include during the implementation of the Project and at one or more points thereafter:

- (a) evaluation of progress towards attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and,
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6: Procurement Source

Section 6.1. Foreign Exchange Costs.

Except as USAID may otherwise agree in writing, disbursements pursuant to Section 7.1 will be used exclusively as follows:

- (a) to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to suppliers of services, their nationality, in Code 935 of the USAID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. All reasonable efforts will be used to maximize U.S. procurement whenever practicable. Air travel and transportation to and from the U.S. shall be upon certified U.S. flag carriers.
- (b) to finance ocean transportation costs under the Grant only on vessels under flag registry of the countries included in USAID Geographic Code 935 and the cooperating country, subject to 50/50 shipping requirements under the Cargo Preference Act and the regulations promulgated thereunder.

Section 6.2. Local Currency Costs.

Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as USAID may otherwise agree in writing, their origin in Malawi ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Section 6.3 U.S. Procurement.

Notwithstanding the provisions of Section 6.2, the Parties agree that all reasonable efforts shall be made to maximize procurement of goods and services from the U.S.

Article 7: Disbursement

Section 7.1. Disbursement for Foreign Exchange Costs.

- (a) In accord with requirements of actions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) by submitting to USAID, with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for USAID to procure commodities or services on the Grantee's behalf for the Project; or
  - (2) by requesting USAID to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to USAID, committing USAID to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.
- (b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. Disbursement for Local Currency Costs.

- (a) In accordance with requirements of actions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.
- (b) The local currency needed for such disbursements may be obtained:
  - (1) by acquisition by USAID with U.S. Dollars by purchase or from local currency already owned by the U.S. Government; or
  - (2) by USAID, (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by USAID of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which Dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

- (c) The U.S. Dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. Dollars required by USAID to obtain the local currency, and, in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

Section 7.3. Other Forms of Disbursement.

Disbursements of the Grant also may be made through such other means as the Parties may agree to in writing.

Section 7.4. Rate of Exchange.

Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Malawi by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into the currency of Malawi at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Malawi.

Article 8: Miscellaneous

Section 8.1. Communications.

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:                   The Secretary to the Treasury  
  Ministry of Finance  
  P.O. Box 30049  
  Lilongwe 3, Malawi

To USAID:                         USAID/Malawi  
  P. O. Box 30455  
  Capital City  
  Lilongwe 3, Malawi  
  Attention: Director

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide USAID/Malawi with a copy of each communication sent to USAID.

Section 8.2. Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of Finance, and USAID will be represented by the individual holding or acting in the office of the Mission Director, USAID/Malawi, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Article 2 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. Standard Provisions Annex.

A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE GOVERNMENT OF THE REPUBLIC OF MALAWI

BY: Aleke K. Banda

Aleke K. Banda  
Minister of Finance

Date: 30/9/95

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

BY: Cynthia F. Rozell

Cynthia F. Rozell  
Mission Director  
USAID/Malawi

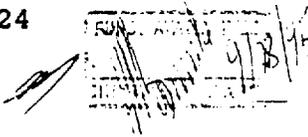
Date: SEP 30 1995

Attachments:

- Annex 1 - Amplified Project Description including Illustrative Summary of Project Costs by Expense Category
- Annex 2 - Project Grant Standard Provisions (HB 3, App 6A-2-37 to 44)

Fiscal Data

Project No: 612-0248.00  
Appropriation: 725/61014  
Budget Plan Code: GSS5-95-2162-KG13  
Allowance: 581-50-612-00-61-51  
Reservation Control No: M250094  
Obligation No: PA-95-G-612-0248  
Amount: \$300,000.00  
Reference: STATE 148224



DRAFT:

AFS, DHimelfarb: DOC: o:\dhimelfa\docs\paad\projgran.nat

CLEARANCE:

RLA, TFILLINGER	(10)	date	9/28/95
AFS, SMACHIRA	<i>[Signature]</i>	date	9/27/95
AFS, KROCKEMAN	<i>[Signature]</i>	date	9/27/95
AFS, GROZELL	<i>[Signature]</i>	date	9/27/95
PPD, MSarhan	<i>[Signature]</i>	date	9/28/95
FMO, MPOWDERMAKER	<i>[Signature]</i>	date	9/28/95

Natural Resource Management and Environmental  
Support Project

*Musa A. Valli*

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Moosa A. Valli  
Charge d'Affaires, a.i.  
of the United States of America

SEP 30 1995

## ANNEX 1

### AMPLIFIED PROJECT DESCRIPTION

#### I. Introduction:

The Natural Resources Management and Environmental Support Project (referred to either as the "Project" or "NATURE Project") is a five year Project designed to assist the Grantee in implementing the activities and actions encompassed in the Natural Resource Management and Environmental Support Program (referred to either as the "Program" or "NATURE Program"), which is the subject of a separate Program Grant Agreement and is more fully described therein. Under the Program, a total of \$30.5 million will be disbursed in four tranches upon satisfactory completion of activities designed to increase the sustainable use, conservation and management of Malawi's renewable natural resources. The Project will support the Program by providing technical assistance as well as funding for environmental monitoring, agroforestry, community-based natural resource management, environmental education, limited training and equipment, and management, monitoring, evaluation and audit services.

#### II. Background:

Agriculture is the primary source of food, energy, employment and income for approximately 85% of all Malawians. However, since independence, dualistic economic policies, coupled with external factors and explosive population growth, have significantly constrained agricultural productivity. Poverty is widespread, with nearly 60% of households living below the poverty line. Increasing food insecurity and a diminishing quality of arable land characterize much of Malawi today. Most households lack the resources and support to undertake sound agronomic and animal husbandry practices which would provide increased incomes and improve food consumption.

These problems have created unprecedented nationwide pressures on land, water and the survival of Malawi's biodiversity. Soil erosion and deforestation have reached alarming proportions and supplies of surface and ground water are diminishing rapidly. Environmental degradation is eroding the capacity of Malawi's natural resource base to meet national requirements for food security and income growth.

The GOM has recognized the need to address natural resource management issues by initiating a review of policies and legal instruments in several line ministries. One major result was the preparation of Malawi's first (1994) National Environmental Action Plan (NEAP). This extensive study documents the depletion of Malawi's natural resource base, identifies priorities and provides a guideline for action oriented programming. The NATURE Program and Project are designed to build upon and support the NEAP process.

### **III. General Project Description by Project Component:**

#### **A. Technical Assistance**

The project will provide a long-term environmental policy advisor (three years) to be located within the GOM and short-term technical expertise (30 months) necessary to support the policy, legislative and institutional reforms contained in the NATURE Program. Where warranted, the Project will also finance short-term technical assistance to assist in the development of results-oriented natural resource management programs.

#### **B. Environmental Monitoring**

This component will extend and build upon the ongoing USAID-supported Environmental Monitoring Program (EMP) located in the Department of Environmental Affairs (DEA) of MOREA. Originally, the primary objective of EMP was to monitor the impacts of policy reforms associated with increased smallholder burley tobacco production. Under the NATURE Program, the overall objective of EMP will be expanded to include establishing a national capability to monitor and document trends related to environmental and natural resource use. This component will emphasize linking environmental monitoring to current or proposed mitigation programs with line agencies. Specific objectives will be to:

- Strengthen DEA's capacity to analyze and synthesize environmental data which is gender disaggregated, where appropriate, to support development of informed policy;
- Coordinate environmental monitoring at the national level by building capacity within responsible line ministries to undertake environmental monitoring and collect information which is uniform in nature and which accords to the appropriate national and international standards;
- Develop a national environmental database within DEA through provision of appropriate technologies for the production of reports and information related to the environment; and
- Support environmental research upon which a viable environmental information system can be developed.

### C. Agroforestry

This component will consist of a private sector-led effort to develop partnerships between selected NGOs, government entities, and the private sector designed to increase options for communities to meet their food, cash and wood needs, with sustained use of natural resources.

The objectives of the agroforestry component will be to:

- Increase adoption of agroforestry technologies by men and women by improving the production and delivery of quality planting material to meet the growing demand for various types of trees and grasses;
- Expand community participation in using forest resources based on sound management guidelines that will provide sustained benefits to the community;
- Expand institutional capacities of the public, private and NGO sectors to transfer skills and knowledge in tree-based management systems;
- Establish support network to generate, share and transmit information to policy-makers and users for addressing present and emerging needs in agroforestry and community management of forest resources.

Three strategies are required for achieving the foregoing objectives, as follows:

- Multiplication, propagation and distribution of quality planting material for agroforestry, fruit production, woodlots/plantations, and improved woodland management.
- Training in tree propagation methods, agroforestry practices, and communal management of forest resources.
- Information and technical services to support field initiatives in propagating trees and implementing agroforestry and communal systems of managing forest resources.

#### **D. Land policy Development**

The Ministry of Lands and Valuation (MOLV) has initiated a Land Policy and Reform Program with donor support from the World Bank (WB), USAID, European Union (EU) and British ODA. A vital element of the program will be the completion of three complementary and contemporaneous national land utilization reviews in the customary, estate and public land sectors. The objective of these studies is to provide a sound information base for policy formulation and to resolve anomalies in existing information. As part of this program, the NATURE support project will undertake the study of all lands in the public sector and will provide technical assistance for the development of policies for the future use of public lands, taking into account the competing needs of wildlife conservation and management, watershed conservation, forest conservation and utilization, agriculture and gender issues.

The public land review will concentrate on protected areas (national parks, wildlife and forest reserves). The primary objectives of the study will be to:

- Describe the extent and distribution of public lands in Malawi and to classify lands in the public sector both by vegetation type and their importance in watershed conservation;
- Assess the extent to which public lands are physically capable of sustaining agricultural production and to identify and categorize such potential;
- Assess the extent to which public lands can support sustainable utilization of forest resources;
- Assess the extent of encroachment on public lands, to describe the use of lands immediately adjacent to protected areas, and to suggest strategies for the management of "buffer zones"; and
- Recommend a framework whereby the future use of public lands may be periodically reassessed, having regard to the competing needs of wildlife conservation and management, watershed conservation, forest conservation and utilization, and agriculture.

### **E. Community-Based Resource Management**

The strengthening of community-based (including co-management) natural resource management systems does not lend itself to a uniform, national extension approach. Rather, it will occur through the initiation of discrete, nuclear activities, each tailored to the needs and aspirations of individual communities and to the conformation of resources - land, forest, wildlife or fisheries - available to them. To fully maximize the benefits of community-based natural resource management, a number of fundamental changes are required in the policy, legal and institutional context. These reforms are included in the NATURE Program Agreement.

Under the support Project, a small, mobile and highly interactive unit will be created, with the primary function of working in the field to assist NGOs, government and communities in developing and/or strengthening community-based natural resource management systems. Funding support for community micro-projects will be principally sourced from the donor community and through particular line ministries. Regarding the latter, micro-project costs could be incorporated into a ministry's results-oriented action program, and thus may qualify for budgetary support under Theme 3 of the NATURE program.

### **F. Environmental Education**

This activity will make use of formal and informal education channels to help Malawians develop a better understanding of environmental issues. Interventions will focus on the development, production and dissemination of supplementary teaching materials for primary schools. The potential for raising environmental awareness through local theater, radio, art campaigns, etc., will be explored.

Educational approaches and materials will be developed with assistance from an NGO, such as the Malawi Wildlife Society, working in close consultation with the Ministry of Education, MOREA's Training, Education and Communication Unit, and the Malawi Institute of Education. Efforts will be made to enlist the support of other donors to expand the outreach and impact of this activity. Key objectives will be to:

- Develop an appropriate strategy for promoting educational awareness and education.
- Develop and field test environmental education materials;
- Provide training in how to use materials;
- Evaluate strategy and impacts.

#### **G. Monitoring, Evaluation and Audit**

Project funds have been reserved for project management, monitoring, evaluation and audit services.

#### **IV. Responsibilities of the Parties:**

GOM responsibilities primarily relate to completing the actions contained in the NATURE Program Agreement. Those responsibilities are fully described in that Agreement. The host country contribution for the Project is included within the host country contribution for the NATURE Program. The amount specified in Section 3.3 of the Program Grant Agreement is the minimum requirement under U.S. law.

As with the Program, Project activities will be monitored through two committee structures established under the Program Agreement. The first is the Program Management Committee (PMC), to be chaired by the Ministry of Finance. This committee, which will include the USAID/Director, will monitor implementation performance, including progress toward achievement of agreed-upon actions. The Committee will meet at least twice annually, as well as on an ad hoc basis as the need arises.

The second committee will be the Program Implementation Committee (PIC), to be chaired by MOREA. The PIC will function at the executive level and will include the USAID Supervisory Agricultural Officer or his designee. This committee will monitor implementation on a more regular basis and will deal with routine implementation concerns. The PMC and PIC will be assisted by the above-mentioned policy advisor.

The cross-sectoral nature of environmental programs and the lack of suitable structural "models" for environmentally sustainable development call for a broad-based, participatory management approach. Such an approach should involve the private sector, NGOs, women's organizations, academic and research institutes and local and regional leaders. Unless such actors participate in defining the needed institutional structures and subsequently are involved in managing and implementing programs, environmentally sustainable development efforts in Malawi are unlikely to succeed. Therefore, it is expected that the management structures described above will reflect the need for this level of diversity.

Within USAID, the Program and companion support Project will be managed by the Agriculture and Food Security Office. Overall supervision of implementation is the responsibility of the Supervisory Agricultural Development Officer (ADO). That officer is assisted by the deputy ADO, a U.S. personal services contractor (PSC) and a foreign national professional. The Deputy ADO, or his designee, represents USAID on the PIC.

USAID's role will be to support the GOM's efforts to implement the Program by financing the above-described Project components. USAID will also monitor the GOM's progress in meeting the objectives of the Program. Specifically, USAID will monitor GOM completion of the actions contained in the Program agreement as well as implementation performance under the Project. USAID monitoring will serve two purposes. It will verify continued GOM support of NATURE objectives and it will provide information on implementation performance that will be useful in evaluating Program impacts.

**V. Financing Method:**

Project assistance will be disbursed in accordance with the methods of implementation and financing shown below.

**Methods of Implementation and Financing**  
(\$000)

<u>Item</u>	<u>Implementation</u>	<u>Financing</u>	<u>Amount</u>
Long-Term Policy Advisor	USAID Direct Contract	Direct Payment	915
Short-Term TA	USAID Direct Contract	Direct Payment	750
Agroforestry	Grant/Cooperative Agreement	Letter/Credit	2,000
Environmental Monitoring	Cooperative Agreement	Letter/Credit	2,000
Environmental Education	Grant Agreement	Letter/Credit	1,635
Community Management	Grant Agreement	Letter/Credit	2,000
Evaluation/ Audit	USAID Direct Contract	Direct Payment	200
<b>TOTAL</b>			<b>9,500</b>

**VI. Procurement of Commodities and Services:**

**A. Commodity Procurement**

Procurement of commodities will be the responsibility of the contractors, NGOs, or Universities funded under the Project. Within USAID/Malawi, the Agriculture and Food Security Office will have overall responsibility for procurement actions which are the Mission's responsibility. Commodities purchased by the Project will be appropriately marked with the USAID symbol.

**B. Services Procurement**

All service contracts and grants will be negotiated by USAID. While procurement methods are expected to follow those outlined above in Section V, above, it is possible that some activities may require a buy-in to a centrally-funded project, or an indefinite quantity contract (IQC) may be used to obtain crucial technical services on a timely basis.

ATTACHMENT: C

CONGRESSIONAL NOTIFICATION RELEASE CABLE

135



**ATTACHMENT: D**

**DELEGATION OF AUTHORITY (DOA) CABLE**

ACTION: AID-2  
INFO: AMB-1 ECON-1 DCM-1

DISTRIBUTION: AID  
CHARGE: AID

VZCZCLG0602  
PP RUEHLG  
DE RUEHC #5128/01 1540557  
ZNR UUUUU ZZH  
P 030556Z JUN 95  
FM SECSTATE WASHDC  
TO RUEHLG/AMEMBASSY LILONGWE PRIORITY 5611  
INFO RUEHNR/AMEMBASSY NAIROBI PRIORITY 2468  
BT  
UNCLAS SECTION 01 OF 02 STATE 135128

AIDAC, NAIROBI FOR REDSO/ESA

E.O. 12356: N/A

TAGS:

SUBJECT: MALAWI NATURAL RESOURCE SECTOR PROGRAM NPA (612-0247) MALAWI NATURAL RESOURCE SECTOR PROJECT PA (612-0248)

NAD PROGRAM/PROJECT REVIEW

I. AN AFRICA BUREAU PROJECT COMMITTEE (PC) MET ON MARCH 24 AND AGAIN ON MAY 11, 1995 TO REVIEW THE NEW ACTIVITY DESCRIPTION (NAD) FOR THE MALAWI NATURAL RESOURCE SECTOR PROGRAM AND PROJECT (NATURE). THE SECOND MEETING WAS FOR THE EXPRESS PURPOSE OF PERMITTING THE MISSION SUFFICIENT TIME TO PROVIDE THE EXPANDED DESIGN INFORMATION NECESSARY TO ELIMINATE THE PID/PAIP REQUIREMENT PERMITTED UNDER AFRICA BUREAU GUIDELINES.

II. THE PC RECOMMENDED THAT THE NAD BE ARRIVED WITHOUT AN ECPR AND THAT DELEGATION OF AUTHORITY (DOA) BE PROVIDED TO USAID/MALAWI TO AUTHORIZE AND APPROVE THE PROGRAM/PROJECT PAPERS IN THE FIELD.

III. THOSE PRESENT COMPLIMENTED THE MISSION ON THE HIGH QUALITY OF THE DOCUMENT SUBMITTED. IT WAS CONSIDERED TO BE WELL WRITTEN, COGENT AND TIGHTLY REASONED. IN ADDITION, APPRECIATION WAS EXPRESSED FOR THE AMOUNT OF

TIME THAT APPROPRIATE MISSION STAFF HAD BEEN ABLE TO DEVOTE TO DISCUSSING THE DOCUMENT WITH USAID/W TECHNICAL STAFF PRIOR TO THE FIRST REVIEW MEETING ON MARCH 24TH. MAJOR ISSUES RAISED AT THE TWO REVIEWS, INCLUDING SOME DESIGN SUGGESTIONS, ARE NOTED BELOW FOR MISSION CONSIDERATION.

06/05/95

ACTION TO:

AFS

INFO:

DIR \_\_\_\_\_

DD \_\_\_\_\_

AFS \_\_\_\_\_

CONT \_\_\_\_\_

EXO \_\_\_\_\_

GSO \_\_\_\_\_

HPN \_\_\_\_\_

HRDO \_\_\_\_\_

PAE \_\_\_\_\_

PID \_\_\_\_\_

DUE DATE: 06/07/95

ACTION TAKEN:

..... INITIALS DA

A. PA VS. NPA. AFR/DP AND THE GC'S OFFICE BOTH QUESTIONED THE RELATIVELY HEAVY USE OF NPA RESOURCES PROPOSED IN THE NATURE PROGRAM, NOTING IN THE MARCH 24TH MEETING THAT QUOTE THE INFORMATION PROVIDED IN THE NAD MAKES A VERY STRONG CASE FOR PROJECTIZED ASSISTANCE RATHER THAN NON-PROJECT ASSISTANCE END QUOTE. AFTER DISCUSSING THE ISSUE IN DEPTH, THE MISSION AGREED THAT IT WOULD PROVIDE ADDITIONAL JUSTIFICATION FOR THE PROPOSED BREAKDOWN OF PA AND NPA RESOURCES. THE SUPPLEMENTAL INFORMATION PROVIDED IN APRIL AND REVIEWED ON MAY 11TH WAS CONSIDERED TO BE SUFFICIENT TO JUSTIFY THE INITIAL PROPOSED SPLIT OF \$35.0 MILLION FOR NPA AND \$5 MILLION FOR PA. HOWEVER, ONE OF THE JUSTIFICATIONS PRESENTED -- THAT NPA FINANCING WILL ENABLE THE GOM TO INCREASE BUDGETARY OUTLAYS IN THE ENVIRONMENTAL AND NATURAL RESOURCE MANAGEMENT AREAS NECESSARY TO FULFILL THE NATURE POLICY REFORM OBJECTIVES -- WAS GREETED WITH SOME SKEPTICISM. HOW, IT WAS ARGUED, CAN USAID CONTINUE TO FORCE THE GOM TO SIGNIFICANTLY REORDER ITS BUDGETARY PRIORITIES, AS WE ARE ALREADY DOING IN THE CASE OF PUBLIC PRIMARY EDUCATION, FOR EXAMPLE, GIVEN THE VERY DIFFICULT MACROECONOMIC ENVIRONMENT WITHIN WHICH IT MUST CONTINUE TO OPERATE DURING THE MEDIUM-TERM? THE MISSION SHOULD ENSURE THAT EXPLICIT CONDITIONALITY FOR DISBURSEMENT OF FUNDS IS IN PLACE THAT RESPONDS TO THIS CONCERN.

B. APPROPRIATENESS OF PROPOSED INDICATORS OF ACHIEVEMENT. BOTH AFR/DP AND AFR/SD EXPRESSED DISCOMFORT WITH THE INDICATORS SUGGESTED, GIVEN THE BREADTH OF THE POLICY AGENDA AS WELL AS THE RELATIVELY SHORT FIVE YEAR TIME FRAME PROPOSED FOR THE PROGRAM/PROJECT. THE MISSION ADDRESSES THIS ISSUE SATISFACTORILY BY EXPRESSING A WILLINGNESS TO CONTINUE WORKING CLOSELY WITH USAID/W-BASED TECHNICIANS AND FLEXIBILITY IN INCORPORATING THEIR CONCERNS ON PROGRAM/PROJECT DESIGN ISSUES THROUGHOUT THE DESIGN PROCESS. HOWEVER, CONCERN WAS EXPRESSED AT THE MAY 11TH MEETING THAT THE USAID SHOULD BE CAREFUL TO INCLUDE CONTINGENCY PLANS FOR OBTAINING SUCH ASSISTANCE IN CASE USAID/W SUPPORT COULD NOT BE PROVIDED IN A TIMELY OR APPROPRIATE FASHION.

C. LINKAGES WITH ISA AND OTHER REGIONAL INITIATIVES. AFR/SD NOTED THAT THE NAD HAD NOT ADDRESSED THIS IMPORTANT

SUBJECT. REPRESENTATIVES PRESENT RECOMMENDED THAT, INASMUCH AS THE NATURE PROGRAM/PROJECT MAY BE INFLUENCED BY REGIONAL ACTIVITIES SUCH AS TOURISM AND WATERSHED MANAGEMENT, THAT THE MISSION SHOULD CONSIDER WORKING THROUGH SOME OF THE LINKAGES INVOLVED IN GREATER DETAIL AT A RELATIVELY EARLY STAGE IN PROGRAM/PROJECT DESIGN. THE MISSION AGREED THAT SUCH LINKAGES COULD BE IMPORTANT AND

INDICATED A WILLINGNESS TO DO SO.

D. POTENTIAL IBRD/USAID CONFLICT? AFR/SD NOTED THE MORE COLLABORATIVE NATURE OF USAID NRM ACTIVITIES IN SUB-

SAHARAN AFRICA RELATIVE TO THOSE OF THE IBRD AT ALL STAGES OF PROJECT DESIGN AND DEVELOPMENT, SINCE THE LATER GENERALLY DEPEND TO A GREATER EXTENT ON OUTSIDE EXPERTS. USAID IS GENERALLY CREDITED WITH HAVING THE MORE APPROPRIATE AND SUCCESSFUL APPROACH IN THIS RESPECT. HOWEVER, THE IMPLICATIONS FOR A POLICY-BASED APPROACH ARE UNCLEAR IF THE IBRD CONTINUES ITS PRESENT APPROACH. THE MISSION PROMISED TO COORDINATE CLOSELY WITH THE IBRD, WHICH HAS BEEN RECEPTIVE TO THE USAID'S ACTIVITIES IN MALAWI THUS FAR. ALL POTENTIAL PROBLEMS ENCOUNTERED THAT CANNOT BE ACCOMMODATED IN THE FIELD WILL BE IMMEDIATELY REPORTED TO USAID/W FOR RESOLUTION WITH THE BANK DIRECTLY.

E. THE NAD FAILED TO MENTION THE TIMING OF AN IEE. IT WAS NOTED BY THE GC REPRESENTATIVE THAT IN THE EVENT THAT ANY OF THE PROPOSED ACTIVITIES FAILED TO OBTAIN A NEGATIVE DETERMINATION OR A CATEGORICAL EXCLUSION, SUFFICIENT TIME WOULD HAVE TO BE SET ASIDE TO ENSURE THAT ANY REQUIRED ENVIRONMENTAL ANALYSES COULD BE UNDERTAKEN PRIOR TO AUTHORIZATION. THE MISSION REPRESENTATIVES PRESENT NOTED THAT THEY WERE AWARE OF POTENTIAL PROBLEMS IN THIS AREA AND WOULD PLAN ACCORDINGLY.

IV. BY APPROVING THIS CABLE, SENIOR DEPUTY ASSISTANT FOR AFRICA BUREAU CAROL PEASLEY HEREBY PROVIDES AD HOC DELEGATION OF AUTHORITY TO THE DIRECTOR OF USAID/MALAWI TO APPROVE THE PROGRAM/PROJECT PAPERS AND TO AUTHORIZE THE NATURE PROGRAM/PROJECT IN AMOUNT NOT TO EXCEED DOLS 35.0 MILLION AND 5.0 MILLION, RESPECTIVELY, SUBJECT TO THE LIMITS SET FORTH IN DOA 551, APRIL 27, 1995.

V. THE MISSION IS COMPLIMENTED FOR A CLEARLY ARTICULATED NAD WHICH FULLY CONFORMS TO AGENCY AND BUREAU GUIDELINES AND FACILITATED THE DECISION PROCESS.

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