

MID-TERM REVIEW OF THE STRATEGIC DEVELOPMENT PROGRAMME 2006-2011 (SDP2) OF THE NATIONAL SMALLHOLDER FARMERS' ASSOCIATION OF MALAWI

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ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CAADP	Comprehensive Africa Agriculture Development Programme
CGIAR	Consultative Group on International Agricultural Research
CIMMYT	Centro Internacional de Mejoramiento de Mais y Trigo (International Maize and Wheat Improvement Center)
DANIDA	Danish International Development Agency
FAIR	Farmer Agriculture Innovation in Rural Malawi
FAO	Food and Agriculture Organization of the United Nations
FUM	Farmers Union of Malawi
HIV	Human Immunodeficiency Virus
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
IFAD	International Fund for Agricultural Development
KRA	Key Result Area
M&E	Monitoring and Evaluation
MT	Metric Ton
MWK	Malawian Kwacha
NAC	National Aids Commission
NASFAM	National Smallholder Farmers' Association of Malawi
NEPAD	New Partnerships for Africa's Development
NGO	Non-Governmental Organization
NOK	Norwegian Kroner
Norad	Norwegian Agency for Development Cooperation
SCC	Swedish Cooperative Center
SDP2	Strategic Development Program 2006-2011
USAID	United States Agency for International Development
USD	United States Dollar

EXECUTIVE SUMMARY

The progress of NASFAM's Strategic Development Programme Phase II (SDP2) 2006-2011 is largely satisfactory, and deserves continued disbursement of the agreed Norwegian official assistance funds. The Key Results Areas (KRAs), whilst undergoing slight redefinitions during the period, have progressed well albeit unevenly and may be expected to be largely completed by 2011.

NASFAM has remained a member-owned and member-governed organization, with a sound balance between a solid senior management group and elected and able Board members. Board operations may need a group of senior advisers to offer further input into longer-term strategic thinking, which is the responsibility of the Board. NASFAM is characterized by good governance and zero tolerance on illegal activities such as corruption and theft (both of which there has been very little of).

Norway supports NASFAM Corporate and NASFAM Development. The third arm – NASFAM Commercial – does not receive direct Norwegian funding, but is of critical importance to NASFAM as a whole. Success or failure of NASFAM Commercial may directly influence the existence of NASFAM. Strategies to avoid or reduce risks are proposed. Credit is given to NASFAM in building more local leadership in its associations and getting a broader regional view within Malawi through its regional offices.

NASFAM has during the SDP2-period further strengthened its role as a main and very competent player on the Malawian agricultural scene, and has received international acclaim for this (the Yara prize 2009). Its resilience and nimbleness have impressed its members who now appear to attach somewhat higher priority to NASFAM as a rural development agency than as a commercial trading partner. But the NASFAM leadership and the Board, as well as potential donors and friends, need to be aware of the membership foundation of NASFAM, and not tempt the organization into assuming greater scientific and development agendas than those naturally supported by its membership.

1. INTRODUCTION

The National Smallholder Farmers' Association of Malawi (NASFAM) has received official Norwegian development assistance since 2000. A number of reports, reviews and assessments have since been published, ensuring that Norway has a comprehensive overview of NASFAM. As a result NASFAM has obtained a clear understanding of the mode of operation of Norwegian official assistance, and gained experience in cooperation with the Norwegian donor, and with Norwegian non-governmental organizations (NGOs) that have obtained independent funding for collaborative work with NASFAM.

The present report builds on that existing foundation and concentrates on reviewing activities undertaken as part of the NASFAM 2006-2011 Strategic Development Programme Phase 3 (SDP2). Essentially this Mid-Term Review of SDP2 covers the period 2006 – September 2009¹.

This Mid-Term Review (see the Terms of Reference in Appendix 1²) will:

- briefly review the historic context of the official Norwegian assistance to NASFAM
- briefly describe the current international and national operating environment for NASFAM and its members
- analyse the 6 Key Results Areas (KRAs) that form the framework for SDP2
- discuss the findings and the lessons learned
- convey the conclusions of the review team

2. THE HISTORIC CONTEXT OF NORWEGIAN SUPPORT TO NASFAM

Norway has supported NASFAM financially since 2000, providing follow-up financing of earlier NASFAM activities that had attracted time-bound Danish (DANIDA) and US (USAID) funds. In Phase 1 (2000-2003) Norway provided NOK 14 million (= USD 2.2 million³), in Phase 2 (2003-2006) NOK 38 million (=USD 6.0 million), and in Phase 3 (2006-2011) (called the current SDP2, subject of this mid-term review) NOK 80 million (= USD 12.6 million). Norway has – in other words –

¹ Originally intended to be published in October 2009, this Mid-Term Review report has regrettably been delayed due to a prolonged illness of the senior reviewer. The assistance of Fred H. Johnsen (Noragric) in completing the report is gratefully acknowledged by the reviewers. We are similarly grateful for insightful comments to our February 2010 draft from NASFAM, The Royal Norwegian Embassy, Lilongwe, and Norad, Oslo. These have been considered and incorporated where the reviewers felt they are appropriate.

² The reviewers are aware of several versions of the ToR, but have used the signed version of 28 June 2009, as reference.

³ NOK-USD exchange rates have fluctuated significantly in the 2000-2009 period, mainly due to USD fluctuations in the international markets. The USD figures given are at mid-2009 rates and are meant as indicative. The funds were actually disbursed in NOK at exchange rates used on the day of disbursements.

increased its funding of NASFAM activities substantially since 2000. Decisions to do so must have reflected a general Norwegian official satisfaction with its investment of Norwegian tax payers' money in support of the smallholder farmers' organization in Malawi. This is particularly noticeable since Norway has not given high priority to agriculture in its global assistance programmes. Malawi is one of the few recipient countries of Norwegian aid where agriculture is an important component of its assistance.

In addition a Norwegian NGO (Utviklingsfondet – the Norwegian Development Fund) has provided funding for NASFAM development activities particularly relating to groundnuts. The Norwegian Peace Corps (Fredskorpset) has also supported exchange of relevant Malawian and Norwegian personnel working with NASFAM. Official Norwegian government funding has played an important role in both these efforts. Indirectly Norwegian funding to the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), a part of the Consultative Group for International Agricultural Research (CGIAR), for its collaborative work on groundnuts with NASFAM and the Development Fund, exemplifies further Norwegian investments in NASFAM-related work during the period 2000 to date.

There have been several visits by prominent Norwegian public figures to NASFAM, both at its headquarters and in the field, including by the Norwegian Royal Family. NASFAM has achieved a relatively high profile in the Norwegian development community.

3. THE INTERNATIONAL AND NATIONAL OPERATING ENVIRONMENTS FOR NASFAM AND ITS MEMBERS

Malawi is an agricultural country with at least 80% of its working population engaged in agriculture or other activities related to the primary rural industries. This percentage is among the highest in the Eastern and Southern African region, and also globally high among so-called least developed countries.

Unlike in most other developing countries the international donor community has paid significant attention to agriculture in Malawi during the period 2000-2009, although other sectors have received relatively more funding. International interest in Malawian agriculture has – in retrospect – had both negative and positive effects. Conditionalities imposed by The World Bank as part of its lending programme to Malawi may have influenced the reduction in strategic stocks of grain and thus led to food shortages during unfavourable seasons, and were subsequently reversed, including later support for the construction of more central and decentralized grain silos. The imposition of structural adjustment programmes to reduce the role of central and local government has hit the agricultural sector severely, with both agricultural research and extension in the public sector being at a very low ebb seen by international criteria, and not being replaced by private sector operators. Part-reversals of such World Bank policies in recent years have yet to have a major impact. As an example: there is to-day no functional public veterinary service in rural areas, and Malawi has no higher education in veterinary science. On the other hand, the publication of The World Bank Development Report 2008 puts agriculture back on

The World Bank agenda, although the practical implications of this for the world, and for Malawi, remain to be seen. Similarly, utterances by the G8-group through the L'Aquila Declaration in mid-2009, and by the new US Administration (especially Hilary Clinton's syndicated speech at the World Food Day 2009) all point to a greater understanding of agriculture as an engine for growth in the poorest countries. When the effects of such views will reach Malawi (or Norway) remains uncertain.

Since 2000 there have been major international variations in agricultural trade, with large fluctuations in global food prices that cannot be attributed to yield variations. Poorly understood by some, the drastic and swift transfer of funds from normal stock market and bank instruments to the buying of futures on commodity markets (especially grain, and rice in particular) caused major upsets into 2009. These price fluctuations were also noticeable in Malawian food markets with much higher prices, and thus high farmer expectations of a continued rise in commodity prices. They have been disappointed as global food prices have returned to near-normal levels in 2009 (and early 2010, although significant global food price increases are forecast for late 2010 and 2011, due to weather-induced crop failures in major grain-producing areas). It is clear that inflated farmer expectations have greatly affected the outlook of NASFAM farmers and have had direct implications for domestic food price policies in Malawi. Farmers, therefore, have had difficulties in understanding the recently reduced prices offered by NASFAM to its members or price ceilings imposed by the Malawian government.

The failure to conclude the World Trade Organization Doha-round in 2009 has left uncertainties about future international agricultural trade. Opinions are divided whether this affects Malawian agriculture.

Several bilateral donors, whilst not noted for their investments in agriculture, have nevertheless given support to Malawi's rural sectors. The same applies to several international NGOs, which have also contributed directly to NASFAM activities. However, Norway probably remains the longest-supporting donor at the primary rural industry level in Malawi.

Recent climate change dialogues have also focused on the likely impacts of climate change on Malawian agriculture⁴. Compensatory mechanisms have been discussed that could yield income for Malawian farmers (e.g. through carbon credits). However, the inconclusive outcome of the international debate (e.g. in Copenhagen in 2009) really means that concrete mechanisms that could directly change Malawian agriculture will not be in place for several (or many) years. All Malawian farmers will notice are effects of climate change or climate variations, not of the international debate. There is also a danger that donor preoccupation with climate issues will divert attention and funds away from basic agriculture and food production.

On a positive note, NASFAM shared in the international Yara Prize for 2009, reflecting high international praise for its activities for agriculture.

⁴ See also Bie, S.W., Mkwambisi, D. and Goman, M. 2008. Final report. Climate change and rural livelihoods in Malawi. Review study report of Norwegian support to FAO and SCC in Malawi, with a note on some regional implications. Noragric Report No. 41.

In national Malawian politics agriculture has played an important role. The dual role of both President and Minister of Agriculture held by the current President is the clearest political signal possible. It has ensured a more dynamic agricultural policy than in other countries in the region. However, that the President holds both posts also means that his decisions as Minister of Agriculture are “final” and will not be reconsidered by himself as President. An element of political debate and appeal to the highest power in the land is *de facto* not available. It is – for example - noticeable in the Malawian media in 2009 that the levels of minimum and maximum prices imposed by the Ministry of Agriculture for certain agricultural produce seem to be subject to intense debate that is not reflected on the political scene yet have major impacts on farmers and traders, including NASFAM and its members.

Nevertheless, the focus on agriculture remains strong in Malawian politics. It has led to increased activities in NASFAM, strengthening of the National Farmers’ Union, and reconsideration of the tobacco policies (the tobacco industry actually has a functioning research and extension system).

NASFAM as a farmers’ organization is not only influenced by the sum of impacts of fluctuations on its (member) farmers, but also by the conditionalities imposed on it by these international and national communities and by national policies, rules and regulations. Some of these were difficult to predict in 2000, others were also difficult in 2006 when SDP2 was submitted (consider, for example and only in Malawi: the Fertilizer subsidy programme, the Seed subsidy programme, minimum and maximum price environments, the *de facto* changing status of cooperatives and the changing value of the Malawian kwacha against foreign currencies. Some of these changes, not the least the new patterns of fertilizer trade, have had a major impact on NASFAM, which had come to rely heavily on the revenue from fertilizer sales). Year 2009/2010 may not have brought more clarity or wisdom. Farmers’ organizations globally, including NASFAM in Malawi, must nevertheless be constructed to be resilient, and nimble enough to be opportunistic to operate in rapidly changing environments. Farmers’ organizations must encourage their members to be similarly resilient and opportunistic. Importantly, donor organizations must value resilience and nimbleness of farmers’ organizations, within wide overall frameworks. NASFAM SDPs are no exceptions to this rule.

Both the national and international donor perception of NASFAM’s role in the recognized importance of Malawi’s agriculture has created a better than average setting for NASFAM as an organization to serve its members compared to what farmers’ organizations are experiencing in many other developing countries. That national and international policies sometimes seem to be wrong and not conducive for smallholder farmers, is unfortunate but in the nature of politics. NASFAM has kept a relatively low public profile in the national debate, focusing on quiet diplomacy to further its views.

4. METHODOLOGY OF THIS REVIEW

The review team has studied relevant documents provided by Norad, the Norwegian Embassy in Lilongwe and by NASFAM. In addition it has browsed international

documents made available by The World Bank and the International Fund for Agricultural Development (IFAD). It has also drawn on some previous reviews of NASFAM activities (see appendix 2 for a selected list).

The review team interviewed centrally placed NASFAM staff, visited 3 NASFAM Associations in the central and southern part of Malawi, interacted with NASFAM Association officials (including NASFAM staff and farmer members) and made 3 field visits (in Central and Southern Malawi) to farmer members to see and review their agricultural activities.

The review team also interviewed external organizations, including donors or potential donors, government agencies and academic groups.

Appendix 3 presents a list of persons interviewed.

In its work the Review Team focused on the two arms of NASFAM that receive Norwegian funding: NASFAM Corporate and NASFAM Development. NASFAM Commercial receives limited Norwegian funding.⁵

In a relatively complex organization like NASFAM activities are – like in actual farming – intricately interwoven. However, as outlined in the SDP2 proposal, they are (possibly somewhat arbitrarily) separated into 6 Key Results Areas (KRAs), which are financially separated. The Team has therefore used the structure of the KRAs as its key instrument to respond to the Terms of Reference (Appendix 1). It is conceivable that a different implementation of SDP2 could have been chosen, leading to another set of KRAs, or another structure altogether. However, the donor accepted the current structure (with some later changes), and SPD2 has been reviewed on the assumption of mutual consent. The Review Team has not tried to suggest alternative structures.

In this analysis, and in line with the ToR, the Team has attempted to assess:

- Achievements
- Suitability and risks
- Programme implementation and administration
- NASFAM Association strengthening with special focus on development services, HIV/AIDS activities and gender activities
- Ownership and governance

The main criteria used by the Team in the analyses of the KRAs and other aspects (see ToR) were:

- Relevance
- Effectiveness⁶

⁵ NASFAM Commercial does receive minor funds from Norway towards costs of radio programmes, newsletters and telecommunication. Please note that activities related to tobacco production, marketing and processing do not receive Norwegian funding. The Review Team has been reassured by NASFAM that no Norwegian funds are used towards these tobacco activities, and the Team has found no evidence that they are.

⁶ Effectiveness relates to the extent to which specified goals have been achieved.

- Efficiency⁷
- Impact
- Sustainability⁸

To obtain a more logical structure to the report the Review Team has chosen the following order to analyse the KRAs:

- KRA 2. Improved crop quality and quantity
- KRA 3. Enhanced Association performance
- KRA 4. Expanded member livelihoods
- KRA 5. Expanded influence of policy
- KRA 6. Enhanced system performance
- KRA 1. Increased commercial revenues and profits.

This order is used in the following sections.

5. IMPROVED CROP QUALITY AND QUANTITY (KRA 2)

Under the 2006-2011 Strategic Development Programme (SPD2), NASFAM clearly spelt out the main strategies and approaches that would help it (a) attain increased agricultural productivity; (b) increase members' access to inputs of required quality and quantity; (c) ensure that crop produce meets international quality standards; and (d) promote diversification into new market demand crops in order to achieve improved crop quality and quantity. During the period under review (2006-2009), the review team noted that NASFAM has made appreciable progress in improving crop quality especially in the groundnut sector.

In the specific case of groundnuts, NASFAM has done a lot to improve the quality of the crop following a breakthrough into the international fair trade market with aflatoxin-free groundnuts as a result of the cooperation with ICRISAT and a Norwegian NGO. In order to meet the sophisticated health and safety standards, good commercial practices and avoidance of aflatoxin contamination, NASFAM has procured a state of the art aflatoxin testing equipment and constructed its own laboratory for carrying out tests. In addition, groundnut shelling and grading machinery have been procured for the Mchinji Farmers Association which is ready for use in the next cropping season. On the input side, NASFAM has also ably worked with ICRISAT and government research stations thereby linking farmer members to access high quality seeds. NASFAM has also established cooperation with MUSCO to create local banking institutions for credit lines. The NASFAM extension service has played a role in building the capacity of farmers through trainings in quality management of their crop produce and farm business management and has further

⁷ Efficiency relates to how well resources have been used to reach these achievements.

⁸ Sustainability can be defined in numerous ways, including keeping the sum of Nature Capital, Institutional Capital and Social Capital constant or rising. In relation to NASFAM emphasis has been put on Institutional Capital, i.e. the extent to which NASFAM and any off-shoots can be expected to continue as a viable organization (with or without donor support).

established quality control systems that identify and trace back to source contaminated groundnuts.

Based on what we have learnt from the Lilongwe south, Mchinji and Zomba Associations, the Review Team's impression is that the activities and outputs under the KRA 2 have had positive impacts on the livelihood of NASFAM farmer members and the communities in which they operate. Whilst HIV/AIDS rates and associated AIDS-related diseases may not have been reduced significantly, there is a sense that livelihoods have been improved, also with better access to food. NASFAM has obtained premium prices in the groundnut trade which not only benefited the farmer members themselves but have contributed to the welfare of the surrounding communities. For example, the Guardian Shelter that has been constructed by the Mchinji Association at the district hospital with proceeds from the fair trade has gone a long way in easing the congestion that used to be experienced at that hospital. Farmers (male and female) have also adopted groundnut growing as a profitable farm enterprise whilst it previously was simply viewed as a woman's crop for subsistence and not as an enterprise that could earn money. The quality initiative programme has fostered competition amongst farmers to produce better quality crop. The lessons learnt from the cooperation with ICRISAT on quality standards are also being applied to NASFAM rice. However, it remains a problem that fair trade groundnut premium prices are not vastly higher than general price levels (although the market is different). Similarly local trade is unaware of, or chooses to ignore, the dangers of aflatoxin-infected groundnuts and maize in its pricing mechanisms. Lessons from the maize trade in Tanzania and Kenya should eventually also be applied in Malawian markets.

Much as several achievements have been made during the period under review, the Review Team is of the view that NASFAM still has a long way to ensure that all NASFAM groundnuts adhere to stringent quality standards. There is enough evidence that farmers have failed to meet the quantities agreed upon in their yearly contractual agreements with fair trade because some of the nuts were not meeting the specified quality standards after testing. Such situations may reflect on the reliability of the farmer association in meeting the specified quantities and are opportunities lost. As quality begins at the source, the use of high quality and improved seed varieties is a critical factor in attaining high quality produce as well as yield. Discussions with farmer members and the Association Business Manager of Mchinji Farmers Association indicate that the use of improved varieties by farmers is limited as many still rely on seeds from their own stock, some of which are of the old varieties and re-used for a period of 3 years or more. The Team recognizes that wide scale uptake and use of improved varieties will largely depend on growth in farmers' income, availability and accessibility of high quality seeds and access to input credit. The team views this as an opportunity for the farmers to seize the emerging market as well as an opportunity for field extension officers to provide strategic guidance to farmers on enterprise selection based on profitability through the use of improved seed technologies. Furthermore, some lead farmers could take on seed multiplication enterprises. Although the seed multiplication enterprise is viewed as a risky enterprise by farmers and association business managers, the team views this as a business opportunity for farmers and associations alike and their potential market is the farmers themselves. The Mchinji Association which has entered into a fair trade agreement reported that in almost all the years the association has failed to achieve the quota under the agreement mainly due to crop produce failing to meet the standards

following the aflatoxin tests. Hence adopting the more resistant groundnut varieties could partly solve their problem.

In our discussions with the Association Business Manager and NASFAM Commercial staff, there seems to be a misunderstanding amongst farmers in the way they view the price of the certified and improved seed produced. The perception is that the price of certified seed should be the same as the price at which they sell the crop produce. This misconception can be reduced through extension service education programmes that make the farmers understand why the price differential between the two exists. The team noted that there are challenges for both farmers and NASFAM. Seed multiplication programmes and further training of farmers in seed production as a business concept are underway.

On the other hand, the implementation of quality control systems to ensure that contaminated nuts are identified and traced back to the source have proved to be worthwhile in that it has fostered competition amongst the groundnut farmers. This situation would certainly enhance improvement in the quality of groundnuts if the new varieties were adopted.

Whilst groundnuts continue to be a major focus of NASFAM attention in the associations sampled for this review, it should be noted that progress is also being made in maize and rice production and marketing.

6. ENHANCED ASSOCIATION PERFORMANCE (KRA 3)

The major thrust of the NASFAM Strategic Development Programme (2006-2011) under this key result area is to address the challenges related to sustainability of the Associations. The objective is to develop the Associations' institutional and organizational capacity; and increase their financial and business capacity. The responsibility for monitoring progress rests with NASFAM Development.

During the period under review, progress has been made in physical infrastructural development for the Associations as well as in increasing and diversifying their income sources through income generating projects. A good number of the Associations have acquired their own premises (offices, meeting rooms, warehouses and shops) for carrying out business as one way of reducing costs arising from escalating rental prices of commercial properties and facilitating business growth. With respect to diversifying and increasing their income, many Associations have planned for diversification into livestock farming (poultry and small ruminants) and have already invested in livestock housing (kholas). The Review Team has also noted a prudent use of Association assets (especially vehicles and motorcycles) that will improve the longevity of these assets and therefore cut on the Associations' costs.

During the period under review, the Team noted that the Associations undertook a major review of their membership fees taking into account the costs of service provisions as well as the need to maintain only paid-up members. The immediate effect of this review exercise was a reduction in the number of Association members. However, the Team observed that the current number of paid-up members is still

impressive and membership in the Associations has in the past two years started to increase again. In addition, new Associations have been admitted to the NASFAM family. The Team is of the view that such periodic reviews of membership fees are healthy for the sustainability of Associations to enable them to continue to provide services benefiting to the members. We feel that membership fee adjustments are the necessary evil that has to be undertaken in order to match the rising costs of service provision due to changes in the macroeconomic environment. In the same vein, it provides a reflection on how the members (both existing and potential) value the services that NASFAM provides. This is in line with the principle of the New Extension Policy (2002) that advocates for “those who benefit pay.” However, there is a need for Associations to develop and institutionalize a consensus oriented and transparent mechanism for adjusting membership fees that is easily understood by members. NASFAM Development could be instrumental in providing strategic guidance on general principles for periodic adjustments in the membership fees.

NASFAM Development has during the period under review made laudable progress in capacity development of Associations on technical, organisational, business and managerial issues that directly hinge on the Associations’ performance as well as individual members’ performance in their farming businesses. Associations’ board members, management team, lead farmers and farmer members have received training in the fields of club formation and development, farming as a business, quality management, record keeping, leadership skills, natural resources management and crop management. The farmer-to-farmer extension system has been expanded during the period under review. The farmer-to-farmer training is an innovative approach to addressing the critical role of extension services in an environment where there is a lack of resources and shortage of extension staff. It appears that the approach has had some positive effects in terms of extension service coverage as well as enhancing farmers’ knowledge, skills and capabilities in confronting the challenges they face. In Zomba it was learnt that one of the lead farmers has been elected to chair a committee related to extension services at the district level because of the knowledge and skills he possesses. However, there are concerns regarding the shortage of skilled and professional NASFAM extension staff that needs to be addressed. Competition for well-qualified extension staff from the NGO sector that offers better salaries and conditions than the Associations is quite intense. In addition, the performance of Associations is challenged by the programmes of NGOs that offer free agricultural inputs.

NASFAM has previously not had significant activities in the livestock sector. Now entering this field, comprehensive feasibility studies relating to the various livestock enterprises need to be undertaken. It is also critical that expert advice for both management and training in the chosen livestock enterprises is periodically sought from institutions dealing with such issues. The absence of functioning veterinary services in Malawi must be an issue of significant concern for NASFAM.

KRA3 represents a movement towards further decentralization of NASFAM activities, also from headquarters to Association. It is somewhat premature to judge the total effectiveness of this move. But we can note a clear desire of the NASFAM leadership to promote activities in this direction, including increased emphasis on the capacities of Associations to accept increased responsibilities. We note that the donors have a clear view on increased efficiencies and sustainability expected from

decentralization and subsequent lowering of headquarters costs. Readers of this review need to be reminded that the international literature is divided on the general benefits of such decentralization in many fields, including agriculture. The donor may wish to see NASFAM's situation not solely in the context of prevailing policies in Norway or The World Bank, but to evaluate a broader setting of institutional functions in nations that are emerging from (near) failed-state situations. In particular we remind all readers that NASFAM has a much-coveted track record of non-corruption, both at central and local level.

7. EXPANDED MEMBER LIVELIHOODS (KRA 4)

In order to help improve its members' livelihoods, NASFAM conceived four broad programme areas that directly address the issues confronting its members in their effort to improve the quality of life. The key problem areas are: food and nutrition security; functional literacy; gender mainstreaming and HIV/AIDS. The objectives are:

- To improve member food and nutrition status through initiatives that promote access to food such as grain banking, production and use of alternative food crops and seed multiplication of alternative crops
- Improve members' functional literacy (also numeric literacy) by extending NASFAM's adult literacy programme to and through all Associations
- Promote equitable participation of both sexes in Association activities and leadership
- Equip members with prevention, care and mitigation strategies in relation to the impact of HIV/AIDS

At the time of this review we were unable to find formal food and nutritional studies that could be used to evaluate impacts on human nutrition of NASFAM's work. Although signs of improvement were quoted to us, we have to treat this as anecdotal. A formal nutrition survey at the district or regional level is beyond the ToR of this Review.

NASFAM has made impressive progress in promoting gender equality and increased participation of women in Associations' programmes as well as within their governance structures. The Review Team observed that the degree of involvement of women in Association activities was high in all three that were visited. The women seemed confident, articulate and able to express their views on a wide range of issues that were discussed. And they appeared to be fully respected for their abilities by male Association members. In Mchinji it was remarked that NASFAM activities have given the women new opportunities to work with men. It is reported that more and more women are being elected into Associations' leadership positions. One such finding is that the Board Chair of Zomba Joint Association was also elected as the Board Chair of a regional farmers' organization, a clear indicator of women empowerment and success of the NASFAM gender programme.

Progress on functional literacy programmes appears to have stalled at least in the Associations that were visited, reportedly due to lack of funding for such activities. However, findings from the 2009 impact study indicate increased literacy and

numeracy levels when compared to the baseline and non-NASFAM members. We note that numeric literacy is also important, particularly in relation to understanding financial markets and accounting.

The Review Team's impression is that NASFAM's HIV/AIDS prevention, mitigation and care programme is making a significant contribution towards improving members' livelihoods. Through discussions with Associations members, we learnt that the HIV/AIDS awareness interventions including the trainings have positively influenced people's attitudes and perceptions towards HIV infected persons. It was remarked by some Association members that people's attitudes have changed from viewing HIV positive persons as 'living corpses' to more of providing care and support to those infected and affected by the disease. Overall, the general perception amongst Association members is that the HIV infection rates have diminished within their communities.

However, it has to be noted that NASFAM is facing serious challenges in accessing funds from the National Aids Commission (NAC) for its HIV/AIDS activities. This is affecting its planned preventive, care and mitigation interventions and compromises the achievement of its objectives. An observation made regarding NAC's HIV/AIDS funding is that preference appears to be given to HIV/AIDS treatment rather than preventive and mitigation activities. The Norwegian donor, as a part funder of the NAC, must be made aware of this tendency in NAC. The reviewers do not share this NAC priority setting.

On a more positive note, it is important to acknowledge that NASFAM is the only organization working in the agricultural sector whose HIV/AIDS strategy is recognized to be well aligned to that of the Ministry of Agriculture according to the Department of Agricultural Extension Services. This makes the NASFAM approach on HIV/AIDS interventions within the agricultural sector more relevant within the government policy framework in a response to the real needs of the agricultural communities.⁹

8. EXPANDED INFLUENCE ON POLICY (KRA 5)

In its 2006-2011 Strategic Development Programme (SPD2), NASFAM - in consultation with its membership and key stakeholders - identified four key policy areas of concern to smallholder farmers on which to expand its policy influence and advocacy activities. These policy areas are: marketing and pricing mechanism; rural services and infrastructure; access to financial services and productive assets and inputs; and food security challenges. To do this, NASFAM seeks to partner with civil society organizations with similar interests to have a more coordinated approach to influence policy.

⁹ The reviewers note that recent ICRISAT work, with which NASFAM has been associated, indicates a possible link between aflatoxin-infected groundnuts consumed and impaired human immune systems. Weakened immune systems increase the likelihood of HIV-infections (and other infections). Aflatoxin-resistant varieties of groundnuts, such as those bred by ICRISAT and promoted by NASFAM, may thus have significant longer-term medical impacts.

First, it has to be acknowledged that NASFAM, during the period under review has had to cope with a variety of politically sensitive policy issues purportedly intended to promote food security and protect farmers from exploitation from unscrupulous traders. The introduction of fertilizer and input subsidies, government set minimum prices for crop produce, and the overvalued exchange rate, have negatively impacted on NASFAM Commercial's business as well as the members when it comes to linking them to markets. Its original reliance on income from fertilizer sales has proved unrealistic. Secondly, NASFAM's programme activities on expanding its policy influence and advocacy are largely advisory in nature and solidly interlinked to its partners. As such it has proven difficult given the above constraints to isolate sole NASFAM influence on policy in this short term and gauge the effectiveness of its approaches.

From information gathered during this review, it appears that NASFAM is making considerable progress in influencing policy changes that benefit smallholder farmers whilst at the same time recognizing that policy changes may be difficult to achieve in the short term. From our discussion with the Farmers Union of Malawi, we learnt that NASFAM has been instrumental in advocating the removal of taxes on Hessians, an input so critical especially for the smallholder farmers which is used for baling of tobacco destined for the auction floors, a policy change that has only taken effect in the 2009/2010 Fiscal Budget¹⁰. It is important to note that NASFAM has maintained its linkages and networks with many organizations and continues to participate actively in policy forums that address issues of concern to the smallholder farmers. Furthermore, NASFAM must be commended for its efforts in expanding its network and establishing a collaborative working relationship with the Farmers Union of Malawi (FUM),¹¹ an umbrella organization for all farmers' organizations whose mandate focuses on policy advocacy issues. Currently, the two organizations are collaborating on the preparation of valid and reliable gross margin analyses for the various crops that are linked to the actual smallholder production which will be tabled at the Grain Marketing Advisory Council¹² in order to consolidate their position on minimum farm gate prices. In addition, the two organizations are collaborating in a consortium of institutions that are implementing the Malawi Lake Basin programme, where each plays its own separate role and has specific responsibilities.

There has been a strong desire from the donor side to involve NASFAM in cooperation with other institutions in Malawi (e.g. FAO, Total Land Care, FAIR-Malawi). Interviews with representatives of other organizations indicate that NASFAM is a much-wanted partner also for them. Whilst this is certainly a huge compliment to NASFAM, the reviewers wish to remind all parties that NASFAM's leadership must always remember where it came from, its responsibilities towards its

¹⁰ The reviewers have been assured that no Norwegian funds were used in this advocacy campaign.

¹¹ Previously, the two bodies have been rivals and never attempted to work together. Now the organizations are exploring ways in which they could complement each other on matters of mutual concern, a development that would undoubtedly strengthen their position on policy advocacy on behalf of the farmers. Good personal relations at the director level in the two organizations have strengthened the cooperation.

¹² A Grain Marketing Advisory Council has been set up by the government to revisit the minimum prices not only for grain but other crops as well. It is an understatement to say that the introduction of the current levels has created great uncertainty and frustrations among farmers and their organizations. The abrupt introduction of the frameworks set by the government is not conducive to longer-term institutional planning of organizations like NASFAM.

membership, and its critical role in organizing farmers in a nation where farmers have not been well organized in the past (except the tobacco farmers). There is certainly much added-value in NASFAM involvement in projects of other organizations, but a push to get NASFAM into new geographical areas where other organizations are active, must be critically examined on a case-by-case basis. In our view some of these moves may not be consistent with the original SDP2-framework, although that in itself should not prevent sensible and fruitful collaboration to be established. It does, however, increase the burden on NASFAM headquarters both centrally and in its attempt to upgrade local associations.

9. ENHANCED SYSTEM PERFORMANCE (KRA 6)

The performance of NASFAM as organization is a most important element in the trust between donor and recipient of development assistance funds, as it is between NASFAM and its member associations, and towards their members. NASFAM has grown into a leading farmers' organization not only in Malawi but in Africa as a whole, and the 2009 Yara Prize has given NASFAM's work even wider recognition. 'All eyes' are therefore on institutional system performance. Previous reviews of NASFAM's performance have included valuable advice on system performance enhancement. In this evaluation the reviewers have focused on 6 elements of enhanced system performance that they deem to be critical as this stage of SPD2:

- Monitoring and evaluation system
- Baseline survey
- Impact study
- Financial management system
- Information technologies
- Governance system

The reviewers note that a Monitoring and Evaluation System (M&E) has been developed as part of SPD2. Effective M&E is a prerequisite for efficient execution of agreed projects and programmes. The NASFAM M&E system is founded on accepted lines for such systems, is professionally outlined, and in line with good quality assurance criteria. The concern the reviewers have is whether the details proposed in the M&E system go too far to make the system difficult to operate. It is too early to say whether this will be so, but we do urge attention to this item as experience is growing with the system. 'The Best' can easily become the enemy of 'The Good' in M&E systems, and tie up a talented workforce in undue project and programme details. The reviewers would not be surprised if adjustment and simplification of NASFAM's M&E system will be advisable as experience in using the M&E system is acquired.

A baseline survey has been undertaken of critical variables. This is professionally done. However, it does not refer to the baseline as present at the onset of SDP1 or SDP2, but rather the values at the recent time of the survey. Conditions have been variable over the years, and a snap-shot may miss major underlying figures. As the Baseline Survey concentrates on the issues relating to NASFAM Commercial and to a lesser extent on NASFAM Development issues, it falls partly outside the scope of this Mid-Term Review, although its conclusions are of relevance to KRA1. At this point

the reviewers note that it must be deemed an achievement to have developed the methodology, and for having undertaken a baseline survey.

This applies even more to the links to Impact Studies that were under completion in late 2009¹³. Whilst the reviewers were impressed by the efforts put into obtaining a fair (and hopefully probabilistic) sample to be used for the impact assessment, they are uncertain as to whether this is really achieved. Time of data collection and the rapidly changing production and trade environments may mask genuine longer-term impacts. Impacts surely relate to long-term trends. The reviewers are uncertain whether the impact study, in spite of its massive data collection, will reveal these longer-term trends. It is premature to judge this on the basis of the incomplete draft available at the time of this review. We note, however, an apparent shift in member response between the baseline survey in 2008 and the impact study in 2009. In the former study assured markets and good prices had priority over training. This was reversed in the 2009 study, with transport of produce also gaining in priority. Whether this is a genuine shift toward appreciating NASFAM as a development agent rather than as a commercial trading partner, remains to be seen.

The reviewers commend NASFAM on improvements to its financial management system. There are significant and positive changes compared to the situation in 2006, which also make reviews easier. There are still control issues outstanding. In particular the reviewers wish to flag their concern for figures relating to the volumes of purchased commodities. To gain confidence in these figures is of great importance to the whole organization. The controls on such purchases require further scrutiny. At some stage a thorough specialist review of financial management may be helpful to the organizations. Such a review could for example be requested from a reputable auditing firm, or included in an expanded annual auditing procedure.

NASFAM has made major improvements to its information systems during the period. Part of this has been due to upgrading of its own staff, and the dedicated work of a Norwegian Peace Corps worker. Although remote connectivity is still imperfect, the progress under SDP2 is laudable.

Much effort has been made within NASFAM to ensure a functioning and democratic governance structure. The current Board and governance structure seem to function well for short-term issues but probably lack analytical powers to assist the Directors of NASFAM on longer-term issues. Apart from flagging this, the reviewers do not wish to guide NASFAM on this sensitive issue where organizational and cultural traditions play important roles. A strengthening of long-term strategic planning capabilities of the Board will be of significant benefit to NASFAM.

10. INCREASED COMMERCIAL REVENUE AND PROFIT (KRA 1)

The overall performance under this Key Result Area is critical to NASFAM's financial sustainability and an incentive for the formation of new associations that

¹³ Only an incomplete draft was available to the reviewers. The reviewers were grateful for access to this material, but the comments offered are only indicative due to the preliminary nature of the report.

wish to be affiliated to the NASFAM system as well as ensuring member loyalty. The prime responsibility for ensuring the attainment of financial sustainability rests with NASFAM Commercial, a limited company, owned by NASFAM member farmers, that oversees the business side of NASFAM. To achieve this, the focus of NASFAM Commercial is geared towards increased commercial revenue and profit as follows:

- Expand the volumes of crops marketed
- Diversify the range of crops handled by Centres and by NASFAM Commercial
- Increase value added through processing and branding activities
- Expand penetration of markets including fair trade
- Improve crop quality and input storage at centre and association levels by support of e.g. set-up and operation of grain banks and warehouse receipt activities
- Improve supply and distribution channels for inputs and farm supplies
- Establish and operate equipment leasing centres through regional offices and their centres
- Enhance members' ability to access credit facilities
- Increase the number of direct contract linkages between centres and agro-processing firms

During the period under review, NASFAM Commercial has developed two business plans, one for the period 2006-2009 and another one for the 2009-2011, and changed its financial year to reflect the marketing year which runs from 1st March to the end of February. It has to be acknowledged that NASFAM Commercial has operated under a very difficult policy environment that has affected its current performance. The scaling-up of fertilizer subsidies and new distribution systems for fertilizer sales, the resumption of government price controls in the form of minimum prices on major crops grown by smallholder farmers, the seemingly overvalued exchange rate and the impact of the world financial crisis coupled with stiff competition from other traders and aggravated by its low capital base are some of the major issues NASFAM Commercial has had to deal with in its operating environment.

Whilst appreciating the impact of these obstacles on the business operations of NASFAM Commercial and the strategies being employed to deal with them, the financial sustainability of the entity remains uncertain. During the period under review, NASFAM Commercial posted profits of MWK 2.25 million in 2007, MWK 15.76 million in 2008 and MWK 35.30 million in 2009. Although the figures may suggest an impressive performance in the last two years, detailed analysis on the entity's financial statement suggests otherwise. In 2009, NASFAM incurred a huge loss of MWK 27.04 million on its commodity trading account which was compensated by a one-time huge profit realization on the fertilizer trading account from the carry-over stocks of last year which could not sell at that time due to fertilizer subsidies. Largely, as a result of prevailing government prices and the huge loss that was incurred on the trading account NASFAM has suspended its crop purchases for the 2009/2010 season. Similarly, in 2007 a sizeable profit of MWK 6.18 million was realized on the commodity trading account largely due to a favourable influence by 'the world food crisis'. Given the unpredictability in the growth of profits, NASFAM Commercial still has a long way to go in building the capital base that is required to meet the scale of trading activities that can satisfy demands from its

membership as well as compete with other agricultural commodity traders in the markets. The current trading practice of identifying the markets first and then seeking pre-financing for the crop purchases puts NASFAM Commercial at a disadvantage in terms of competing based on time. Currently, for its crop produce purchases NASFAM Commercial relies on almost 100% short-term debt finance from financial institutions. Such a situation may create panic for the farmers who might as well find alternative markets thereby diluting the reasons for being a member.

In discussions on the huge losses incurred on the crop trading account, NASFAM staff were of the view that it is inevitable in the process of marketing development and continuance with crop trading, and that crop trading activities are necessary in order to encourage farmers to diversify away from tobacco.¹⁴

With respect to expansion in volume traded, NASFAM Commercial has experienced difficulties in achieving the targeted increases in quantities. For almost all crops that NASFAM handles significant increases in the volumes traded were recorded in 2007/2008 while the quantities dropped in 2008/2009 in addition to being generally of poor quality. A breakthrough into the fair trade market for groundnuts has resulted in appreciable increases in the volumes of groundnuts from 656 MT in 2007 to 1688 MT in 2008 before dropping to 1427 MT in 2009 although quality issues still remain problematic for both the associations and the NASFAM Commercial. With regard to rice, NASFAM Commercial has been successful in developing the Kilombero rice brand.

NASFAM Commercial employs a variety of strategies in order to keep itself afloat. One of its strategies is to conduct market assessments annually in order to take advantage of the emerging market opportunities. While this makes good business, however, these assessments attempt to optimize trade for the entity and not necessarily for the NASFAM members. The possible strategic changes being proposed in NASFAM Commercial trading practices such as using purchasing agents represents a source of uncertainty and risk for NASFAM members. The strategy intended to cut costs but would certainly be viewed with suspicion and may sooner or later erode the trust and loyalty that has been built for years. Yet another challenge for NASFAM relates to the crop produce prices paid to farmers. As was observed in the evaluation of the 2003-2006 NASFAM Strategic Development Programme, the Association's farmers generally seem to lack appreciation of the role of market forces and the influence of major international events such as the recent world food and financial crisis in market price determination for their farm produce. The general perception seems to be that prices for their crop produce should continue to increase annually.

NASFAM developed on the idea that its development activities would ultimately be financed by its trading activities. At the time, with transparent and stable agricultural policies, this may have been realistic. In 2009/2010 it is not. The reviewers can only note that this situation remains a long way off. NASFAM Commercial has not obtained the commercial solidity required to achieve this. Thus NASFAM Commercial, which in the original organizational model was the main arm for generating funds for development, has not done so. This in no way detracts from

¹⁴ The reviewers are obliged to draw the attention of the Norwegian donor to this perception.

NASFAM's more general achievements, but is serious with regard to the long-term financial sustainability of the present model. As noted in Section 9, the Impact Study in 2009 indicated a shift in membership appreciation from commercial activities to training and the facilitation of transport. If this is indeed a longer-term trend, then NASFAM must rethink its rationale carefully.

11. CONCLUSIONS

Through its Strategic Development Programme Phase 2 (the third phase of Norwegian official funding) NASFAM attempts to implement six key result areas that would take it along the axis of its original development intentions. In general NASFAM has been reasonably successful in SDP2, and has maintained and strengthened its role for its members, and as an important voice on the agricultural scene in Malawi.

It has been Norwegian official aid policy not to offer significant support to NASFAM Commercial (KRA1). However, it must be noted that the original rationale of NASFAM as a sustainable, self-financing organization has yet to be achieved through KRA1 (Section 9 of this report). The detailed activities of NASFAM Commercial have not been the target of this review, but the reviewers must voice concern about the financial instability of this arm of NASFAM, and its value to the rest of NASFAM as the prime financing mechanism of all NASFAM activities. The experience of NASFAM Commercial is that it has come to face harsh trading realities in the Malawian agricultural markets, without the flexibilities of commercial traders, and - being a transparent and well-governed democratic institution – unwilling to make short-cuts at the expense of its producer members. The reviewers applaud this “stubborn” attitude which on a small scale exemplifies dedication to principles of good governance, but at a cost to financial stability. Sudden changes in Malawian agricultural policies have yielded both plusses and minuses for NASFAM's financial strategies. It is a bit of a paradox that a main source of reliable income for NASFAM has come through involvement in the logistic side of tobacco production (transport facilities). The reviewers believe the current strategy (SDP2) should be allowed to run its course until the end of 2011 but that a serious look be taken on the realism of financing NASFAM activities through its trading activities. The other activities of NASFAM are much too valuable and important to be held to ransom by the vagrancies of the Malawian agricultural trading markets. If the Impact Study (under completion at the time of this review) is correct (see Section 9 of this report), NASFAM members are shifting their perception from a commercial NASFAM to a development NASFAM. There is little doubt that NASFAM Development has been quite successful by any development agency standards but it has benefited by (probably unsustainable) financial support from donors, not the least from Norway rather than earning its own money. The arguments for continuing Norwegian support may therefore need to be revised in any later funding phases.

NASFAM's organizational structure appears solid (although NASFAM Commercial may have financial challenges) and it appears well staffed with increasingly competent personnel. The challenge in integrating development scientists with business managers is an ongoing process. There are clear culture differences also within NASFAM House. The new way in which only fully paid-up members of

NASFAM Associations are counted as members is a sound way of expressing NASFAM's size. It also gives NASFAM Associations more freedom to develop sustainable financial strategies for themselves within the overall context of NASFAM's mandate. Increased emphasis on regional structures has yet to be felt as these efforts are on-going. The reviewers note, however, that NASFAM headquarters remains relatively 'lean' and efficient. We do not share the sometimes expressed notion of a bloated headquarters. This does not mean that we do not see the need for organizational strengthening at association and local level, but a strong headquarters is likely to be a must for this to be achieved. The reviewers applaud NASFAM for adhering strictly to democratic principles throughout the organization. Also in this sense 'good governance' is being taken seriously. Democracy has its weakness, however, in ensuring that a wide spectrum of talent is brought to the table, including in the central boardroom. NASFAM may have to consider high profile advisory committees to assist the Board in its decision-making, particularly for longer-term strategies, without democratic membership ideals being abandoned.

NASFAM has played a quiet but persuasive role in the debate on Malawi's agricultural development policies. The reviewers understand that considerable input has been generated from NASFAM's side into the national agricultural sector programme, and for private-public partnership initiatives. NASFAM's leadership appears to have taken a non-confrontational role vis-à-vis government and political parties, stressing its neutrality and its role for the wide interests of smallholder farmers. If NASFAM has advocacy activities, these are diplomatically expressed in Malawian daily politics. The reviewers respect this approach. NASFAM has significantly increased its cooperation with other partners, and notably with the reinvigorated National Farmers Union, stressing complementarities rather than competition for attention and funds. To this extent NASFAM has attained a more central role in government planning, including Malawi's efforts within the context of NEPAD's CAADP pillars. There is little doubt that NASFAM is among the most efficient NGOs dealing with farming challenges in Malawi. But NASFAM has been very clear that it does not wish to substitute for the government, neither within the regions in which NASFAM operates nor beyond. NASFAM has been requested by the government and external donors to become involved in other major development projects, e.g. the Lake Basin Programme, FAO-led programmes, Total Land Care initiatives and FAIR-Malawi. To some extent NASFAM has done so. The reviewers wish to remind the government and donors that NASFAM is a farmer-owned and farmer-governed organization. As such it is impressive. It is not a general development agency for other international agencies, whether UN-based or donor based, or for other NGOs. NASFAM faces a significant member loyalty challenge, as exemplified in the shift noted between the 2008 Baseline Study and the 2009 Impact Study (assuming that early findings are maintained). The fact that NASFAM has established itself as a good development agency for its members, and has grown organically over some 15 years since its precursor was formed, and therefore may have much experience of use to others, should not detract NASFAM leadership, nor friends of NASFAM in the donor and NGO communities, to 'overstretch' NASFAM, or to tempt it financially to do so. New, more external activities may erode existing NASFAM member loyalty.

NASFAM has not chosen particular farming technologies for its work with members. It does not appear to have insisted on organic farming, conservation agriculture or

other specific agronomic approaches. Rather NASFAM selects in its training programmes those technologies that are locally deemed to be optimal for its members. When appropriate, e.g. conservation agriculture is selected. The reviewers regard this as a sound approach. Agronomic fads (and donor preferences) come and go yet Malawian smallholder farmers must both be opportunistic and plan for the long haul. NASFAM has kept a commendable ‘cool head’ in these debates. The 2009 Impact Study (to be completed) represents one tool of analysis of current and possible future roles of NASFAM with respect to farming systems, regional engagement and more general environmental concerns. There is little doubt – also looking at NASFAM publications and media coverage – that NASFAM basically has ‘a green message’. NASFAM appears competent in arguing this approach from a financial and social ‘win-win’ situation, rather than from a nature conservancy angle. A membership organization of smallholder farmers must do this. The reviewers find that becoming a national agent for ‘conservation farming’ may distract NASFAM from its existing membership obligations. It cannot be the task of NASFAM in its present (after all: limited) membership mode to upscale early findings on ‘conservation farming’ in Malawi to the national level, however capable NASFAM may be in doing so.¹⁵

NASFAM’s culture on fighting corruption within its own circles is highly commendable and has brought results. When such crimes in very rare cases have been committed NASFAM leadership has taken firm action and immediately involved the public judiciary system. Firm convictions have been obtained. The reviewers praise NASFAM leadership on this.

NASFAM’s efforts on gender issues, and specifically on furthering the role of women within its own organization, and at all levels, and in its practical approach to farming methods, are strong, effective and widely praised both by female and male members. Both within its central leadership, among its professional staff and increasingly at association level, the gender balance is good. NASFAM’s effort in improving literacy, also numeric, among its members and not the least among women members, has been very good. By increasing literacy NASFAM members become more aware of the business aspects of being a smallholder, and also possibly to develop own businesses in the future. The reviewers saw clear signs of this during field visits, but also noted confusion on the development of global food prices and the rationale for government price interventions¹⁶.

NASFAM took an early lead in the fight against HIV/AIDS among its members, and sees this challenge much more in the context of the socio-cultural and financial environments than as a medical treatment case. The reviewers find NASFAM’s approach considerably more enlightened than what we perceive is the main more medical strategy of the National AIDS Commission (which also receives Norwegian funding), which as a result has become a somewhat unreliable funder of NASFAM’s work. The reviewers regret this and urge NASFAM to maintain its approach. NASFAM’s work with ICRISAT and the Norwegian Development Fund on aflatoxin

¹⁵ Readers may be reminded that the international CGIAR centre CIMMYT in Mexico made a major push for global conservation agriculture for maize and wheat production in the mid-1990’s, with major international acclaim and resources but little impact. Recovery from the ‘US dust bowl’ in the 1930’s may be equally relevant but represents farming technologies no longer in use.

¹⁶ Malawian smallholder farmers share this confusion with many analysts and academics in the highest international circles.

in groundnuts (independently financed by Norwegian official assistance) is novel and has elements of scientific breakthroughs in understanding the link between agriculture, nutrition and the state of the human immune system so central to HIV/AIDS issues.

NASFAM is just over halfway in its Strategic Development Programme Phase II (SDP2) 2006-2011. This is a mid-term review. The overall conclusion of the reviewers is that SDP2 is largely on track, and that a review in 2011 is likely to confirm this. The big risk factor to the whole of NASFAM is the success or otherwise of NASFAM Commercial¹⁷. NASFAM Corporate will have to undertake a serious risk analysis of whether to maintain NASFAM Commercial as an integrated part of the NASFAM family is the best solution. From an analytical point of view it must be considered risk-loving to retain and strengthen NASFAM Commercial in its present or slightly modified form to ensure member loyalty. Risk-aversion is to separate NASFAM Commercial, or – alternatively – isolate high-risk elements from NASFAM Corporate by creating a further legal entity for this purpose, or to significantly redefine its mission, with the inherent risk of creating member disillusion. Experience has shown that NASFAM as a whole has been resilient and nimble in retaining its current organizational structure and member loyalty, in a climate of restless global commodity markets, unpredictable national political changes and vagrancies of weather. NASFAM has been clever in mobilizing its total resources towards this end (e.g. its fertilizer stocks and transport capabilities), and may also have had its share of luck.

The reviewers recommend that the Norwegian Government continues the disbursement of its funding for NASFAM for its SDP2 2006-2011.

¹⁷ The reader is reminded that NASFAM Commercial does not receive significant Norwegian official funding (see Footnote 5). Nevertheless the Norwegian assistance investment in NASFAM at the present time is inextricably linked to the success or otherwise of NASFAM Commercial.

APPENDIX 1 TERMS OF REFERENCE

NATIONAL SMALLHOLDER FARMER'S ASSOCIATION OF MALAWI

TERMS OF REFERENCE

for

Mid Term Review of

NASFAM's Strategic Development Programme 2006-2011

Date: 25 June 2009

Norwegian support code: MWI-04/327

1.0 Background

NASFAM roots back to the Smallholder Agribusiness Development Project (SADP I and II) initiated by Agricultural Cooperative Development International – ACDI (1994 to 1995). SADP supported smallholder agribusiness development by improving smallholder access to agricultural inputs and better returns on agricultural sales; supporting smallholder self-reliance and self-sufficiency through improved business know-how, and promoting collective action through commercially sound, farmer-owned associations. The project evolved into the National Smallholder Farmers' Association of Malawi in 1998, receiving support from USAID and Denmark.

NASFAM works with rural farmer groups, or 'clubs', to develop commercially viable group businesses that are linked to farmer association structures through which smallholders realize increasing returns and contribute to economic development through group action and collective power of voice. Formed by 14 farmer associations, NASFAM currently has a membership of over 100,000 households organised in 43 associations. Approximately 38 percent of its members are women.

The Government of Norway has provided support to NASFAM since 2000. The first Agreement (Phase I) covered the period from 2000 to 2003 and had a total budget frame of NOK 14 million. The second Agreement with addenda (Phase II) ended in March 2006 and had a total frame of NOK 38 million. The current Agreement (Phase III) has a frame of NOK 80 million, of which half has been disbursed by Mid-2009.

2.0 THE NASFAM System

The vision of NASFAM is to be the leading smallholder owned business and development organisation in Malawi that promotes farming as a business, producing economic and social benefits for its members, their communities and the country. Its mission is to improve the lives of smallholder farmers. Through a comprehensive network of smallholder-owned business organisations, NASFAM develops the commercial capacity of its members and delivers programmes that enhance their productivity. NASFAM focuses on several high-value crops, such as chillies, paprika, cotton, rice, groundnuts, peas, beans and soya.

NASFAM's programmes fall under six main categories, which also define the Key Results Areas (KRA).

KRA 1: Increased Commercial Revenues and Profit - NASFAM seeks to operate as a sustainable development business and support the ability of member farmers to develop their farming as a business. In order to achieve this, NASFAM developed and is implementing a rolling business plan. The Business Plans provides guidelines for expanding volumes and value of profitable crops and for diversifying the range of profitable crops supported by commercial services.

KRA 2: Improved Crop Quality and Quantity - Crop quality and quantity lie at the heart of the rural productivity challenge facing Malawi's smallholder farmers, many of whom farm on plots of less than a hectare. During the SDP II, NASFAM is implementing activities that aim to improve crop quality through promotion of the production of market-demanded crops, facilitating members' ability to access credit facilities for purchasing inputs, and facilitating access to technology and innovation through partnership with research institutions.

KRA 3: Enhanced Association Performance – Through this KRA, NASFAM directly addresses challenges related to Association sustainability. In this connection, NASFAM continues to provide members with access to technical assistance and training needed to support their farming as a business. Additionally, NASFAM strengthens its individual Associations by assisting them to build a network of centres for rural productivity and innovation, through which they can put a larger range of economic development activities into place.

KRA 4: Expanded Member Livelihoods - NASFAM continues to address not only the business side of its members' lives, but their quality of life as well. This means that NASFAM Associations are encouraged to find ways to support the ability of members to develop skills and implement programmes. Key problem areas being addressed by NASFAM during the plan period include food and nutrition security, illiteracy, gender inequalities and the impact of HIV/AIDS, malaria and other diseases.

KRA 5: Expanded Influence on Policy - NASFAM has a strong advocacy policy which provides a conducive environment for smallholder farmers to take the lead in charting Malawi's course forward toward achievement of rural economic transformation. In keeping with this policy NASFAM continues to work in various fora and with development partners to address issues raised by the membership and ensure that issues and concerns of members are integrated into relevant Government policies and programmes.

KRA 6: Enhanced System Performance - NASFAM seeks to support effective operation of the entire system under SDP II. In this regard NASFAM put in place an effective capacity building programme. This has resulted in NASFAM putting in an effective Monitoring and Evaluation programme, Financial Management System, effective information and technology system, and effective governance programme.

The above Key Result Areas are implemented through three separate but closely linked corporate entities:

- “NASFAM Development Corporation”. As the corporate head of the NASFAM system, NASDEC co-ordinates member activities and acts as a link between Associations and the services of its two subsidiaries. NASFAM and member Associations operate as strategic partners to increase business and management capacity at the Association level. As a democratic institution, owned by member Associations, it facilitates member participation and control within the NASFAM system.
- “NASFAM Development” provides the NASFAM system with technical and financial resources for smallholder empowerment. This is achieved through capacity building and training activities, agri-business development, policy and advocacy, information management and communication. NASFAM Development also provides a monitoring and evaluation function for the entire system to assess member benefit and programme efficiency. For functional purposes, it operates through six programmatic units. NASFAM Development also oversees other core development functions including crop production and business and institutional development, functions that previously (under SDP 1) operated more directly at a Regional level.
- “NASFAM Commercial” is the business arm of NASFAM. NASFAM Commercial is the entity through which NASFAM Associations market their products, meet their crop financing needs, develop new and value-added business opportunities and control access to both local and to external markets. NASFAM Commercial’s main business areas are two; marketing of agricultural inputs to members and the public, and procurement of agricultural produce (commodity trading) primarily from the membership. To support its ability to provide services and work in direct arrangements with business and financial institutions, NASFAM Commercial maintains a separate financial system (and a different financial year that correlates to the agricultural season).

3.0 Purpose, Context and Present Challenges

Purpose

The review shall focus on the NASFAM Strategic Development Programme 2006-2011, but also look at its total history, as well as on the position of the programme in view of present situation and challenges in the country. The review shall assess the success in achieving the overall development objective of the programme to fight poverty through improving the economic and social conditions for the smallholder farmers and to strengthen democracy and civil society by increasing organised participation in Malawi’s rural development.

Scope of work

a) *Assessment of achievements*

- i) The review shall assess the extent to which the NASFAM III is aligned to its own strategy.
- ii) Based on description of each KRA, proposed activities and expected outputs, the review shall assess and determine the extent to which the KRAs adequately address NASFAM’s goal and immediate objectives. In reviewing the KRAs the team shall also consider the activities linked to each KRA and

assess the relevance and adequacy of proposed methodologies and approaches.

- iii) The review shall assess NASFAM's ability in responding to new challenges and opportunities like the National agriculture sector programme; public, civil society and private sector cooperation ('PPP'); conservation agriculture; advocacy and protecting member's interests; likeminded partner cooperation; etc.

b) *Assessment of sustainability and risks*

The review shall assess the sustainability and risk elements, especially those associated with policy and framework conditions (incl. corruption), Socio-cultural and gender (incl. HIV/AIDS), Economic and financial, Institutional and organisational and the Environment.

The review will measure the cost-effectiveness of activities performed by NASFAM and compare with that of similar initiatives in the country, and in this regard make an assessment of the prospects for financial self sustainability of the commercial oriented parts of the organisation and whether financial self sustainability can be achieved at Association level.

An evaluation of the second phase of Norwegian support to NASFAM conducted in July 2007 failed to assess the likelihood of NASFAM Commercial becoming financially sustainable during the five year period due to the lack of a Business Plan. In line with recommendations of the evaluation, NASFAM Commercial developed a detailed three year development plan covering the period from 2006 - 2009. The review team shall assess the sustainability of NASFAM based on provisions of the business plan.

c) *Programme implementation and administration*

The review shall assess roles, functions and responsibilities of NASFAM's collaborating partners paying particular attention to relevance, efficiency and effectiveness of their collaborative work. The review shall also assess programme implementation structures and assess its capacity to adequately implement the programme.

NASFAM established regional offices to improve implementation of the 2006-11 strategy. One of the rationale for establishing regional offices was to maintain a lean and efficient staff at the HQ. The review team will attempt to assess the effectiveness of regional offices.

d) The MTR should pay particular attention to the following components of the programme:

- i) Association strengthening - NASFAM proposed to strengthen Association capacity through regional offices capacity improvements, geographic expansions, natural resource management and crop production operations. Based on the measurable indicators the review shall assess to what extent the outputs and results associated with these activities are achieved

- ii) Development services - The review shall assess the extent to which the approach, strategies and activities related to human resources development,

policy and advocacy, communication, HIV/AIDS and gender contributed to successful achievement of objectives.

NASFAM recognises the role women play in rural development. The review shall assess the extent to which gender issues were mainstreamed into the programme. Is there a clear strategy to build gender capacity that reflect and promote gender awareness?

- e) NASFAM is built at all levels around the principle of farmer ownership and control. To achieve this NASFAM implements a governance programme where farmers are empowered to participate in the democratic processes. NASFAM Associations therefore provide members with a local organisation which they own and govern through highly transparent and democratic processes. The review shall therefore assess the extent to which NASFAM adheres to democratic principles, especially focusing on the participation of members in decision making at all levels of the NASFAM system.
- f) The assessment of the various components of the NASFAM intervention shall be guided by the following criteria and proposed questions. However, the review team may also propose additional criteria if deemed relevant and necessary.
 - i) **Relevance** - Assess the extent to which the intervention conforms to the needs and priorities of the beneficiaries and the development policy framework of Malawi.
 - ii) **Effectiveness** - The team shall assess the extent to which the programme is achieving its goals and objectives.
 - iii) **Efficiency** - The team shall assess the efficiency of output delivery, including assessment of expenditures in relation to activities carried out, and distribution of expenditures between central and local levels.
 - iv) **Impact** - The team shall assess the different types of impact of the development programme, positive and negative, intended and unintended.
 - v) **Sustainability** - The team shall assess the effectiveness of sustainability measures established during the programme implementation, especially measures put in place to reduce donor dependency.
- g) Through its active and effective advocacy programme, NASFAM has managed to influence an increase in the prices of agricultural products. The study will, in line with NASFAM's goal of fighting poverty through improvement of economic and social conditions of smallholder farmers, assess the extent to which NASFAM has contributed to increased revenues/income of its members.
- h) The Agriculture Development Programme (ADP, now turning into ASWAp) was approved by cabinet in 2008. Support for the sector from civil society and private sector is supposed to act in a complementary and supportive way. The interaction between Government, civil society and private sector is not well defined, but the different actors within the sector are supposed to find their place and align

themselves with the national agriculture strategy, which is also in line with the Comprehensive African Agriculture Development Programme (CAADP) 'pillars'. Against this background, the review shall assess the relevance of NASFAM to the national agriculture programme, including its components on capacity building, NRM and agro based business development.

NASFAM is already involved in a consortium of cooperation with other partners in the Malawi Lake Basin Programme (SCC, FUM, MUSCCO, VI Agro-forestry and NASFAM). Such cooperation is regarded as useful in order to exchange information, knowledge and experiences, as well as to service the target groups better. The Embassy's ambition is to encourage such cooperation to a greater extent, if possible to include other livelihood projects like FAO, Total Land Care and FAIR-Malawi. The review shall assess how feasible it would be to promote further and stronger cooperation, including the possibility of formalisation of a stronger and broader consortium with all livelihoods programmes funded by Norway.

NASFAM promotes agriculture and other livelihoods in environmental friendly ways. Methods, commonly known as 'conservation agriculture', have proved successful and provide good yields. Besides, such practices in agriculture are in line with the national agriculture programme. As other programmes supported by the Embassy are as well successful in this respect, there is a wish to assist the Government to bring such methods to a national scale. The review shall assess the relevance and the role of NASFAM to bring conservation agriculture to a National scale.

NASFAM has the advantage of both having a business-oriented approach to agriculture development and a wide outreach by its membership, communication systems and extension services. How successful is NASFAM in making 'smallholders into businesses' and in promoting 'public-private-partnerships'?

4.0 Analysis and Reporting

The Team shall submit a first draft of the report not later than three weeks after completion of the field work (i.e. September 2009). The concerned parties shall provide comments to the first draft within two weeks after receipt of the draft. A second, and preferably the final, draft shall be submitted one week after having received the comments. The team leader will be responsible for the finalisation of the report, which will be submitted to Norad/Embassy and FAO within the middle of October 2009. The report will be prepared using the following tentative structure:

- Executive Summary: Summary of the review, with particular emphasis on main findings, conclusions, lessons learned and recommendations;
- Introduction: Presentation of the review purpose, questions and methods used to gather required information;
- Findings: Factual evidence, data and observations relevant to the specific questions;
- Lessons learned: Discussion of issues that are likely to have a potential for wider application and use;
- Recommendations and conclusions: Assessment of the interventions and its results against given review criteria and proposed questions, including actionable proposals to the evaluation users.

5.0 Implementation of the Review

Sources of information and methodology to be employed

The team will review background information available at NASFAM and Norad/the Norwegian Embassy, Lilongwe and other relevant institutions. Available background information includes Project documents, previous review reports, agricultural policies and strategies, minutes of annual meetings and annual progress reports.

Meeting with stakeholders and relevant institutions in Malawi

Implementation of the mid-term review will be a joint, collaborative effort. The consultants will therefore seek the opinion and views of the widest possible spectrum of key stakeholders, some of which include: the NASFAM office in Lilongwe, Norad/the Embassy, the Donor Committee on Agriculture and Food Security (DCAFS), relevant Government departments and organisations, members and beneficiaries of NASFAM, etc.

Field Visits

A visit to selected programme sites will give the team the opportunity to observe the current situation and to discuss issues to be covered by the evaluation with target groups and other stakeholders.

Stakeholder assessment

The review team will present preliminary findings and recommendations to groups of stakeholders in Malawi. The purpose is to assist the review team to take stock of the findings and recommendations, as well as to facilitate a process in which stakeholders have the opportunity to comment on the results before the review mission is completed.

Timetable

The review will be undertaken within August 2009. The field work for the review shall be conducted within a period of 12 working days. The team leader shall be remunerated for five days for preparation, while the team members shall be given three days each. For report writing, the team members shall be given six days, while the team members shall be given four days each. For finalising the report, the team leader shall be given two days, while the team members shall be given one day each. Thus the team leader shall be given 25 days in total, while the team members shall be given 20 days each.

TOR approved in Lilongwe. Date: 28/8 2009

For NASFAM:

Title:

CHIEF EXECUTIVE OFFICER

For the Royal Norwegian Embassy:

Title:

Amka Mabe

APPENDIX 2 KEY DOCUMENTS ON NASFAM ACTIVITIES

Improving the Livelihoods of Malawian Smallholder Farmers. A Proposal for Continued support to NASFAM 2006-2011. Presented to Government of Norway. Presented by National Smallholder Farmers' Association of Malawi (NASFAM). Last Revised 16 October 2006. 97 pp.

NASFAM Half Year Report; April 2009. 28 pp.

NASFAM Half Year Report, October 2007 – March 2008. 43 pp.

NASFAM Impact Assessment 2009 (Prints of PowerPoint slides).

NASFAM Impact Assessment for SDPII. August 2009. Monitoring Evaluation and Communications Department, NASFAM Development. 72 pp.

NASFAM SDPII Baseline Survey Report. February 2008. 64 pp.

Republic of Malawi. Country Strategic Opportunities Programme. First Draft. International Fund for Agricultural Development (IFAD), May 2009.

APPENDIX 3 LIST OF PARTICIPANTS INTERVIEWED

Dr. Vincent O’Neil	Irish AID
Martin Banda	USAID
Dr. David Rohrbach	World Bank
Dr. Stanley Khaila	IFAD Country Officer
Ian Goggin	Agricultural Commodity Exchange
Kristian Schach Moller	Agricultural Commodity Exchange
Peter Pangani	Malawi Lake Basin Programme
Dr. Moses Shiambi	Country Representative ICRISAT
Mr. G. Nyandule-Phiri	Controller of Agriculture Investment Programmes
Dr G. Malindi	Director, Department of Agricultural Extension Services, Ministry of Agriculture
Mrs F. Kayuni	Deputy Director, AGRESS, Department of Agricultural Extension Services, Ministry of Agriculture
Prince Kapondamgaga	Farmers Union of Malawi
Mr Joshua Valera	NASFAM HQ
Mr Makda	NASFAM HQ
Mr Grant	NASFAM HQ

Board members, Association Business Managers, Agricultural Field Officers,
association members of:

- Lilongwe South Association
- Mchinji Association
- Zomba Joint Association