



Malawi Compact II Development Process



Fact Sheet

Overview

Malawi was selected by MCC's Board of Directors as eligible to develop a new MCC compact program in December 2018 and re-selected in December 2019. Selection is required every year to continue compact development. The selection is based on: i) Malawi's excellent implementation of the first compact and ii) For meeting rigorous standards for good governance and economic management according to MCC's scorecard.

The Malawi Millennium Development Trust (MMD) was established as a successor institution to MCA-Malawi to complete projects under the first compact and facilitate the development of the new compact on behalf of the Government of Malawi

What is involved in Compact Development process?

In developing a compact program, selected countries follow a process that includes five distinct phases outlined below:



Phase I: Preliminary Analysis: Completed July 2019

MMD in collaboration with MCC undertook initial consultations across the country to identify binding constraints that are constraining the growth of the economy. Three binding constraints were identified:

- ✚ High price of road freight transport service and barriers linking farms to markets in rural areas;
- ✚ Difficulties with access to land for investment due to mismanagement of the estate sector and unclear/uncertain customary land rights, particularly for women small holders; and
- ✚ Lack of a stable macro-economic environment as reflected in high and volatile inflation.



Phase II: Problem Diagnosis: Completed January 2020

A structured assessment of the underlying factors, challenges, or problems that give rise to the binding constraints, (the root cause analysis) was undertaken. A Value Chain Analysis was also conducted to get an in-depth understanding of market logistics and linkages in rural Malawi. The following deliverables were achieved:

- ✚ Core problems identified through the root-cause analysis were prioritized and presented in form of *problem trees*.
- ✚ Concept papers were developed. The concept papers were reviewed by MCC and endorsed on 31st January, 2020. Stakeholder Engagement Plan and Donor Mapping plans



Phase III-Project Definition- Target June 2021 (Current Phase)

On February 6, 2020, the Millennium Challenge Corporation (MCC) Investment Committee approved Malawi concept notes that focus on '*Increasing land productivity and strengthening road transport and farm to market linkages*'. This authorization allowed the Government of Malawi (GOM) to start preparing project proposals that can further clarify, organize, and prioritize endorsed investment ideas.

Key Investment Ideas Endorsed

Increasing land Productivity Concept Paper	Strengthening road transport and farm to market linkages Concept Paper
<p>Four investment ideas were endorsed:</p> <p>Investment Idea 1: Catalyzing More Effective Demand for More Efficient, Transparent Allocation of or Access to Land:</p> <p>Investment Idea 2: Strengthening Institutional Capacity of Land Actors to Regulate and Manage Land System.</p> <p>Investment Idea 3: Enhancing Resource Mobilization Strategies to More Effectively Finance Land Administration and Management</p> <p>Investment Idea 4: Developing a Land Use Plan for Effective Coordination and Public/Private Investment Decision Making</p>	<p>Three investment ideas were endorsed</p> <p>Investment Idea 1: Capital-intensive investments in transport and logistics network expansion, upgrading and maintenance of roads.</p> <p>Investment Idea 2: Facilitate private sector-led growth through inclusive models to link firms and smallholder farmers to markets and create an environment to promote fair trade.</p> <p>Investment Idea 3: Support the GoM to undertake required policy, institutional and/or regulatory reforms in the transport, agriculture, trade or environmental sectors to improve planning, coordination and effective delivery of the public sector</p>

MMD in collaboration with MCC is now undertaking independent studies that will inform the development of project proposals and identification of implementation areas. Amid Covid-19 delays, MMD is expected to submit project proposals in July 2020. MCC will review project proposals and provide feedback to MMD and the Government of Malawi before the end of the

year.

UPCOMING PHASES OF THE COMPACT DEVELOPMENT PROCESS

Phase IV: Project Development: Target June 2021

- Plans for the agreed-upon projects developed
- Budget developed
- Location for implementation identified
- detailed plan for the monitoring and evaluation (M&E) developed
- Consultants will be publicly procured by MMD



Phase IV: Negotiations: Target Sept 2021

- Technical, financial, and legal terms of compact negotiated
- Implementation unit created
- MCC's Board of Directors reviews
- Compact signed