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MALAWI

FY 2011–2015 Multi-Year Strategy

U.S. Government Document

The Feed the Future (FTF) Multi-Year Strategies outline the five-year strategic planning for the U.S. Government's global hunger and food security initiative. These documents represent coordinated, whole-of-government approaches to address food security that align in support of partner country priorities. The strategies reflect analysis and strategic choices made at the time of writing and while interagency teams have formally approved these documents, they may be modified as appropriate.

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ABBREVIATIONS AND ACRONYMS

| | |
|-----------------|--|
| ADMARC | Agricultural Development and Marketing Corporation |
| AU | African Union |
| ADP | Agriculture Development Program |
| ASWAp | Agriculture Sector Wide Approach |
| CAADP | Comprehensive African Agricultural Development Program |
| CF | Conservation Farming |
| CIDA | Canadian International Development Agency |
| CMAM | Community Managed Acute Malnutrition |
| COMESA | Common Market for Eastern and Southern Africa |
| DHS | Demographic and Health Survey |
| DCA | Development Credit Agreement |
| DCAFS | Donor Committee for Agriculture and Food Security |
| DfID | Department for International Development (UK) |
| DG | Democracy and Governance |
| DNHA | Department of Nutrition and HIV/AIDS |
| DoNUT | Donor Group for Nutrition |
| EU | European Union |
| FEWS NET | Famine Early Warning System Network |
| FISP | Farm Input Subsidy Program |
| FSTAP | Financial Sector Technical Assistance Project |
| GDA | Global Development Alliance |
| GDP | Gross Domestic Product |
| GoM | Government of Malawi |
| ICRISAT | International Crops Research Institute for the Semi-Arid Tropics |
| IFPRI | International Food Policy Research Institute |
| I-LIFE | Improving Livelihoods through Food Security (Title II) |
| INVC | Integrating Nutrition with Value Chains |
| MAPS | Malawi Agriculture Policy Strengthening |
| MCC | Millennium Challenge Corporation |
| M&E | Monitoring & Evaluation |
| MoAFS | Ministry of Agriculture and Food Security |
| MoH | Ministry of Health |
| NASFAM | National Smallholder Farmers Association of Malawi |
| NNPSP | National Nutrition Policy and Strategic Plan |
| OPC | Office of the President's Cabinet |
| PEPFAR | President's Emergency Plan for AIDS Relief |
| RUTF | Ready to Use Therapeutic Food |
| SADC | Southern Africa Development Community |
| SAKSS | Strategic Analysis and Knowledge Support System |
| SEG | Sustainable Economic Growth |
| SO | Strategic Objective |
| SUN | Scaling Up Nutrition |
| UNDP | United Nations Development Program |
| USADF | United States African Development Foundation |
| USDA | United States Department of Agriculture |
| USG | U.S. Government |
| WALA | Wellness and Agriculture for Livelihood Advancement (Title II) |

I. DEVELOPMENT CHALLENGES AND OPPORTUNITIES

Malawi's food security outlook is shaped both by a unique combination of threats that challenge national efforts to reign in hunger, and a government that is absolutely committed to achieving food self-sufficiency and has sought a leadership role in guiding continent-wide efforts to reach that goal. High population density and growth and a single rainy season per year pose a distinctive set of challenges that make Malawi chronically susceptible to food insecurity and famine. As recently as 2004/05, severe drought resulted in a costly humanitarian response to meet the basic food needs of 40 percent of the population.¹ The national reaction to this tragic history of famine was to make food security its top national political priority by boldly forging a plan to minimize the risk of future crises; an effort for which the international community has repeatedly praised President Mutharika. While Malawi's agricultural policy environment remains controversial, there are strong opportunities upon which to build that can further mitigate Malawi's risk of food insecurity and diminish policy constraints to further agriculture sector development.

I.1 OPPORTUNITIES

Reacting to a debt crisis and two major droughts in ten years, President Mutharika put in place a series of reforms that positioned the country for growth. Vowing not to be dependent on foreign countries for national food security, the President elevated and institutionalized agriculture and nutrition as key national policy priorities.² Since 2004, the Mutharika Government has also pursued strict fiscal discipline and stable macroeconomic policies that have resulted in a 90 percent decrease in public debt, steady single digit inflation since 2007, and a decline in real interest rates from a prime rate of 40 percent to 13.5 percent by 2010.³ Gross Domestic Product (GDP) rose from 6.7 percent in 2006 to 9.6 percent (the second fastest in Africa) in 2008, thanks to four years of good harvests and a growing manufacturing and services sector. This political and economic environment provides strong opportunities upon which to build Malawi's Feed the Future (FTF) Strategy:

- *Exceptional Commitment to Reducing Undernutrition* – Malawi's political commitment to reducing undernutrition is evident in its prominently placed Secretariat for Nutrition within the Office of the President and Cabinet and the Parliament's substantial budget commitments to implementing the National Nutrition Policy and Strategic Plan (NNPSP). The Nutrition Strategy, which is closely linked with the Agriculture Sector Wide Approach (ASWAp), established strong food and nutrition coordination mechanisms that have built critical ownership among implementers and development partners at both the national and community level.
- *Exceptional Commitment to Agricultural Development* – Food Security has been Malawi's top domestic policy issue since the 2004/5 drought, soon after President Mutharika first took office. Considered controversial by some, the Farm Input Subsidy Program (FISP) has dramatically changed Malawi's food security outlook since it began in 2005/6 and has developed into the backbone of a strongly country-owned plan. Before the Comprehensive African Agricultural Development Program (CAADP) process gained international prominence, Malawi began

¹ *New York Times*, "Drought Deepens Poverty, Starving More Africans," November 2, 2005. Article states that 4.6 million of Malawi's 12 million citizens needed donated food to fend off malnutrition, or 38.3% of the population.

² Ecker, O., & Qaim, M., 2010. "Analyzing nutritional impacts of policies: an empirical study for Malawi." IFPRI Discussion Paper 01017. The International Food Policy Research Institute.

³ Malawi Country Economic Memorandum: Seizing Opportunities for Growth through Regional Integration and Trade, Vol I: Summary of Main Findings and Recommendations. Prepared for African Development Bank, Department for International Development (DfID), Millennium Challenge Corporation (MCC), and World Bank, 2010.

developing an Agricultural Development Program through a consultative process with stakeholders and is now one of only a few countries meeting the CAADP spending and growth targets. Malawi's success in reducing food insecurity led to significant international praise for President Mutharika and has allowed him to play a prominent international leadership role on food security internationally. During his tenure as Chair of the African Union (AU), he developed an African Food Basket Strategy and also launched the first ever African Food and Nutrition Day.

- *Malawi Indicators for Future Success* – Malawi's robust economic and governance indicators make a strong case for U.S. investment in Malawi's economic development. Six percent agriculture GDP growth between 2006 and 2010 provides a solid basis for increased private sector activity and growth. Key economic indicators, including inflation, tax rates and domestic and external debt levels, have remained stable throughout this same time period. Malawi also compares favorably on governance indicators. Among 32 countries assessed by Freedom House in their 2010 "Countries at the Crossroads" report, Malawi ranked fourth in rule of law, seventh for anti-corruption and transparency, and eighth for both accountability and public voice and civil liberties. Though recent trends are being watched closely, this year's approval of Malawi's Millennium Challenge Corporation (MCC) Compact is further evidence of the country's commitment to improving governance and economic development.⁴

I.2 FOOD SECURITY CHALLENGES

While GDP growth has been robust in Malawi for several years, there are many challenges to continued economic expansion. With a population consisting of almost 85 percent rural smallholders and only 10-15 percent of smallholders marketing grain in a given year, there are few opportunities for demand-driven development of the agriculture sector.⁵ Weak human capital and high rates of malnutrition, HIV/AIDS and malaria have substantially affected productivity and labor markets. Though Malawi has benefited from decades of peace and security, increasing and diversifying both regional and international trade has been hampered by high freight costs, regional conflicts and damaged infrastructure and unpredictable economic policies. These constraints to economic development form the basis for Malawi's FTF Strategy:

- *Poor Nutrition Options and Behaviors* – There has been a significant improvement in child nutrition status since 2004, but undernutrition continues to affect significant portions of the population. According to the 2010 Demographic and Health Survey, 13 percent of children under age 5 were underweight and 47 percent were stunted.⁶ Several factors drive these still high rates of malnutrition, including poor nutritional behaviors (e.g., sub-optimal child feeding practices, inadequate knowledge of appropriate food choices), low diversity of nutritious foods in the available food supply and the impacts of a high disease burden (e.g., HIV infection rates of 12 percent nationally, high prevalence of malaria). Maize constitutes over 50 percent of Malawi's available food supply and only around 15 percent of Malawians regularly consume milk, meat, or eggs.
- *Underdeveloped Markets* – Relatively thin and poorly functioning staple crop markets, especially for maize, are major causes of the high seasonal variation in staple food prices and declining

⁴ On July 26, 2011, the MCC Compact with Malawi was placed on operational hold.

⁵ Jayne, T.S., Nicholas Sitko, Jacob Ricker-Gilbert, Julius Mangisoni. Malawi's Maize Marketing System. Feb. 6, 2010, p. 9.

⁶ Malawi Demographic and Health Survey 2010, Preliminary Report. National Statistical Office Zomba, Malawi and MEASURE DHS, ICF Macro, Calverton, Maryland, USA, p. 20.

productivity. With only small percentages of maize produced reaching the markets, small changes in the quantity of grain traded have a major impact on prices. When yields are high, farm gate prices are often not even sufficient to cover costs of production; when yields are low, prices can prohibit adequate household consumption. As an estimated 60 percent of households are net buyers of maize, price fluctuations in both directions exclude farmers from investing in productivity enhancing inputs, such as fertilizer or small scale irrigation. Productivity enhancements are further discouraged by the inelasticity of demand created by the export ban on staple crops, in place since 2005, and the failure of the marketing system to move maize from areas of surplus to areas of deficit. The Government of Malawi (GoM)'s strong response to improving output markets has centered on purchasing by the national marketing board (the Agricultural Development and Marketing Corporation or ADMARC) and through commodity price regulation designed to help farmers get "fair" prices. However, with lack of capacity and funding at ADMARC and liquidity problems for farmers, these interventions have generally had the opposite effect.

- *Low Agricultural Productivity* – Malawi's farmers rely almost entirely on a rain-fed agricultural system served by a single five-month rainy season. Despite an annual average of 17.3 km³ of renewable of water, only about five percent is used and irrigates less than 75,000 out of a potential 400,000 irrigable hectares (ha) nationwide.⁷ With only one rain-fed crop annually, intermittent droughts and variability in the timing of precipitation has had serious impacts on agriculture and hence national food security. Small average landholdings and significant deforestation have also dramatically diminished Malawi's soil productivity due to increasingly intensive cultivation and soil erosion. Climate change threatens to further exacerbate these factors.
- *High Population Density and Growth* – This already challenging environment will be put under further pressure by a rapidly growing population, which at 2.8 percent annual growth is expected to triple to over 40 million people by 2040.⁸ One of the most densely populated countries in Sub-Saharan Africa (139/km²)⁹, average landholding in Malawi was 1.13 hectares, but over a third of households have plots of less than 0.7 hectares.¹⁰

On a regional level, the U.S. Government's (USG) Southern Africa Regional FTF Strategic Plan lays out the seemingly intractable challenges contributing to the high level of food security vulnerability in Southern Africa Development Community (SADC) member countries. Escalating poverty, high rates of illiteracy, stagnant nutrition indicators, explosive population growth, and constraints on available agricultural land, weather calamities, and poor governance are further compounded by the lack of regional integration that is essential to achieve economic growth and food security.

1.3 A FOCUSED AND SUSTAINABLE APPROACH

U.S. Government FTF investments will focus on three areas in order to capitalize on the above opportunities and sustainably address Malawi's food security challenges:

⁷ Kenneth Wiyo and Jean Mthethiwa, *Irrigation Development In Malawi: Determining the major factors that have led to slow development of irrigation*, Bunda College, Center for Agricultural Research and Development (CARD), September 2008, p. 47.

⁸ RAPID: Population and Development in Malawi. Lilongwe, Malawi: Population Unit, Ministry of Development Planning and Cooperation. 2010, p. 7.

⁹ Malawi in Figures, 2010. Government of Malawi, National Statistics Office.

¹⁰ Second Integrated Household Survey, Malawi, 2004. Government of Malawi, National Statistics Office.

Promote improved nutritional behaviors – USAID/Malawi’s nutrition strategy is a national strategy, aligned with Malawi’s National Nutrition Policy, and designed to meet the goals of both FTF and the Global Health Initiative (GHI) through a balanced approach between traditional therapeutic programs for near-term impact and capacity and systems building for the long-term. At the national level, investments will leverage resources from across the GHI portfolio to focus on behavior change and capacity building within health systems. The Mission will also leverage and complement its value chain investments through targeted programs at the local level, focusing on behavior change and capacity building with district level health workers to intensify household level messaging about dietary diversification and improved feeding to pregnant women, young children and infants. The increased availability of nutritious foods resulting from FTF value chain interventions will similarly reinforce nutrition efforts.

Invest in high potential value chains to develop markets and improve nutritional options – Analysis of staple crop, cash crop and livestock value chains in Malawi identified legumes and dairy as having the strongest business case, greatest potential for nutrition and gender benefits, and best opportunities for innovation and leveraging other USG, donor and government resources. Furthermore, recent analysis conducted by the USAID Southern Africa Trade Hub found that legumes, in particular, offers strong market potential based on its market share and average annual growth rate in the region.¹¹ Both legumes and dairy are high protein, popularly consumed foods that traditionally have strong involvement of women. The two value chains are also mutually reinforcing, as legumes are an important input for livestock feed, and groundnuts, soy, and dairy are principle inputs in therapeutic food production, of which Malawi has three separate producers. Both have similar constraints that suggest a technical approach focused on building market systems, with small and medium-size agro-dealers and bulking centers as change agents. Building capacity of agro-dealers and private sector associations to provide better supply of inputs and services and ensure more regular output markets, will improve the quality of produce and ensure higher prices for producers while also meeting demand of processors and exporters. This model will build demand for both inputs and outputs, improve stability of that demand and stabilize prices. Finally, as the change agents in the legume value chain overlap with maize and other staples, this strategy allows us to impact other value chains as well, without baring the risks associated with some other value chains like maize. A preliminary cost benefit analysis of the two value chains revealed that they return very high positive benefits to our FTF investments.

Engage with GoM to improve the policy environment – The enabling environment in Malawi is characterized by strong government interventions, specifically with input markets, pricing and trade. While both legumes and dairy have strong business cases within Malawi’s current policy environment, long-term agriculture sector growth requires evolution of the current policy environment.

I.4 GEOGRAPHIC FOCUS - CENTRAL AND SOUTHERN REGIONS

The overlapping regional benefits of legumes and dairy further supported their selection. In both value chains, the greatest potential for expansion and impact exist in seven districts straddling the central and southern regions. With the highest production levels of groundnuts and soy in the country,¹² these districts provide the best opportunity to link farmers to existing market demand through the proposed

¹¹ USAID Southern Africa Trade Hub, Technical Report: Priority Value Chains Selection and Assessment, Part One, April 2011, pp. 6-12.

¹² There is one district to the North with high legume production as well. However, in the interest of geographic focus, we have selected to not focus there.

value chain investments. With producers and processors of milk operating at less than 50 percent capacity in this region, there is a similarly compelling case for focusing on dairy expansion in these districts as well. Increasing dairy and legume production in the same region also provides opportunities to link animal feed producers into both value chains. The recently completed Improving Livelihoods through Food Security (I-Life) Title II program, also in this region, establishes a base of existing farmer groups and livelihood projects upon which the Mission can establish new programs. With additional funding in later years, the Mission will expand this geographic focus all the way to the southern border in order to work with the current Title II project beneficiaries on pigeon pea value chain activities.

With some of Malawi's highest poverty and undernutrition rates also concentrated in this region, focusing in this area both creates opportunities for nutrition interventions and also allows for leveraging the compounding benefits of numerous other GHI programs. The Central and Southern regions have higher prevalence of stunting and underweight and double the prevalence of wasting and the Central region in particular is home to nearly half of all Malawi's children under five, 566,000 of whom are stunted.

Aligned to Government Priorities and Coordinated with Partner Efforts

With Malawi's Agriculture Development Program (ADP), now the Agriculture Sector Wide Approach, in development since 2007, the Government of Malawi (GoM), stakeholders and development partners have a history of closely collaborating on agriculture sector strategy and program development. As the GoM moves towards sector wide approaches for all sectors, donors are rallying in support of efforts to harmonize investments and align with national sector strategies. USAID/Malawi has played a strong leadership role on the Donor Committee for Agriculture and Food Security (DCAFS) in support of efforts to develop the ASWAp as part of the broader CAADP Process.

Figure 1. Geographic Focus Areas



USAID/Malawi also plays a leading role on the Joint Donor Resilience Unit, a forum for joint working and improved co-ordination on resilience issues including climate change. The Mission participates in the Public Private Dialogue, a forum where GoM senior officials dialogue with private sector actors on issues related to economic growth. The Agriculture Sector Working Group, which recently convened its first meeting, will be jointly chaired by the Ministry of Agriculture and Food Security (MoAFS) Permanent Secretary and the Donor Committee for Agriculture and Food Security (DCAFS) Chair. The National Conservation Agriculture Taskforce, formed in 2007, meets quarterly with a mandate to

promote uptake of conservation agriculture to mitigate negative impacts of land degradation and climate change.¹³

The GoM in consultation with other stakeholders, including DCAFS, anticipates holding a high level business meeting to strengthen participation by all stakeholders towards CAADP/ASWAp implementation. A Roadmap has been finalized to highlight specific activities, timelines for implementation as well as responsible actors for steering the business meeting process. Recently, the GoM unveiled a draft of the second Malawi Growth and Development Strategy (MGDS II), a follow-on strategy to the current MGDS. It is envisioned that, like its predecessor, MGDS II will strengthen inter-ministerial coordination.

FTF value chains and interventions are focused where USAID has a comparative advantage relative to GoM or other development partners and where there is the greatest need, both in terms of reduction of poverty and undernutrition and funding gaps in the Country Investment Plan. The FTF strategy similarly builds on the investments and expertise of USG partners and USAID sector teams.

Within the nutrition sector, various technical working groups meet on a quarterly basis, and more frequently as deemed necessary. These technical working groups are chaired and co-chaired by the relevant GoM departments, but all are coordinated by the Department of Nutrition and HIV/AIDS (DNHA). One such group is the Nutrition Development Partners or the Donor group for Nutrition (DoNuts), whose membership comprises all key GoM departments and all donors supporting nutrition.

Recently, a new development partner group has been formed, with the following objectives:

- Deepen dialogue, coordination and cooperation and develop a common approach among development partners on issues of nutrition security; and
- Present a coherent voice in interactions with the GoM on nutrition issues, with a view to strengthening the quality of partnership and effectively supporting the implementation of the NNPS, particularly multi-sectoral coordination for nutrition actions within the Health SWAp, ASWAp, HIV/AIDS and related strategic plans.

Representatives of this group that already attend the other donor groups will also represent DoNuts in these groups. USAID participates in most of these groups, and is a key member of the infant and young child nutrition and the micronutrient groups. The Joint Food and Nutrition Security Task Force is the interface between donors, NGOs, civil society, private sector and the MoAFS and DNHA that allows detailed information to be shared. This platform also provides the GoM an opportunity to express its own policy decisions in the sector.

¹³ The National Conservation Agriculture Taskforce formed in 2007 meets quarterly with a mandate to promote uptake of conservation agriculture as one of the strategies for sustainable production to mitigate negative impacts of land degradation and climate change.

Table 1. Alignment of Feed the Future Investments with an Agriculture Sector Wide Approach (ASWAP)

| ASWAp focus area | ASWAp component(s) | FTF strategic focus areas |
|--|--|--|
| Food security and risk management | <ul style="list-style-type: none"> Diversification of food production and dietary diversification for improved nutrition at household level with focus on crops, livestock, and fisheries | <ul style="list-style-type: none"> Promote improved nutritional behaviors Invest in high potential value chains to develop markets and improve nutritional options |
| Commercial Agriculture, Agro-processing and Market Development | <ul style="list-style-type: none"> Market development for inputs and outputs through public/private sector partnerships | <ul style="list-style-type: none"> Invest in high potential value chains to develop domestic and export markets and improve nutritional options |
| Sustainable Agricultural Land and Water Management | <ul style="list-style-type: none"> Sustainable agricultural land and water management Green Belt Initiative irrigation development | <ul style="list-style-type: none"> Invest in high potential value chains to develop domestic and export markets and improve nutritional options |
| Institutional Strengthening and Capacity Building | <ul style="list-style-type: none"> Strengthening public management systems Public and private sector capacity building | <ul style="list-style-type: none"> Engage with government and non-state actors to continue to improve the policy environment |

Table 2. Alignment of Feed the Future Investments with National Nutrition Policy and Strategic Plan

| Nutrition Priority Area | Nutrition Policy Key Objectives | FTF Strategic focus areas |
|--|--|---|
| Prevention and control of various forms of nutrition disorders among women, men, boys, and girls in Malawi | <ul style="list-style-type: none"> Promotion of optimal breastfeeding (0-6 mos) Promotion of optimal feeding practices (0-24 mos) Optimal feeding of the sick child Prevention and control of micronutrient deficiency Strengthening capacities for households and communities to attain adequate nutrition | <ul style="list-style-type: none"> Promotion of optimal infant and young child feeding practices through community-based behavior change communication Quality of care of facility-based nutrition service delivery Support national efforts towards fortification of selected centrally processed foods |
| Promoting access to quality nutrition and other related services for the effective management of nutrition disorders among women, men, boys, and girls in Malawi | <ul style="list-style-type: none"> Scaling up of Community Therapeutic Feeding and Supplementary feeding Scaling up of nutrition treatment, care, and support provision for PLHIV Strengthening logistics, linkages, and referral in care up to the community level Strengthening services for early detection and management of nutrition-related non-communicable diseases | <ul style="list-style-type: none"> institutionalization and scale-up of community management of acute malnutrition Community-based identification and referral of children who are malnourished Linkages with PEPFAR programs |
| Creation of an enabling environment that adequately provides for the delivery of nutrition services and the implementation of the nutrition programs, projects and interventions | <ul style="list-style-type: none"> Establishment of a well-defined coordination mechanism for nutrition services and programs Advocacy to position nutrition at the center of the national development agenda Increased budgetary allocation of resources by the government for implementation of NNPS Building of institutional and human capacity for the effective delivery of nutrition services Promoting evidence-based programming | <ul style="list-style-type: none"> Master's degree training of government and NGO employees Training of mid-level district managers in nutrition Training of frontline extension workers from key ministries of agriculture, health and gender in nutrition |

I.5 MONITORING AND EVALUATION FOR SUSTAINABLE IMPACT

Strong integration of nutrition and agriculture investments in the USG's FTF strategy offer significant learning opportunities for both the Mission and the agency as a whole. These learning opportunities can only be realized through high quality monitoring and evaluation (M&E) systems, and more specifically, robust impact evaluations. The Malawi Mission is deeply committed to high quality M&E for both FTF and GHI and has engaged with the Bureau for Food Security and Health colleagues throughout the multi-year development process to move this agenda forward. To ensure impact evaluation is incorporated effectively into M&E systems, USAID/Washington has committed to support development of the overall M&E plans as well as design of impact evaluations within the plan.

2. FEED THE FUTURE OBJECTIVES, PROGRAM STRUCTURE AND IMPLEMENTATION

Objective Statement

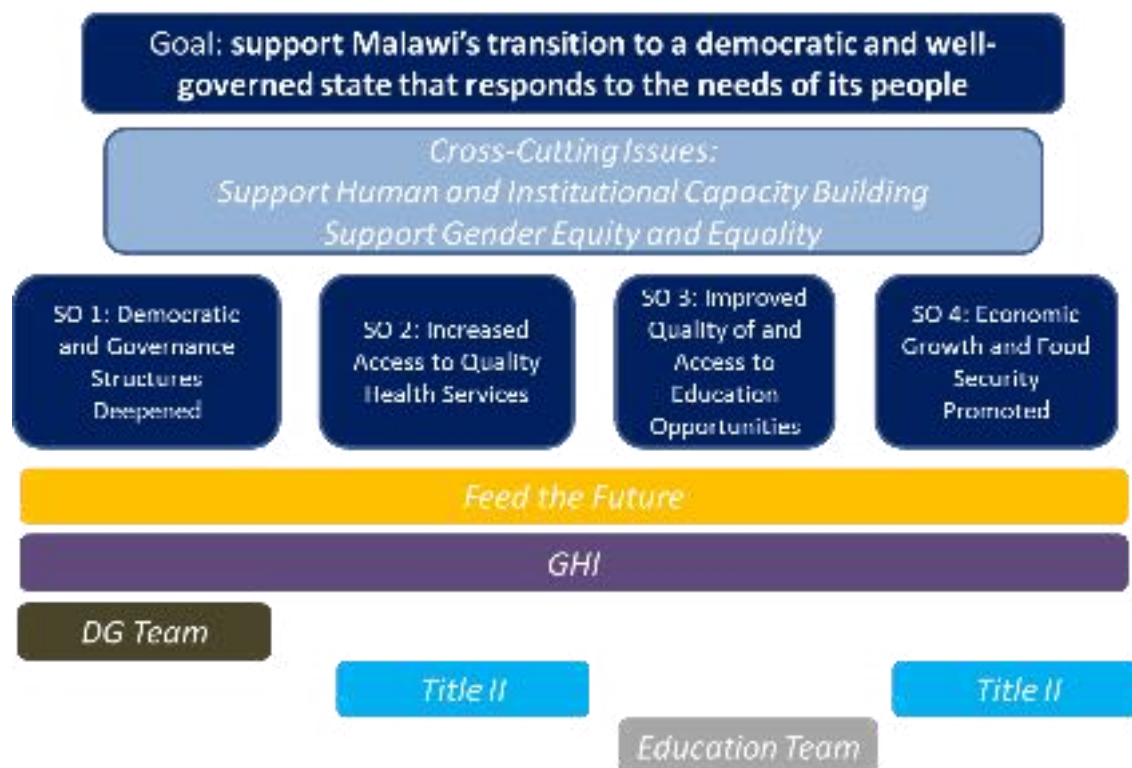
USAID development assistance to Malawi is structured under a Strategic Objective (SO) Framework. The overall Mission SO is to support Malawi's transition to a democratic and well-governed state that responds to the needs of its people (see Figure 2). To accomplish this objective, USG resources are invested through the following sector level SOs to deepen democracy and good governance, strengthen public and private institutions, promote economic growth and food security, and improve quality of and access to health and education services. All Mission activities are aligned with these guiding SOs, and the FTF strategy was designed within this structure.

The objectives of Malawi's FTF strategy (see Figure 3) are to sustainably reduce poverty and hunger; and to improve nutrition of women and young children. These objectives represent specific efforts within the Mission to align agriculture and nutrition programming in order to leverage resources from across the FTF and GHI portfolios. The coordination of the two Initiatives is a critical component of the Mission's overall assistance strategy and is how the U.S. Government will be able to achieve the FTF expected results of improving the income and nutritional status of rural populations from strategic policy and institutional reforms.

Given the significant economic losses associated with malnutrition¹⁴, integrating nutrition investments into value chains is critical to sustainably impacting the trajectory of Malawi's economic future. To reverse these losses, Malawi must change nutrition behaviors of Malawians and rebuild the poorly functioning input and output markets that have drastically reduced incentives for farmers to increase and diversify their production. Facilitating private sector provision of higher quality, more reliable input and output markets and services, while also addressing risk aversion among value chain players, will stimulate demand for agricultural production and provide farmers with the tools to improve productivity.

¹⁴ Malawi Nutrition Profiles, 2006. Government of Malawi, Ministry of Health, USAID/AED- LINKAGES AND AFRICA 2010, UNICEF.

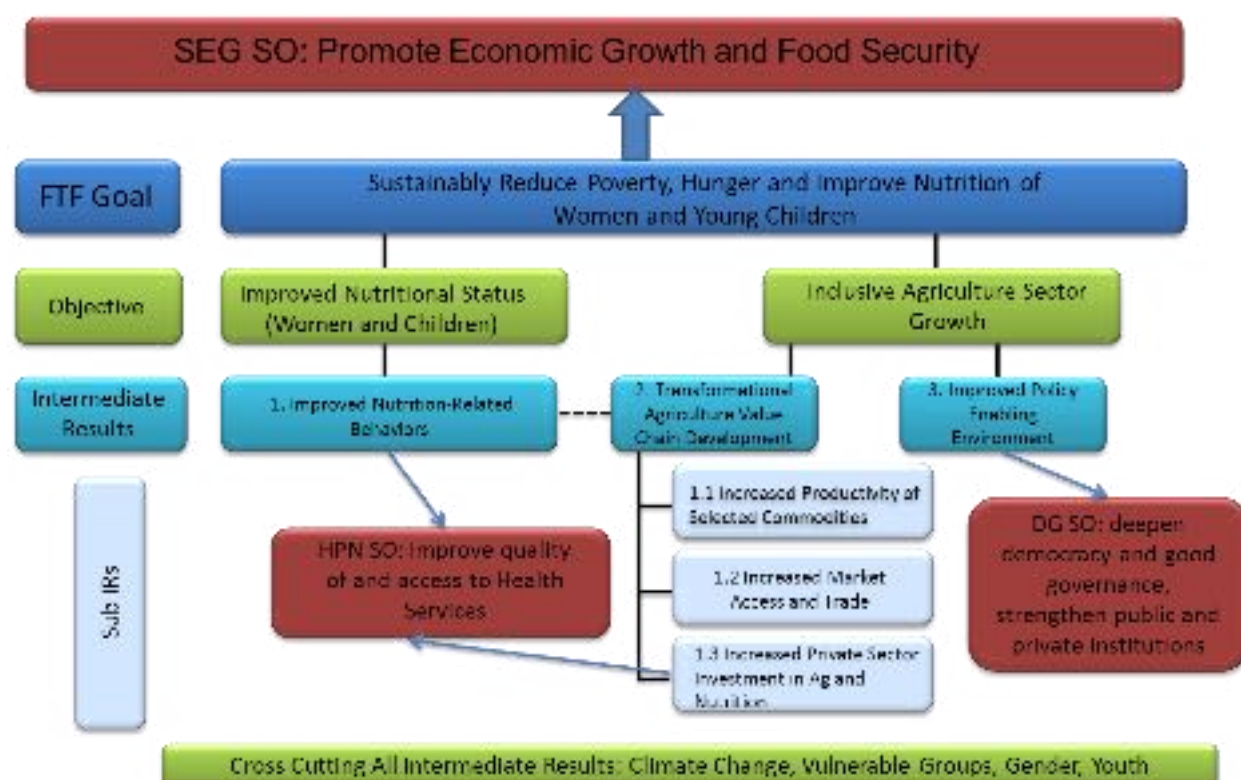
Figure 2. USAID/Malawi Results Framework



Successfully addressing the factors leading to risk-averse behavior, such as the unpredictability of agriculture policies, also requires supporting the involvement of non-state actors in GoM policy development. By combining improvements to value chain support services and policy enabling environment with behavior change interventions targeting improved nutrition practices, USG interventions will provide households with the knowledge and opportunity to better allocate resources for improved household nutrition and incomes. As such, the USG will achieve its FTF targets through investments in the following Intermediate Results (IRs):

1. Improved nutrition-related behaviors;
2. Transformational agriculture value chain development; and
3. Improving the enabling policy environment.

Figure 3. Malawi Feed the Future Results Framework



2.1 INTERMEDIATE RESULT 1: IMPROVED NUTRITIONAL STATUS OF WOMEN AND CHILDREN

Undernutrition remains a substantial and persistent public health and development challenge in Malawi. According to the 2010 Demographic and Health Survey (DHS), the prevalence of stunting, an indicator of chronic undernutrition, declined from 53 percent in 2004 to 47.1 percent in 2010.¹⁵ While this decline is notable, nearly half of Malawi's children still suffer from chronic undernutrition. In the Central region where the FTF program is concentrated, 47.2 percent of the children under five are stunted and 13.5 percent are underweight.

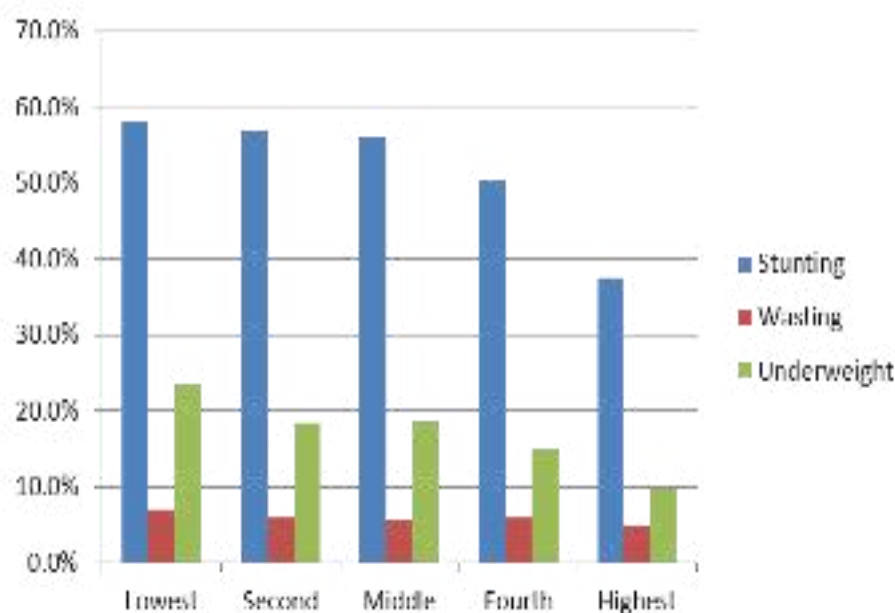
Overall stunting rates within Malawi are drastically elevated in all but the highest wealth quintile (see Figure 4), and undernutrition indicators vary little across the bottom three quintiles. This low correlation between wealth and nutritional status highlights the need to address the broad demographic reach of undernutrition through a comprehensive approach with an emphasis on social and behavioral change and systems-wide interventions. The persistent severity of malnutrition in recent years despite strong agricultural and economic growth, as well as high rates of malnutrition even in the upper wealth quintiles, underscores the importance of non-income-related factors such as knowledge, attitudes and practices surrounding food production, preparation and consumption, feeding behavior (e.g., frequency of feeding and active feeding), and disease prevention and treatment.

¹⁵ Malawi Demographic and Health Survey 2010, Preliminary Report. National Statistical Office Zomba, Malawi and MEASURE DHS, ICF Macro, Calverton, Maryland, USA, p. 20.

Agricultural development and economic growth do not necessarily lead to improved nutrition, particularly for vulnerable groups such as young children,¹⁶ although nutritional improvements represent an important input to improving economic productivity. Using nutrition profiles¹⁷, the GoM estimated in 2006 that some \$446 million in productivity could be lost over the subsequent 10-year period due to anemia, stunting, and mental impairment – or a total of \$1.7 billion in cumulative losses over the same time period for all nutrition-related issues.¹⁸ Every \$1 invested in nutrition could help the country realize as much as \$5.30 in productivity gains.¹⁹

Despite these challenges, there is increasing commitment from GoM, development partners and the NGO community to address undernutrition in Malawi, opening up vast opportunities in the 2011-2015 timeframe to make significant reductions in chronic undernutrition. First, GoM policy and financial commitments have increased significantly in recent years since the development of the National Nutrition Policy and Strategic Plan. Funding for the DNHA has steadily increased from about \$0.4 million in FY08, to \$1.6 million in FY 09 and \$1.7 million in FY10, and donor commitments to DNHA may significantly increase that amount in 2011. While nutrition has been under-resourced and under-prioritized within the agricultural sector, CAADP as well as USG assistance under FTF will likely result in increased pressures within the sector as a way to allocate more attention toward crop and dietary diversification.

Figure 4. Anthropometric Data by Poverty Quintile Malawi DHS 2004



¹⁶ Ecker, O., Breisinger, C., and Pauw, K., 2011. "Growth is good, but is not enough to improve nutrition." Conference Paper 7 for the 2020 Conference: Leveraging Agriculture for Improving Nutrition and Health, Feb. 10-12, 2011; New Delhi, India.

¹⁷ Profiles is an advocacy tool that applies the best science available to estimate relationships between nutrition and productivity but it is not a substitute for direct measurement of these relationships and, therefore, the data generated using this tool should be taken with a grain of salt.

¹⁸ Malawi Nutrition Profiles, 2006. Government of Malawi, Ministry of Health, USAID/AED- LINKAGES AND AFRICA 2010, UNICEF..

¹⁹ National Nutritional Policy and Strategic Plan. Department of Nutrition, HIV and AIDS, Government of Malawi, 2009.

On March 15, 2011, the GoM became an early riser country in the Scaling Up Nutrition (SUN) movement. This global effort will enable the GoM to work with all development partners to increase the focus on achieving nutrition results in Malawi. Other key donors supporting nutrition programs in Malawi – including the Department for International Development (DfID), Canadian International Development Agency (CIDA), the World Bank, and the European Union (EU) – are also in the process of reviewing their investments and possibly increasing their resource commitments to nutrition in FY11-12. This includes approximately \$2 million in new funding for DNHA to bolster its technical and policy leadership. Among these key donors, there is also increasing consensus around a number of key approaches and principles for advancing nutrition in the country. These include:

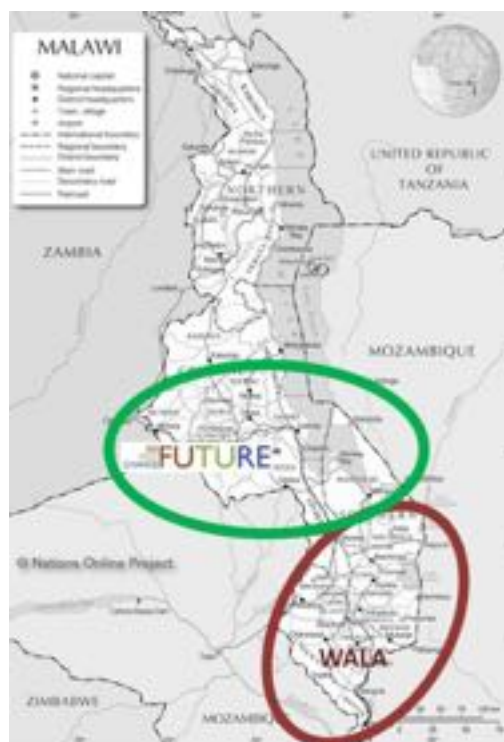
- An increasing focus on prevention relative to management of undernutrition;
- Integration of, and investment in, nutrition through agricultural and livelihood programming;
- Continuing support for management of acute malnutrition through Nutritional Rehabilitation Units (NRUs) and Community-based Management of Malnutrition (CMAM);
- Supporting fortification of prioritized centrally processed foods;
- Supporting the GoM to improve their policy and programmatic leadership in nutrition; and
- An increasing focus on community-based programming and local capacity-building, including community cadres.

As a result, the donor community faces significant opportunities starting in 2011 to come together around a coordinated, multi-sector approach which supports the GoM in effectively addressing undernutrition.

The U.S. Government's vision is to support Malawi to achieve sustainable improvements in undernutrition in line with the National Nutrition Policy and Strategy, and with the strengths and capabilities of the GoM, other donors and partners, and USAID implementing partners. We recognize that investing in nutrition is not only an investment in health, but in agricultural development, education, economic growth, and poverty reduction.

Our core investments will go towards the reduction of chronic undernutrition (see Figure 5) through programming in the central region which complements similar interventions currently being undertaken by Title II work in the southern region. With small annual investments, support will be provided to national level activities such as food fortification and capacity building of GoM institutions. Our proposed investments are in line with the National Nutrition Strategy and Implementation Plan, and we seek to implement programs that are complementary to other development partner programs.

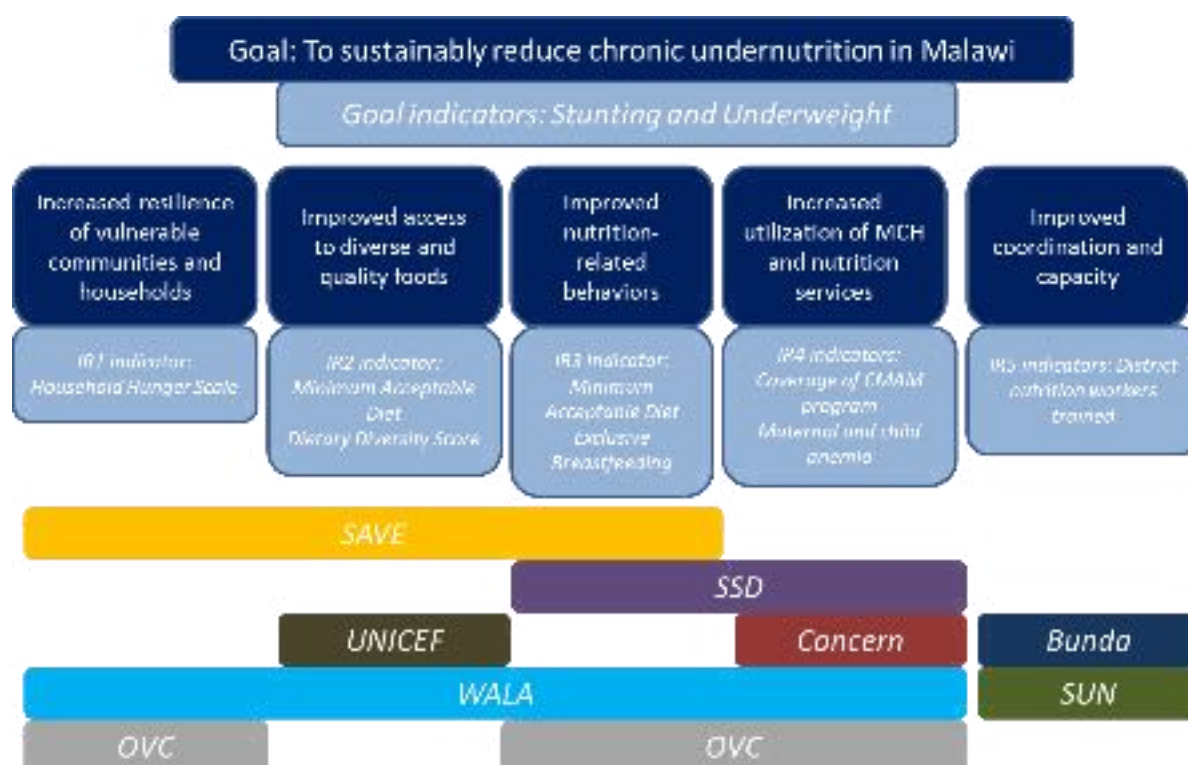
Figure 5. Geographic Focus for Feed the Future and Title II



The USG's approach to nutrition under FTF, leveraging GHI, will embrace the core elements of a comprehensive programming strategy listed below. Consultations with the GoM and other development partners confirm that the elements below are in line with the overall evolution of Malawi's nutrition sector:

- **Ownership by the Malawian people.** The drivers of positive change for undernutrition in Malawi will ultimately be with the Malawian people, starting with communities. The USG plans to support community-focused approaches in targeted districts, and will support local civil society organizations to implement interventions. We will support the already strong GoM plans and programs to mainstream nutrition through national systems, and will assist in convening the SUN process in Malawi with other stakeholders.
- **Smart integration.** As discussed in the sections above, improving nutrition requires a comprehensive approach that maximizes synergies between all sectors. As SUN outlines, nutrition-focused development is the responsibility of health, agriculture, and social protection sectors. As such, the USG is incorporating nutrition into our agriculture, maternal/child health, infectious disease (the President's Emergency Plan for AIDS Relief (PEPFAR), the President's Malaria Initiative), and Food for Peace programming.

Figure 6. Nutrition Strategy Results Framework



The approach directly supports GoM nutrition programs and strategies under the national nutrition policy and strategic plan. Activities to increase community-level capacity to prevent malnutrition will serve as a platform for reinforcing both healthy behaviors at the household level and utilization and access to appropriate services. At the national level, the USG aims at achieving the following key impact result:

- More than 293,000 children will be reached with services to improve their nutrition and prevent stunting and child mortality.²⁰

With a program that extends the benefits of a comprehensive approach to reducing food insecurity to the whole of the central region, GoM, the USG and other development partners could help to achieve the results²¹ listed in Table 3 below.

²⁰ Disclaimer: These preliminary targets were estimated based on analysis at the time of strategy development using estimated budget levels and ex-ante cost-beneficiary ratios from previous agriculture and nutrition investments. Therefore, targets are subject to significant change based on availability of funds and the scope of specific activities designed. More precise targets will be developed through project design for specific Feed the Future activities.

²¹ These calculations do not account for population growth nor average annual reduction rate. In addition, particularly for underweight figures, these predictions for 2015 are inflated as they do not account for “last mile” analyses.

Table 3. Stunting and Underweight Data for Central Region

| | Prevalence 2010 | Number of children 2010 | Prevalence 2015 (low) | Number of children 2015 (low) | Prevalence 2015 (high) | Number of children 2015 (high) |
|-------------|-----------------|-------------------------|-----------------------|-------------------------------|------------------------|--------------------------------|
| Stunting | 47.2% | 566,608 | 39.7% | 473,565 | 37.2% | 443,473 |
| Underweight | 13.5% | 161,035 | 4.5% | 53,678 | 2% | 2,385 |

2.2 INTERMEDIATE RESULT 2: TRANSFORMATIONAL AGRICULTURE VALUE CHAIN DEVELOPMENT

Maize is central to the rural economy of Malawi, yet given the volatility of production, maize neither drives nor sustains growth.²² The 2009 World Bank Country Economic Memorandum argues that while maize contributes to GDP, it creates a limited number of multiplier effects on the rest of the economy due to low levels of marketed surpluses and “low net profitability of production” under fertilizer, which has little effect on value added, while adding to production costs. The volatility of production (generally due to drought), small-sized landholding, depleted soil quality, high costs of transport, constrained access to markets, uncertainty of commodity prices and agricultural policies, and very low incomes translate into farmer reluctance to innovate and/or diversify their production. While there has been some diversification in smallholder production, as exemplified by tobacco, pulses, and groundnuts, the area under maize cultivation is roughly equivalent to all other crops combined.

Transforming the agricultural sector in Malawi includes increasing the competitiveness of staple food value chains, in which large numbers of smallholders participate, with resulting increases in productivity and total food supply. Increased productivity of maize and its dependable availability in the market, incentivizes smallholder farmers to diversify into higher-return-per-hectare commodities and eventually into non-farm activities.

Transformation in agriculture, in a country that is drought prone, relies on unimodal rainfall. Subsequently, one rain-fed harvest cannot ignore behavior change interventions that could lead to the integration of farming practices that are more resilient to climate change and also more environmentally friendly in terms of improved soil fertility and moisture conservation. A detailed scientific study done by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)²³ in Zimbabwe concluded that conservation farming (CF) does contribute to increased yields across all agro-ecological zones and can thus make a major contribution to household food security. These increased yields, combined with better financial returns from CF when compared with conventional management practices, have convinced farmers to increase the size of areas under CF. This evidence is supported by similar work done with partners and smallholders by USAID in Malawi.

Greater and more diverse food supply, coupled with behavior change interventions, such as conservation farming practices, will result in more mainstreamed consumption of high quality, nutritious foods. Moreover, increased smallholder productivity and diversification of income sources translates

²² MALAWI Country Economic Memorandum: Seizing Opportunities for Growth through Regional Integration and Trade, Vol I: Summary of Main Findings and Recommendations. Prepared for African Development Bank, Department for International Development (DfID), Millennium Challenge Corporation (MCC), and World Bank, 2010.

²³ An Assessment of the Sustainable Uptake of Conservation Farming in Zimbabwe. Kizito Mazvimavi, Steve Twomlow, Paul Belder and Lewis Hove. ICRISAT, Zimbabwe. 2008. Global Theme on Agroecosystems - Report no. 39

into higher rural household incomes. At the national level, surplus production decreases food prices, benefiting consumers, especially the rural poor who spend the majority of their incomes on food.

In identifying the value chains in Malawi with the greatest transformational potential, the Mission not only analyzed the strength of their business case, but also evaluated each value chain's ability to economically empower women, significantly impact household level nutrition and contribute to or leverage existing donor and GoM efforts. Legumes (groundnuts and soybeans) and dairy (fresh milk) are the most promising value chains for FTF focus based on this analytical prioritization (see Table 4) and results of the cost benefit analysis detailed in the following section. There is strong market demand for production in both value chains, both have established private sector players that can help link Malawi's poor, smallholder producers to existing market demand, both are profitable for smallholder producers and neither is meaningfully impacted by government market interventions. Finally, legumes and dairy are high protein nutritious foods that offer opportunities for dietary diversification, which can be captured through increased production coupled with behavior change communication (BCC) activities. Studies conducted by ICRISAT in Zimbabwe show more than 100 percent increases in maize yields, using CF techniques in both, high, medium and low rainfall scenarios. Conservation farming not only increases overall soil fertility, moisture and soil microfauna, more importantly it frees up land to grow other crops, such as legumes and also allow for rotations.

Legumes

Legumes are both produced and consumed widely in Malawi, with approximately 16 and 38 percent of smallholders already producing soy and groundnuts respectively (see Table 4)²⁴. Evidence also demonstrates that investments in legumes can support productivity both by increasing household income available for inputs and the nitrogen fixing properties of legumes.²⁵ Soy and groundnuts similarly offer farmers opportunities to diversify from maize into higher value per hectare crops that can be sold on local and export markets. When rains are good they can significantly increase crop yields and in dry years when the crop fails, they can provide fruit, fodder and fuel as alternative food and income. Because legumes are commonly used in Malawian cooking, with roughly three-fourths of Malawians consuming legumes at least two to three times per week, there is significant potential for an increased supply of legumes to impact household level nutrition.²⁶ As they are also traditionally grown by women, these legumes provide significant opportunity to support women's economic empowerment, though all interventions affecting women will be viewed through a holistic gender lens and not just an economic productivity lens.

As the Mission's theory of agricultural transformation includes improved productivity for all staple crops, this necessarily includes improved maize productivity in addition to diversification into higher value per hectare commodities. While the USG will not directly support maize value chains, FTF investments will indirectly contribute to improved maize productivity through improved support services provided by agro-dealers. The GoM FISP and investments by other donors will address additional maize value chain development needs.

²⁴ USAID, Strengthening Livelihoods through Food and Nutrition Security in Vulnerable SADC Countries baseline survey.

²⁵ Snapp, S. S.; Blackie, M. J.; Gilbert, R. A.; Bezner-Kerr, R.; Kanyama-Phiri, G. Y. Biodiversity can support a greener revolution in Africa. *Proceedings of the National Academy of Sciences*, vol. 107, issue 48, p1.

²⁶ Welfare Monitoring Survey 2009, p 96. 76% of Malawians reported consuming beans and pulses at least once per week.

Dairy

Dairy will play an important role in realizing agricultural transformation as it offers a diversified investment opportunity away from staple crops that benefit from the improved productivity of maize and legumes through the feed industry. Demand for milk in Malawi far outpaces production, requiring additional 10-20,000 smallholder producers beyond the existing 8-10,000 to meet demand.²⁷ Moreover, the multiplier effects generated from improving the competitiveness of the dairy value chain will generate substantial non-farm employment opportunities for the rural poor, including women and youth.

Roughly 15 percent of the population consumes milk²⁸ and efforts to improve packaging and marketing to make milk more affordable may help expand consumption to poorer and more rural areas. Milk is especially beneficial to addressing undernutrition among children under five years of age. Women make up nearly 45 percent of USAID supported milk bulking groups in Malawi and assets and labor are evenly distributed between men and women in the sector, again providing significant opportunity to advance opportunities for women.

While the legumes and dairy value chains have strong business cases within Malawi, climate change still poses great risk to most of the targeted smallholder farmers. This risk greatly contributes to vulnerability and undermines not only household resilience, but also systems attempting to provide essential services and promote development. Any attempt to respond to this complex situation requires cross-sectoral analysis to genuinely understand the cause and effect associated with the dimensions of vulnerability. USAID/Malawi will conduct a Vulnerability Assessment and an Environmental Threats and Opportunities Assessment for inclusion of climate change implications, promoting resilience and increasing smallholder farmer's ability to resist, building their capacity to cope with and even overcome hazards and managing the risk posed into the value chains.

Table 4. Value Chain Prioritization Analytics²⁹

| Value Chain | Current Production (MT, 2010) | Gross Margins (% estimate) | Smallholder producers (estimate, 2009) | Consumption (% of population) |
|-------------|-------------------------------|----------------------------|--|-------------------------------|
| Groundnut | 260,000 | 45 | 510,000 | 73 |
| Soybean | 65,000 | 25 | 350,000 | 73 |
| Dairy | 34,000 | 65 | 11,000 | 15 |

Preliminary Cost-Benefit Analysis for USG Strategic Approach to Legume Value Chains

The objective of this cost-benefit analysis was two-fold:

1. Determine whether legume and dairy value chain interventions will generate adequate returns.
2. Inform the project designs, in terms of allocation of resources to different project components and targeting beneficiaries based on household land constraints.

²⁷ World Bank, Country Economic Memorandum Background Paper (Agribusiness), p 41; Malawi Department of Animal Health and Livestock Development data (provide by Land O' Lakes) and Malawi Dairy Development Alliance estimates. World Bank cites 8,000 households involved in dairy farming for the low range. The high range is based on team analysis of production data, average production per cow and assuming 1.5 cows per dairy household.

²⁸ Welfare Monitoring Survey 2009, p. 92. 16% of Malawian's report consuming milk daily or 2-3 times per week.

²⁹ Data Source: MoAFS. Gross margins are a projection calculated using MoAFS data.

The analysis weighs the total incremental benefits to smallholders against the total project costs. USAID's legume value chain intervention expects to work with households in south central Malawi (25 percent of households in the target area) over the life of the project. The average household in the region consists of five members with 0.81 hectares of arable land for agricultural production, 75 percent of which is used for maize production and the rest is spread evenly among various other crops (i.e., legumes, cassava, sweet potato, tobacco, etc.). Past maize productivity investments³⁰ in Malawi show that a 4 percent annual increase in maize yields can reasonably be attained with improved agricultural extension and input delivery (a 48 percent jump in maize productivity from the current 2mt/ha over a ten year period). In defining the two household models (with and without FTF intervention) for comparison, the following assumptions were used:

- Households must continue to produce sufficient maize for home consumption, based on historic trends showing that risk-averse households consider maize a form of insurance against uncertain future maize supply
- Increased maize productivity is necessary to free up land for crop diversification to legume production
- Improved extension service delivery and access to quality inputs (seeds and inorganic fertilizers) resulting from USG value chain interventions with agro-dealers will generate a 4 percent annual increase in maize productivity and 30 percent in groundnut and soy productivity
- FTF market linkage interventions will reduce transaction costs associated with post-harvest and marketing activities

Based on these assumptions, Table 5 illustrates the model for the most resource-constrained household the project could target and still generate a Net Present Value of 0 after 10 years.

Table 5. Effect of Feed the Future Investments on Target Households

| | Without intervention | With intervention (after 5 years) | With intervention (after 10 years) |
|---|----------------------|-----------------------------------|------------------------------------|
| Household size (number of persons) | 5 | 5 | 5 |
| Household annual maize requirement (kg) | 1,350 | 1,350 | 1,350 |
| Farm size (ha) | 0.70 | 0.70 | 0.70 |
| Maize (ha) | 0.68 | 0.58 | 0.47 |
| Legumes (ha) | 0.02 | 0.12 | 0.23 |
| Other crops (ha) | 0 | 0 | 0 |

Results of the Cost Benefit Analysis for Legumes

An analysis based on these assumptions suggests targeting farmers who have enough land to meet their maize subsistence requirements (0.675ha for a 5 member household). These represent the 25 percent of households within the target area who, based on differing household sizes, have landholdings of 0.5-1 hectare.³¹ However, we can target poorer households (with less land than is required for maize subsistence) if we achieved a higher productivity increase in maize. This would require increased focus on agricultural extension delivery during the early years of the program to increase productivity by more than 4 percent per year.

³⁰ Getting maize production moving in Africa (November 2002). Sasakawa Africa Association Newsletter, Issue 18 (<http://www.saa-tokyo.org/english/newsletter/pdf/issue18.pdf>)

³¹ National Census of Agriculture and Livestock (2007). National Statistics Office of Malawi, Zomba.

Preliminary Cost-Benefit Analysis for USG Strategic Approach to Dairy Value Chains

Dairy value chain interventions expect to build on Land O' Lakes' work with households in south central Malawi, which started in 1999. At present, there are 2,500 dairy cows reported in the Land O' Lakes catchment area. Due to a lack of data on total cow population in the target region (which would include investments by other donors/organizations), we base the dairy cost benefit analysis on these existing cows.³² The analysis is based on the following plausible assumptions:

- Our FTF investments are aimed at improving cow health, nutrition, dairy management and genetics/breeding. No money is spent on importing cows.
- Without intervention, it takes six months to get a cow pregnant due to the unreliability and low success rate of artificial insemination. By the end of the fifth year, it takes three months to get a cow pregnant (12 months to calve including gestation). This arises from improvements in cow health, nutrition and breeding through the availability of high quality semen for artificial insemination.
- We are investing in the sexing of semen, which over five years increases the likelihood of female calves to 70 percent.
- Young calves take 30 months to reach gestation age, which is reduced to 24 months by the fifth year. Cows are replaced after every five lactation cycles. The cost of the replacement is factored into production cost through annual depreciation.
- The analysis assumes an eight-year life for a cow (30 months from birth to first gestation, reduced to 24 months after five years, and five lactation cycles afterwards).
- Gross margins of 45 percent are assumed in both the status quo and project scenarios (data from Land O' Lakes).
- Because of improved management and health, milk production increases by 10 percent per year (up to 22 liters/cow/day for pure breeds and 16liters/cow/day for cross breed by the end of the 5th year). The lactation cycle is also increased to about 250 days by the end of year 5 (300 by the 8th year).
- We use constant prices for milk and bulls so that increases in income result from production efficiencies at farm level³³.
- Bull calves are sold off after three years.

Results of the Cost Benefit Analysis for Dairy

The analysis for dairy reveals that our investments will yield positive results. Table 6 shows that the dairy project returns and benefits are twice the size of our investment in dairy (or a benefit cost ratio of 2.0). In addition, when compared to the present value of the investment, the present value of future cash flows from dairy is positive at the end of an eight-year period.

³² Using the low Land O' Lakes numbers also help us to be conservative in our estimates of the benefits from the dairy intervention.

³³ Prices for Malawian raw milk are considered too high when compared to South African milk, which lowers the competitiveness of milk produced by smallholders in Malawi. Using a constant price allows inflation to erode the actual price down to competitive levels.

Table 6. Potential Impact of Feed the Future Investments on Dairy Productivity

| | Without intervention | With FTF intervention (no importation of cows) | % increase |
|---|----------------------|--|------------|
| Number of dairy cows (after 8 years) | 10,299 | 13,488 | 31% |
| Average milk production per cow (liters/day) | 11 | 25 | 127% |
| Total annual milk production in year 8 (million liters) | 18 | 104 | 483% |

FTF interventions in improving dairy management and the supply of support services (i.e., feed, health and breeding) will help increase the dairy herd by 31 percent over projected numbers of cows without intervention by the end of eight years. In addition, milk production would increase 483 percent over production levels without the project. This increase in dairy cows and milk production has the following implications for employment creation and nutrition:

1. **Business Creation** - increased demand for feed will create more opportunities for expanding feed manufacturing, which will include the establishment of new processing plants.
2. **Job Creation** - more jobs will be created in the cattle feed industry [feed collection (groundnut haulms, maize stalks, etc.) and feed processing (soybean and groundnut cake)] as a result of increased demand for feed.³⁴ The increase in dairy cows will increase demand for veterinary services. Further employment will be in transportation of milk and processing.
3. **Complementing our FTF Investments in Legume Value Chains** – the increased cow population will provide an outlet for the groundnuts and soybeans that will be produced under the legume value chain.
4. **Nutrition Benefits** – increased milk production and utilization will contribute to reducing malnutrition and stunting among children in target areas.

USG FTF investments will support GoM programs, such as the FISP and MoAFS efforts as the chair of the Taskforce for Conservation Agriculture. This approach specifically supports the ASWAp objectives of:

- Diversification of food production for improved nutrition.
- Commercial agriculture and agro-processing for value addition and import substitution.
- Development of public/private partnerships to facilitate profitable input/output markets nationally.

Investments by donors in other key areas of value chain development, such as the EU and the African Development Bank in infrastructure, allows USAID and other USG agencies to focus on our core areas of competency: market development and linking private sector to poverty reduction. The USG's FTF strategic focus also leverages donor work such as:

- Irish Aid investment in seed services (inspection, certification and multiplication in legumes).

³⁴ Land O' Lakes reports that 4,724 people worked in dairy enterprises in 2010 at the farm level. 20% of tasks in 2010 were carried out by hired labor. Increasing the dairy herd to 13,000 from the current 2,500 will likely increase the number of people employed in dairy enterprises.

- The United Nations Development Program's (UNDP) upcoming complementary investments in value chain strengthening focused on processors and exporters.
- The World Bank, EU, and Norway in support of legumes and other diversification efforts through the ASWAp-Support Program.

Focusing this approach in the central region allows the USG to capture numerous multipliers, such as:

- Strong linkages between the dairy industry and legume production. Located primarily in the Central region, the animal feed industry is currently the largest market for soy in Malawi.
- There are over hundreds of farmers groups, 1,000 village savings and loan groups, almost 700 care groups and 7,000 lead parents trained from the Title II I-LIFE project for the Mission to build upon.

With high disease burden in the central region, there are numerous current and planned non-nutrition focused health interventions, including improved health systems and services, family planning, PEPFAR and other initiatives.³⁵

2.3 INTERMEDIATE RESULT 3: IMPROVED ENABLING POLICY ENVIRONMENT

Long-term development of agricultural markets will require evolution of Malawi's current policy environment, which favors GoM intervention over market forces. While technical-level engagement between Government and DCAFS (in the absence of an Agriculture Sector Working Group) has been extensive, it will not suffice to bring about the types of reforms essential to moving smallholders beyond mere subsistence. This third IR focuses on building a broad and inclusive policy dialogue, with an emphasis on empowering the largest group of food producers in the country, women, to play leadership roles across the sector.

While legume and dairy value chains have strong business cases within Malawi's complex agricultural policy environment, sustainable market growth depends on greater stability and responsiveness of the enabling environment to the needs of its constituents. As stated in the CAADP guidance, "emphasis on multi-stakeholder dialogue and decision making is central to its success. National and regional ownership in agricultural development is achieved through structured stakeholder involvement around priority setting, matching resources to priority tasks, and collaboration at the implementation stage."³⁶

This is also true to addressing vulnerability. New multi-sector responses are required in order to address the inter-relations between the multi-dimensional determinants of vulnerability. Promoting greater resilience within vulnerable populations is therefore likely to require new ways of working, not only within individual agencies, but also in terms of how donors work together in support of GoM and other development partners. The USG, through USAID/Malawi, will continue to participate in the Joint Resilience Unit which is working on improving co-ordination on resilience issues including climate change and natural resource management. USAID/Malawi will also continue supporting joint programs addressing resilience issues, such as conservation agriculture, as an opportunity to maximize available resources to improve the effectiveness and impact of programs promoting resilience.

³⁵ These synergies are discussed in "Leveraging Agriculture for Improving Nutrition and Health: The Way Forward", Draft as of February 3, 2011. Prepared following the international conference "Leveraging Agriculture for Improving Nutrition and Health" on February 10–12, 2011, in New Delhi, India

³⁶ Guidelines for Non-State Actors Participation in CAADP Processes. CAADP Working Group on Non-State Actor Participation. January, 2011.

Malawi's ADP design, which began in 2007, was highly inclusive of development partners and Malawi's non-state actors. However, as the process converted into an ASWAp design, MoAFS consultations with groups outside the ministry, including with other GoM ministries, almost vanished. With the signing of Malawi's CAADP Compact in April 2010, civil society groups took a strong stand that they would not move further in the CAADP process without significant changes to their relationship with GoM, but little has evolved.

The private sector's perceived role in the systems breakdown during the food crises of the early 2000s, is at least partially to blame for the limited effect of civil society and private sector advocacy for an improved business enabling environment. To stem the crisis, GoM intervened in the markets and continues to play a very directive role in agricultural politics to, at least nominally, prevent the recurrence of such a crisis. Though GoM economic growth strategies, such as the ASWAp, feature a market-led approach, in practice, GoM programs have produced the opposite result. Output markets are controlled through a parastatal marketing board and commodity price regulation, and input markets are dominated by the FISP which crowds out commercial fertilizer sales at a rate of 22 percent (though the evidence suggests the FISP has also encouraged increased private sales of fertilizer).³⁷ Lack of transparency in GoM policymaking and staunch policies such as its fixed exchange rate limits opportunities for regional trade and integration, and further constrains economic transformations that could potentially lead to economic growth.³⁸

The focus of IR 3 will be building the capacity of various stakeholder groups with different core competencies to broaden the agricultural policy dialogue in Malawi. The core of this strategy is designed to organize and build policy analysis and advocacy capacity in the two FTF value chains, most importantly farmers groups and private sector associations. However, in order for advocacy from non-state actors to be successful, GoM capacity for evidence-based policymaking must also be improved through strengthening MoAFS's M&E and agricultural statistics capacity.

Identifying and strengthening new champions for agriculture led growth can also lead to a more balanced policy dialogue on improving the enabling environment to stimulate private sector investment. In order to intensify the voices of those indirectly associated with agriculture, USAID will look to build new GoM leadership on economic growth and agriculture policy issues outside the MoAFS, such as building a constituency for civil society and private sector engagement in Parliament. USAID/Malawi will also work to strengthen GoM capacity to coordinate with Common Market for Eastern and Southern Africa (COMESA) and SADC and to implement economic and trade reforms that would allow for improved regional integration that could similarly help to add uniformity and predictability to Malawi's investment climate.

USAID/Malawi has a history of supportive investments to both GoM policy analysis and formulation and civil society capacity building. The Mission has been a partner with other donors through DCAFS to the GoM on the CAADP process, and has also been one of the strongest voices on DCAFS for greater donor coordination and civil society engagement through the process. The Mission has already demonstrated its commitment to the enabling policy environment through investments in a Strategic Analysis and Knowledge Support System (SAKSS) unit located within the MoAFS and ongoing support of the Famine Early Warning System Network (FEWS NET). Both of these investments are aimed at ensuring the GoM has sound information and analysis on which to base policy development. The Mission will prioritize continued investments in the GoM's capacity in the area of agriculture statistics under FTF.

³⁷ Ricker-Gilbert, Nicholas, T.S. Jayne and E. Chirwa, 2011. Subsidies and Crowding Out: A Double-Hurdle Model of Fertilizer Demand in Malawi. *American Journal of Agricultural Economics* 93(1, February): 26-42.

³⁸ Rodrik, Dani. Development in Reverse, article for Project Syndicate. 2011.

This component of the strategy is a coordinated approach with DCAFS members that relies on USAID's strong relationship with civil society and the private sector, while other donors, specifically those providing direct budget support to the MoAFS (e.g., DfID, Irish Aid, European Union), focus on direct engagement with GoM on sensitive policy issues, such as the FISP. Furthermore, coordination on this IR between FTF and the Democracy and Governance (DG) team will be critical given planned DG investments in legislative strengthening and civil society capacity building. Support from the Political and Economic sections at the Embassy, who also have strong connections with GoM and civil society stakeholders in Malawi, will ensure diplomatic engagement where necessary.

However, the GoM faces significant capacity and policy challenges in seeking to address malnutrition, not the least of which are a lack of financial resources. While GoM allocations for nutrition across four key ministries (MoAFS, Ministry of Education, Ministry of Health (MoH), and the DNHA) increased more than five-fold between 2005 and 2008, the 2008 budget was still approximately \$912,000 - for the MoAFS, the allocation was approximately \$60,000 for one year to cover the entire country.³⁹ Human resource shortages and high vacancy rates for nutrition-related positions are a significant challenge, and incumbents in these positions often lack experience and receive little formal training – particularly at the district and community levels. NGOs and donor organizations also commonly report difficulties in recruiting nutrition personnel with appropriate qualifications. As a result, “decentralization, community participation and empowerment... are rarely implemented effectively at the community level.”

While the mandate of the DNHA includes leading inter-sectoral and inter-donor coordination and leading national policy development and implementation, they also have limited capacity to perform these functions effectively, and coordination among both GoM and non-governmental stakeholders remains a challenge. Furthermore, while a number of promising models for addressing nutrition at the community level exist in Malawi, limited documentation, evaluation, and learning inhibit the scaling up of best practices.⁴⁰

3 CORE INVESTMENT AREAS

Malawi USAID Forward Strategy

Organizational and technical capacity remains a major impediment to implementation of Malawi's country-owned agriculture development strategy. Poorly developed local NGOs and private sector are constrained in their ability to play an independent development role, and weak GoM institutions and insufficient staffing prevent GoM from meeting the scale and pace of implementation required by the ASWAp. While some local organizations, such as the National Smallholder Farmers Association of Malawi (NASFAM) or Bunda College, both USAID initiated entities, may only require a small amount of strengthening to become independent implementers of development projects, development partners will need to place a strong emphasis on capacity building for long-term sustainability.

Donor Commitment to Host Country Implementation – Ongoing assessments, such as the EU funded Ministry of Agriculture & Food Security Core Function Analysis, have yet to fully describe the nature of GoM capacity and structural weaknesses. Though recent donor experiences with direct program support have been clouded by mismanagement and underuse,⁴¹ donors remain committed to

³⁹ Ibid.

⁴⁰ GOM and FAO, 2009. *Nutrition Capacity Assessment in Malawi*. Malawi Department of Nutrition, HIV and AIDS, and the Food and Agriculture Organization of the United Nations (FAO).

⁴¹ Outside the FISP, the Ministry of Agriculture underspends donor program support by as much as 70% per year.

building GoM and local non-state actor capacity to independently implement development projects. Donors strongly affirmed this commitment with the signing of the CAADP Compact, which pledges to achieve the Development Assistance Strategy⁴² goals of eliminating the use of Project Implementation Units and moving toward direct budget or project support. Current donor efforts include EU, World Bank and Norwegian support to building MoAFS administrative capacity. USAID's focus on technical capacity building includes a SAKSS office within the MoAFS supporting Master's Degree training in the U.S. for Ministry staff through the USAID Initiative for Long-term Training and Capacity Building program. Donors have similarly rallied in support of the GoM nutrition strategy, forming a DoNut and investing heavily in building GoM systems.

USAID/Malawi Leadership on USAID Forward Procurement Reform – With 15 direct grants currently awarded to local NGO's, from small Development Grants Program (DGP) awards to \$10 million in grants to two local environmental organizations, USAID/Malawi is at the forefront of procurement reform. In support of this focus on local implementing partners, the Mission offers procurement, financial management, and M&E training for local NGOs three or more times per year to build local capacity to process USAID funding.

Bridging the Gap, a Strong Focus on Capacity Building – Given the capacity constraints within GoM and local NGOs, USAID/Malawi has developed a USAID Forward strategy that centers on the following three principles:

1. *Utilizing Regional Expertise* – When possible, USAID/Malawi will take advantage of its central geographic location between South Africa and Kenya to utilize regional institutions to build agriculture sector capacity in Malawi or implement programs. Using African expertise at regional training centers, NGOs, universities and research centers, including both work in Malawi and professional exchanges, will not only build Malawian capacity, but also establish critical linkages to resources and services for future needs.
2. *Building Local Capacity, a spin-off approach* – In situations where neither local, nor regional implementers, including GoM, have adequate capacity to implement projects at the necessary scale, USAID will look for external solutions. This approach will utilize short-term contracts or grants to international organizations to initiate larger technical projects, but with a strong emphasis on capacity assessments and strengthening with key players in the sector. Implementers will establish an initial basis for a coordinated technical approach, then shift focus towards building the capacity of local implementing partners to take on direct grants from USAID to carryout components of the larger project that will be spun off and competed among capacitated local organizations and GoM. This spin-off concept allows for a nuanced approach to transitioning to the use of host country systems for project implementation.
3. *Strengthening Donor Harmonization* – By minimizing unnecessary management burden on host country systems, donors can accelerate the pace at which local institutions will be enabled and empowered as implementing partners. Improving coordination among development partners and with GoM limits the number of different administrative procedures local implementers must process and frees up resources to allow institutions, from ministerial departments to local NGOs, to strengthen and specialize their technical capacity. As such, USAID/Malawi will work to strengthen donor coordination mechanisms and, where possible, build partnerships that help

⁴² Malawi Development Assistance Strategy, 2006-2011: Making Development Assistance More Effective. Lilongwe, September, 2007. Government of Malawi, Ministry of Finance.

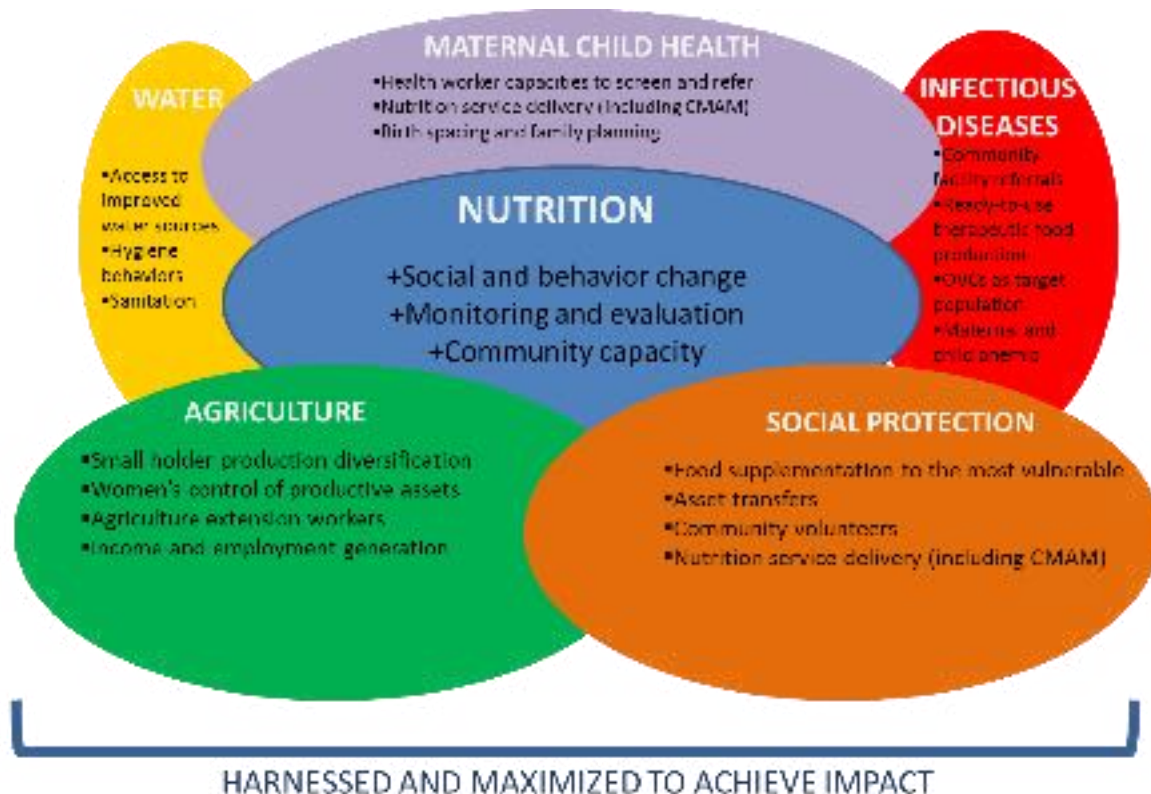
focus and harmonize FTF investments through pooled funding mechanisms such as multi-donor trust funds, and encourage specialization among donors.

Anticipated Constraints – Beyond local capacity constraints, internal USAID capacity may hinder full implementation of USAID Forward procurement reform in Malawi. Greater numbers of smaller awards to organizations with nascent understanding of USG contracting regulations will require additional Mission COTR/AOTR certified staff, financial management personnel and contracting specialists at a time when shrinking operating budgets are forcing the scaling back of new staff and trainings. With significant shortages of contracting professionals and growing pressure on those services from multiple presidential initiatives, USAID/Malawi dependence on regional contracting and legal services will dramatically slow down implementation of a USAID Forward agenda for FTF. Already, the Regional Contracts Office in Pretoria has a one-year backlog for processing new procurements.

3.1 CORE INVESTMENT AREA I: IMPROVED NUTRITIONAL STATUS OF WOMEN AND CHILDREN

The USG will make investments in nutrition across three critical sectors; agriculture, health, and social protection, with nutrition as the lynchpin between these sectors (see Figure 7). As such, the USG will implement a comprehensive approach that maximizes all three sectors and strengthens and links the nutrition components of each. These investments will be underpinned by a core set of nutrition indicators that are common across all programs, and will be supported by policy investments that mirror the comprehensive nature of nutrition programming by working with the Office of the President's Cabinet (OPC) and the Ministries of Agriculture and Food Security, Health, and Gender.

Figure 7. Comprehensive Nutrition Investment Plan



Prevention and protection linked with agricultural value-chain development

Building on lessons and experiences from current programs implementing preventive nutrition activities (e.g., the WALA and BASICS projects), USG resources will scale up prevention of undernutrition and resiliency of communities, while maintaining critical investments in treatment and nutrition service delivery. The rationale for this shift is due to the overall high prevalence of chronic undernutrition (47 percent) and the low prevalence of acute undernutrition (4 percent), the latter of which has been achieved by sustained commitment to scaling up CMAM. As a result, the USG will aim to drive a decrease in stunting as the highest level objective in FTF. The USG plans to focus on cost-effective preventive nutrition interventions targeting the 1,000 days window of development (pregnancy through two years), including maternal nutrition; early and exclusive breastfeeding through six months; use of appropriate, diverse foods beginning at six months of age; targeted micronutrient supplementation; and improved hygiene and sanitation. Activities will be integrated into health, HIV, and agriculture platforms, taking full advantage of the resources that these programs have. These investments leverage funding from health (Global Health and Child Survival), agriculture (Development Assistance), and Title II to advance nutrition objectives. The Care Group model encompasses a combined FTF and GHI approach to reduce poverty, hunger, and undernutrition by joining two complementary lines of investment at an operational level:

- Invest in the competitiveness of food staple value chains (legumes and dairy).
- Link increased household production of nutritious crops to intensive behavior change interventions (Care Groups) at the household level to increase consumption and improved nutritional status.
- The target populations include poor and vulnerable smallholders (56 percent of whom are below the poverty line), and nutrition-related activities would seek to specifically target households with nutrition-vulnerable populations, including people living with HIV/AIDS, pregnant and lactating women, children under five, and children under two.

The objectives of the Care Groups complement value chain development activities by building capacity of:

- Communities to monitor and prevent undernutrition and provide appropriate referral.
- Agricultural and food security cadres to integrate nutrition behavior messages so that nutrition is also mainstreamed into legume and dairy value chain development activities.

Community-Level Organizations and Integration with Government of Malawi Systems for Health and Agricultural Extension

The Care Group in the context of this model is notable in that it supports a sustainable and simultaneous approach to agriculture, nutrition, and microfinance. Cross-fertilization of nutrition and agricultural messaging and skill building, as well as the opportunity to create cross-sector targets and results frameworks allows for a uniquely comprehensive approach.

Volunteers are trained and facilitated to conduct community outreach and follow-up in both agricultural- and health-focused nutrition interventions, thus supporting an operational link between nutrition and agriculture programming. Each volunteer takes on responsibility for conducting outreach and follow-up to some 10-12 nearby households. Care Group volunteers also have access to agricultural inputs to start and maintain community gardens, as well as engage in income-diversification through activities such as establishing voluntary savings and loan activities. Access to these inputs provides motivation and

support for implementing targeted nutrition-focused interventions focused on behavior change, including:

- Hygiene and cooking demonstrations.
- Complementary feeding.
- Routine growth monitoring and reporting in cooperation with health service areas.
- Follow-up with neighboring households to support adoption of new practices.

Linking the agriculture and value chain components of the project with health and nutrition promotion at the community level is especially advantageous in that it provides opportunities to address two key crosscutting areas:

- **Understanding and addressing gender barriers to behavior change by promoting greater male commitment to household nutrition.** This is reinforced through nutrition activities and educational modules integrated into agricultural extension services. In addition, the care group supports the diversification of household income with a focus on women, supporting increased female participation in decision-making and control of resources.
- **Supporting sustainability through “incentive compatibility” for Care Group volunteers.** Because care groups also have access to a variety of other inputs, voluntary savings and loan, and access to community gardens. Sustainability is further enhanced through linkages to, and reinforcement from, local government health and agricultural extension workers and programs.

Prevention Linked with Health Service Delivery

The USG’s approach to service delivery covers community level action, improvement of quality at all levels of facilities, and strengthening the central and district level systems of management. This provides a common platform for multi-thematic messages and programs, ensuring that there are “no missed opportunities”. It also ensures a focused yet comprehensive basic package accessible to the Malawian population that stretches across the continuum of care from community to facility and from facility to community. At the community level, the Health Surveillance Assistants (HSAs) and health volunteers will continue to focus on interpersonal counseling, limited preventive and curative care through village clinics and drug boxes, and to create demand for services at the health facilities across family planning, maternal and neonatal health, child health, nutrition, malaria and HIV areas. At the facility level, the USG will support improved quality of care for existing interventions that target integrated and comprehensive primary health care provision and performance based incentives. At the national, zonal and district levels, USG programs will continue to strengthen the financial, management and leadership capabilities of the Ministry of Health staff. Also, programs will work closely with the technical staff to provide technical assistance and work toward meaningful policy changes. At all levels, USG resources will focus on integration of social and behavior change communication efforts through community and facility level entry points.

Treat Severe Acute Malnutrition

Although the main focus will be on preventing childhood undernutrition, USAID/Malawi will continue to support CMAM, building on past investments. Since 2005, USAID has supported the integration of CMAM in existing health care services. Partners are working at both the policy and community levels to ensure this integration. As of December 2009, 24 out of 28 districts are implementing CMAM in over 240 health facilities. The USG will support one additional year of the MoH’s CMAM Advisory Service to

finalize the transition of complete CMAM scale-up to the GoM. An evaluation in 2012 will help inform the USG on the areas needing further investment.

Through two GDAs with Project Peanut Butter, a local producer of ready-to use therapeutic food (RUTF), USAID/Malawi's support has resulted in an annual production capacity of over 1,200 MT of RUTF, which, when combined with production from a second local producer of RUTF, more than meets the total requirements of RUTF for Malawi, with capacity to export to neighboring countries. The USG will take advantage of this existing capacity to explore the development and promotion of ready to use supplementary and complementary foods.

Prevention and Control of Micronutrient Malnutrition Through Food fortification

Micronutrient deficiencies of vitamin A, iron and iodine are of public health concern in Malawi. According to recent study findings, Malawi is on track to achieve universal salt iodization, with urinary iodine results demonstrating adequate iodine nutrition. However, anemia and vitamin A deficiency and remain a challenge. The 2010 DHS data show significant reductions in the prevalence of child anemia from 73.2 percent to 63.5 percent; and in maternal anemia from 29.1 percent, but the levels are still high.

The USG will support GoM's efforts towards fortification of prioritized centrally processed foods, namely: sugar, oil, wheat and maize flour, and complementary baby foods. Data from the National Micronutrient Survey shows that the consumption of these foods has increased over the last ten years. USAID health funding will continue to support the universal salt iodization program in order to sustain the gains made with previous investments. Although not sufficient to forestall stunting in children under five, one necessary input is a high quality, low-cost complementary food. The legume and dairy value chains present a unique opportunity for the development of such a product. Malawi will take advantage and work with existing food processors (e.g., Rab processors, Project Peanut Butter and Valid Nutrition) to develop a suitable product.

Prevention and control of micronutrient malnutrition will require a concerted effort by all USAID/Malawi's health programs, namely, malaria, family planning, maternal, neonatal and child health, HIV/AIDS and nutrition. Possible USG support to SUN for specific activities with deliverables in FY11 include the following:

- SUN launch – Co-fund with Irish Aid through OPC.
- Mid-level capacity – Explore support to a technical advisor placed in the MoH to conduct training of trainers for service providers.
- OPC capacity – Assist hiring of specialists to sit at OPC.

Multi-Use Innovations

Investments in innovations for nutrition through primary implementing mechanisms that achieve multiple purposes include the following:

- Use of cell phone technologies to improve data quality, timeliness, health information systems and nutrition surveillance.
- Development of soy-based nutrition products engage the private sector and smallholder soy producers, can decrease costs for supplementary food products, could target women and children, and can be coupled with demand creation to create a sustainable market-led solution.
- Conditional cash transfers can improve income generation and nutrition.

- Gender-focused interventions to increase female participation in markets and ownership of productive assets/income can have positive spillover for nutrition. Care must be taken to avoid increasing women's work load so as to allow women to continue to devote adequate time to the care and feeding of their children.

3.2 CORE INVESTMENT AREA 2: VALUE CHAIN INVESTMENTS TO DEVELOP MARKETS AND IMPROVE NUTRITIONAL OPTIONS

USG investments in legume and dairy value chains are designed to boost competitiveness and promote diversification into higher-return value chains that will also spawn non-farm employment opportunities. While these investments in economic growth will be necessary to reduce poverty and hunger, they will be insufficient by themselves. Beyond growth, poverty reduction will require targeted interventions that address the needs of smallholder farmers (the rural poor) as well as more vulnerable populations. A significant smallholder need is to produce more from a very limited resource base. Conservation farming practices offer promise in this regard, by increasing yields, soil fertility and soil moisture content per unit area. Importantly CF offers a window of opportunity to increase yield from a fixed unit area, freeing up land for diversification of both other cereals and legumes. Improving market and input access and the affordability of business development and financial services tailored to the needs of smallholders is critical in order to “pull” rural households into income-raising activities.

Integrating Nutrition with Value Chains (INVC)

INVC is designed to combine the livelihood benefits of an agricultural value chain approach with the nutrition benefits of increased dietary diversification. This centerpiece of Malawi's FTF strategy will invest in the competitiveness of food staple value chains in which large numbers of smallholders, over 56 percent of whom are below the poverty line, participate, and link increased household production of nutritious crops to household consumption and improved nutritional status. INVC will link value chain development and increased household income to improved nutrition through diet diversification, and improvements in food storage, preparation, and consumption practices at the household level.

INVC's value chain approach will focus on legumes (groundnuts and soy) and dairy, and is designed to facilitate change in both the individual value chains and the broader market and household-farming systems, looking for synergies across value chains such as common constraints and/or actors. A strong emphasis will be placed on improving the demand side of the value chain, by working to improve market linkages between input and output dealers through improved and more reliable services, including financial, business development, agronomic and livestock-related services. While most of INVC's efforts will further develop and strengthen Malawi's existing input and output markets serving the legumes and dairy value chains, the program will also include strengthening the capacity of processors and agribusinesses to meet export market demands, as well as building the capacity of smallholder suppliers to meet buyer demands. At the same time, INVC will work to mitigate the risks for rural households to diversify their income and food sources beyond maize through an option of conducting a vulnerability assessment for its target population and to access nutritional education that will help them translate a more diverse basket of food into improved nutrition. INVC will place a particular emphasis on women's economic empowerment across all of its activities, including additional support and guidance to women owned businesses and women producers.

INVC will spur investment and innovation in the legume and dairy value chains through an Innovation and Investment Facility meant to provide INVC a tool to identify and support specific opportunities that can further strengthen the selected value chains and market systems within which they operate. An important use of the facility will be to buy down risk for a firm, farmer, or other value chain actor in

order to encourage early adoption of new technologies, such as CF by smallholders, and spur sector-wide innovation. Facility partners may include private firms, GoM agencies, research institutes, NGOs or other local organizations, as well as other donors best placed to identify new solutions to key value chain and systemic⁴³ constraints. This Innovation and Investment Facility will be a key instrument for developing the capacity of the private sector and will also have targets and incentives for the participation of women-owned enterprises or individuals.

A core principle of INVC will also be to build the capacity of the key value chain actors to address the competitiveness of their value chain through their own projects and interventions. As such, INVC will place a strong emphasis on building local capacity to contribute to and invest in agricultural transformation. While Malawi has numerous small businesses, local NGOs and private sector and civil society organizations, few, if any, have both the technical and administrative capacity to implement USAID projects without support. As such, INVC's approach to capacity building will be to invest resources in local partners while leveraging their local knowledge and capacity to generate results. The project will have a target for graduating local partners to independent status that would allow them to receive USAID funds directly. As partners reach this independent status, they would take on current functions of INVC.

The expected results from the INVC project include increasing agricultural GDP, increasing women's roles throughout value chains, reducing the percentage of the population below the poverty line, generating more diverse, quality sources of food, and improving the storage, preparation and consumption of nutritious foods at the household level and among vulnerable groups. INVC will expand upon past successes at addressing the needs of the poor, while fostering a driver of economic growth – through value chain development and improved nutritional status. This will pull the poor up the income ladder to higher and sustainable levels.

Seed Systems Investments

A significant constraint to the development of competitive groundnut and soybean value chains is the inadequate production of breeder seed. Ten years ago, USAID/Malawi established a \$250,000 revolving fund to support ICRISAT in contracting out groundnut breeder seed production, but the FISP addition of legume seed packs the significant gross margins of legumes has driven demand far beyond local seed production capacity. Given the importance of reliable input supplies to Malawi's FTF strategy, USAID and Irish Aid will partner to expand local capacity for production of quality, certified legume seed. USAID will invest in expanding the existing revolving fund and link in the International Institute of Tropical Agriculture to enable the expansion of their efforts in soy breeder seed production. Irish AID will expand its assistance to small and medium sized enterprises to develop their capacity of to multiply groundnut seed – currently only one company (Seed Co.) is involved in soybean seed production using privately developed germplasm.

In addition, Malawi also lacks an International Organization for Standardization (ISO) certified laboratory for testing and certifying groundnuts and soybeans, which limits access by exporters to broader export markets. Currently, companies that export groundnuts send samples to South Africa for testing, which is costly and limits export capacity. With Irish Aid support, ICRISAT and NASFAM are developing a low cost, rapid testing technology; however, achieving ISO certification will be costly. The EU and UNDP will also begin work next year on a project designed to support the processing and exports side of legume value chains, a major component of which will focus on bringing the Malawi Bureau of Standards

⁴³ Systemic constraints can relate to the policy environment, lack of access to finance, disincentives for investing in upgrading, weak inter-firm relationships, etc.

up to ISO certification. USG resources will support GoM efforts to establish a national sanitary/phyto-sanitary (SPS) strategy and achieve COMESA SPS compliance, as well as to build the capacity of Bunda College and the MoAFS research stations to conduct aflatoxin mitigation research.

Financial Sector Technical Assistance Project (FSTAP)

Access to finance remains a major constraint to smallholders investing in productivity enhancing technologies due to weak financial sector infrastructure, inadequate financial services options, and GoM regulatory capacity. USAID will jointly develop a Financial Sector Technical Assistance Project with the World Bank and DfID. The project will consist of five main components:

1. Strengthening the Reserve Bank of Malawi's regulatory and institutional framework and supervision capacity.
2. Developing financial sector infrastructure through upgrading payments systems/instruments and mobile-phone banking technologies.
3. Supporting financial inclusion and consumer protection activities through a multi-donor financial sector development trust.
4. Building the Ministry of Finance's institutional capacity for financial sector policy and GoM cash management
5. The establishment of a multi-donor funded Malawi Financial Sector Deepening Trust (FSDT).

In particular, USAID will focus on the establishment of the FSDT whose overall goal is to support the development of financial markets in Malawi as a means to stimulate wealth creation and reduce poverty. The FSDT will work in partnership with the financial services industry including banks and non-bank financial service providers including microfinance, savings and credit cooperatives, and community based savings and credit groups. The trust will significantly expand access to financial services among lower income households, smallholder farmers, and micro and small scale enterprises in urban and rural areas in Malawi. FSDT will operate as a public trust under the supervision of a professional trustee and will receive policy and investment guidance from a Program Investment Committee comprised of representatives of development partners and the GoM. The trust will be financed through grants and loans from development partners working with GoM through a combination of basket and earmarked funds. This provides a flexible and independent mechanism that also facilitates donor coordination in the sector.

Leveraging Whole of Government Resources

There are several key areas under which USAID/Malawi will leverage other USG resources, both human and financial, for the implementation of its value chain approach. These include:

- The Global Health Initiative – The USG commits significant resources including technical assistance in its health programs to strengthen Malawi's health service delivery. USG support in the health sector addresses the major causes of morbidity and mortality that primarily affect the poor and the most vulnerable groups in society with particular focus on the following key priority areas. The supported programs cover maternal, neonatal and child health, reproductive health and family planning, HIV, malaria, tuberculosis, nutrition and health systems strengthening. These priorities revolve around the provision of the essential health package as defined in the

Plan of Work II. The USG health portfolio under GHI is also aligned, the HIV National Action Framework, and Global Fund applications.

- U.S. Department of Agriculture (USDA), in collaboration with the Bill and Melinda Gates Foundation, is launching a new intervention designed to address the prevalence of aflatoxin in Malawi's groundnut production. This project would take a proven and widely used technology from the US and introduce it in Malawi. The potential reduction in aflatoxin levels has the potential to reduce or eliminate a key constraint in accessing export markets for groundnuts.
- USDA is a strong supporter of improved output markets in Malawi through the World Food Program-implemented Purchase for Progress initiative. Through this program, USDA has strengthened a key Malawian institution, the Agricultural Commodity Exchange, which facilitates virtual commodity trading as well as providing capacity building for grain bulking centers in quality control and trading.
- Peace Corps Malawi is already engaged with USAID/Malawi in preparation for a Participatory Agency Program Agreement to support FTF implementation. Peace Corps Malawi has more than 100 volunteers throughout the country in three sectors: education, health, and environment. USAID/Malawi is particularly interested in the potential to integrate both health and environment volunteers into FTF investments as a vehicle for integration of targeted nutrition and conservation interventions in FTF target communities.
- MCC will be working with the Malawi Government to increase hydro electricity generation in Malawi. This will include watershed management work on the upper Shire River to address siltation and weeds problems that have greatly affected electricity generation. USAID/Malawi is exploring collaboration with MCC on improved agricultural livelihoods projects as part of their watershed management activities in the upper Shire.
- U.S. African Development Foundation (USADF) invests in export-oriented enterprise development in agriculture and agro-processing, with a strong focus on dairy and animal feed production. Partnerships with USADF will be critical to building capacity of local implementers to advance work in the dairy sector.

3.3 CORE INVESTMENT AREA 3: ENGAGING GOVERNMENT TO IMPROVE THE POLICY ENVIRONMENT

While agricultural development has been Malawi's top political priority for almost a decade, the GoM remains convinced that interventionism is the best way to ensure smallholders are protected from a profit driven private sector. Though Malawi can now boast several years of maize surpluses, stagnation of the private sector has weakened the economy's capacity to move beyond maize security as the challenging policy environment does not encourage investment in moving beyond subsistence level production. Developing a more inclusive policy making process will require building the capacity of key groups who have comparative advantages on different policy issues.

Capacity Building of Government of Malawi and NGO Personnel in Nutrition

In view of the capacity challenges that exist, USAID will strengthen the capacity of the GoM to plan, implement, monitor and evaluate nutrition programs. With substantial funding increases anticipated through the FTF, USAID/Malawi will ensure that GoM institutions have adequate capacity to implement the various programs that will be designed under the initiative. This activity is in line with Strategic

Objective Three of the NNPS, which clearly outlines the capacity gaps and needs for the nutrition sector in Malawi. The USG will strengthen capacity of its partners, both government and non-governmental, as well as the private sector. USG support will be at three levels: community, institutional and tertiary. Irish Aid, the World Bank, CIDA, and the EU are all key donors in capacity building.

Strategic Analysis and Knowledge Support System (SAKSS)

Since 2008, USAID/Malawi has supported a SAKSS unit implemented through the International Food Policy Research Institute (IFPRI) at the MoAFS. The objectives of this activity are threefold: 1) generate demand-driven diagnostic and strategic research to fill key knowledge gaps, 2) establish an information and knowledge support system, in cooperation with the Southern Africa Regional Strategic Analysis and Knowledge Support System that has been set up to help promote peer and progress review of the CAADP, and 3) strengthen the capacity of national institutions, such as the MoAFS, in policy and strategy research. The Malawi Mission plans to extend the work of the SAKSS unit as part of capacity building support under FTF.

Malawi Agriculture Policy Strengthening (MAPS)

Strong civil society and private sector networks are critical to implementing the ASWAp in a way that responds to the evolving needs of its stakeholders. In recent decades, weak capacity and declining GoM interest in inclusive policy making is leading Malawi's CAADP process towards a Government-owned rather than Country-owned process. Grounded in the CAADP principles of increasing stakeholder participation in the policy making process,⁴⁴ the Malawi Agriculture Policy Strengthening (MAPS) program is designed to increase the participation of private sector and civil society stakeholders in agriculture policy dialogue.

MAPS will increase the profile, capacity and engagement of civil society and private sector stakeholders in agriculture policy development and implementation through a combination of capacity building interventions and establishing linkages between producers and consumers, including state and non-state actors, of high quality policy research. Though not exclusively, MAPS will focus on key stakeholders along the proposed FTF value chains.

MAPS capacity building activities will focus on improving organizational ability to meet its goals and objectives by strengthening administrative and financial management, organizational structure and strategic planning. The second focus of the project will strengthen policy analysis and advocacy capacity through building linkages between Malawian farmers and private sector associations and regional networks and research institutions, such as local and regional universities among civil society groups. MAPS will similarly link GoM counterparts to those research institutions to improve their ability to become informed consumers of stakeholder policy advocacy. These two components will account for the varying levels of development and readiness of organizations and associations in Malawi to take on advocacy activities. MAPS will also focus on elevating the voices of women in policy dialogue by targeting women-led civil-society/public service organizations for organizational capacity building and providing additional women-focused leadership training and gender equity sensitization to facilitate women taking on leadership roles within larger organizations.

⁴⁴ Accelerating CAADP Country Implementation: A guide for implementers. NEPAD, 2008.

Donor Committee for Agriculture and Food Security Coordinator

DCAFS works to strengthen and support the MoAFS to implement the ASWAp within the CAADP framework. As a leading voice for improved donor coordination, USAID/Malawi will promote donor commitment to strengthening and harmonizing investment and diplomatic engagement with GoM by establishing a DCAFS Secretariat, staffed with a full-time Coordinator. The purpose of the DCAFS Coordinator is to institutionalize the coordination of strategy and program designs, analyses and assessments, and diplomatic engagement with GoM on agriculture sector issues, in an effort to better support ASWAp implementation and minimize management burden of GoM and stakeholder interaction with development partners. The Coordinator will be a critical component of donor efforts to support GoM in the formation of the Agriculture Sector Working Group.

The Coordinator will facilitate internal donor coordination efforts by preparing background papers and policy briefs, maintaining a database of current and planned projects and establishing linkages between donors planning similar activities. The Coordinator will similarly help to link DCAFS and MoAFS to key regional and international developments relevant to the national agricultural sector including the efforts of the AU/New Partnership for Africa's Development, SADC, COMESA, and the Group of Twenty. The DCAFS Secretariat will both improve the ability of the DCAFS Chair to effectively co-chair the Agriculture Sector Working Group, and reduce the management burden on donor technical staff associated with coordination efforts.

Government Champions and Whole of USG Engagement

While the major focus of USG FTF investments under this IR are related to strengthening the advocacy and coordination of stakeholders outside of the GoM, it is still necessary to build a supportive constituency of new champions within the GoM for agricultural policy reform. To this end, FTF investments will leverage The Connecting Parliament with the People program of the Mission's Democracy and Governance team. The three-pronged purpose (1) improve the efficiency and efficacy of the Malawi Parliament; 2) enhance citizen participation through civic groups and the media in their advocacy and watchdog roles; and 3) facilitate positive outcomes and legislative progress in the agricultural, health, and education sectors) of CPP will create multiple opportunities for constructive engagement between the civil society/private sector stakeholders targeted under MAPS. MAPS will use that engagement to assist in the creation of champions within the GoM for the increased voice and participation of both civil society and private sector in agricultural policy.

FTF will also leverage targeted efforts of the Department of State (DoS) on agriculture and food security related issues to further cultivate GoM champions for key policy reform efforts. The DoS is uniquely positioned to interface with a diverse set of Malawian officials whose influence could catalyze greater civil society/private sector consultation in GoM processes.

Capacity Building Support to Ministry of Agriculture & Food Security in Monitoring and Evaluation of Agriculture Statistics

This final component of the Mission's policy strengthening strategy recognizes that improving the soundness of Government policymaking requires improving MoAFS capacity to produce robust, evidence-based policies. The MoAFS has prioritized agricultural statistics as an area for capacity building in support of ASWAp and CAADP Agenda implementation and has identified specific areas in which it immediately requires capacity building support, including: agricultural production estimates; agriculture market information systems; food and nutrition surveillance; and integration and harmonization of MoAFS's statistical system with that of the National Statistical System.

At GoM request and in partnership with the World Bank, EU, and Irish Aid, USAID/Malawi will support a multi-year program to strengthen MoAFS capacity in monitoring and evaluation and agricultural statistics. Through FEWS NET, USAID has previously supported MoAFS with GPS navigation equipment to enhance the accuracy of the crop production forecasting methodology, and the Agro-Economic Survey of the Ministry in monitoring cross-border trade. The proposed new activities will address short-term improvements in the management and analysis for crop estimates and forecasts, and broader M&E capacity in the long-term.

Lessons from this project will be used in scaling-up activities to include establishing agricultural statistics (including crop estimates) related courses (e.g., geographic information systems or statistics) within the Agricultural Economics Department at Bunda and other agricultural colleges, linking agricultural statistics to the development of the Results Based Monitoring and Evaluation system for MoAFS, and supporting the training of lecturers at Bunda College to teach a course related to the needs for agricultural statistics in the agriculture sector in Malawi. This will ensure the continuous training of students in country for long-term sustainability.

Regional Integration

Lack of capacity within Malawi's agriculture sector not only stifles domestic market development, but it inhibits Malawi's integration into regional economic communities for which it is a member, such as the SADC and the COMESA. The USG FTF strategy will engage the Ministry of Industry and Trade, private sector stakeholders, farmer associations, and other concerned non-state actors to increase their awareness and capability to strengthen existing market linkages in the legume and dairy value chains through direct technical assistance and advocacy. The selection of these value chains is based on extensive business case analyses that were later supported by research conducted by the USAID Southern Africa Trade Hub.⁴⁵ The immediate focus of the strategy will be to increase the supply of legumes to meet domestic demand for groundnuts and soybean, which is high. In the medium term, the Mission will increase its engagement with the Southern Africa Trade Hub to align FTF legume value chain activities with opportunities for regional trade as well as under the Africa Growth and Opportunity Act. As stated earlier, the selected value chains The Mission will also work with the USDA regional representative in Nairobi to take advantage of research conducted by USDA's Economic Research Service to increase knowledge among Malawian stakeholders – particularly smallholder farmers – about opportunities for trade in Southern and Eastern Africa.

A key bottleneck for Malawi in taking advantage of agriculture export opportunities is the absence of SPS standards and other administrative barriers to trade.⁴⁶ USDA, in collaboration with the Bill and Melinda Gates Foundation, is launching a new intervention designed to address the prevalence of aflatoxin in Malawi's groundnut production. The potential reduction in aflatoxin levels has the potential to reduce or eliminate a key constraint in accessing export markets for groundnuts. The Mission will collaborate with the USDA and the World Trade Organization's Standards and Trade Development Facility to hold a stakeholder workshop in Lilongwe in the summer of 2011 to develop and test a methodology to help prioritize and rank SPS capacity building options across a wide range of decision criteria. Based on the pilot testing activities, the methodology would be refined to develop a set of practical tools for staff of authorities responsible for standards in trade, animal and plant health, and food safety. The Mission's engagement with the Malawian Government under FTF through projects

⁴⁵ USAID Southern Africa Trade Hub, Technical Report: Priority Value Chains Selection and Assessment, Part One, April 2011, pp. 6-12.

⁴⁶ Malawi is ranked at 173 out of 183 countries in the ease of trading across borders according to the World Bank's Doing Business Indicators for 2011.

such as SAKSS and MAPS, in addition to the work of other donors (e.g., World Bank, EU, DfID and UNDP) in promoting trade reforms will contribute towards addressing some of the constraints to regional trade.

Impact on Targeted Beneficiaries and Change Agents

FTF investments can significantly improve food security for poor farmers in the seven districts of Mchinji, Lilongwe, Dedza, Ntcheu, Mangochi, Balaka and Machinga, which straddle the central and southern regions. Over a five-year period and within a projected flat-line budget scenario, planned interventions will build capacity of currently active agro-dealers, expand warehouse capacity by supporting new investors in grain bulking centers, build capacity and ensure the sustainability of currently non-viable milk bulking groups, build capacity of a nascent local breeding industry, and develop capacity of local government to manage nutrition BCC programs.

These interventions will deepen the impact of investments made under the Mission's previous Title-II I-LIFE program implemented in the same areas. The combined impact of our investments will do the following:

- An estimated 281,000 vulnerable Malawian women, children, and family members—mostly smallholder farmers—will receive targeted assistance to escape hunger and poverty.⁴⁷
- Significant numbers of additional rural populations will achieve improved income and nutritional status from strategic policy engagement and institutional investments.

5. MONITORING AND EVALUATION

An important element of the multi-year FTF Strategy is monitoring and evaluation, which is an iterative learning process that will put into place the principle of a sustained and accountable delivery approach. Program activities must be monitored through periodic field visits by Mission staff and ongoing monitoring and learning by implementing partners. Mission staff has a key role to play in monitoring and learning from partners both through oversight and input to design of project level M&E plans and systems and also through follow-up on quarterly reports and other communication with partners.

The integration of agricultural, nutrition, and health elements into a joint strategic plan provides a unique opportunity to innovate, document, and demonstrate best practices associated with a concurrent multi-sector investment model. Also, the Malawi FTF Strategy will foster linkages among existing programs, which will harmonize key agriculture and nutrition and indicators across relevant areas of focus.

Building on this collaboration, both the Health and Sustainable Economic Growth (SEG) teams at USAID/Malawi will work together to integrate M&E systems and processes in order to track synergies and multiplier effects between the two sectors not captured through the agriculture/nutrition overlap. There is currently significant USG investment on the part of USAID through PEPFAR and GHI in health systems strengthening, family planning, and malaria and tuberculosis reduction among others in the

⁴⁷ Disclaimer: These preliminary targets were estimated based on analysis at the time of strategy development using estimated budget levels and ex-ante cost-beneficiary ratios from previous agriculture and nutrition investments. Therefore, targets are subject to significant change based on availability of funds and the scope of specific activities designed. More precise targets will be developed through project design for specific Feed the Future activities.

geographic areas targeted through FTF. We believe it is critical to capture at the highest level the combined impact of FTF and GHI/PEPFAR in order to reduce duplication, increase the applicability of data across interventions and most importantly, learn across programs in order to improve and increase efficiency and impact of all USAID investments in Malawi. This integration of M&E function may take the form of harmonized M&E plans at the implementer level combined with joint monitoring visits by SEG and Health team members.

Reliable and well-defined monitoring, reporting and evaluation methods, roles and communication channels result in improved project and program management, promote ongoing learning and testing of development hypotheses and ensure accountability. A fully functioning M&E team and system further help to illustrate the Mission's value added to overall development not only to key stakeholders in the USG, but also to the GoM and other development partners.

USAID/Malawi is currently refining Mission processes in line with the requirements and recommendations of the newly announced USAID Evaluation Policy. To that end, and in preparation for the Country Development Cooperation Strategy (CDCS), SEG will identify further impact evaluation questions and set aside funds for impact evaluation in 2011. This will serve as solid preparation for FTF-focused evaluation activities in subsequent years.

Next Steps

Once intervention design has been completed to address each of the IRs reflecting objectives 1 and 2 in the targeted geographic area, baseline data will be updated and finalized. Much of the baseline information is available from the following list of secondary information. Where secondary information is non-existent or is incomplete, primary data collection will be required.

- Malawi DHS48
- Malawi Integrated Household Survey
- Malawi Population and Housing Census
- MoAFS Agriculture Production Estimation System
- Malawi Multi-Cluster Indicator Survey
- National Census of Agriculture and Livestock
- MoAFS Database
- IFPRI SAKSS Unit (also a potential source for primary data collection)

Additional targets need to be set for numbers of individuals, families, communities, policies, services, capacities, quantities of production for each value chain, number of dairy cows, etc. expected to be affected by each FTF intervention. These targets will be dependent on a variety of factors not yet decided by the Mission including procurement mechanism and funding breakdowns between interventions.

Impact Evaluations

All evaluations of FTF activities will be coordinated by the Mission's Program Office in close consultation with the SEG team and Mission Management. During the development of the CDCS in calendar year 2011, the Mission will put in place a mechanism to evaluate long-term impact of planned interventions. These efforts will include developing strong evaluation communities of practice and utilizing a variety of outside experts to independently measure the impacts of our major initiatives, including FTF. Careful

⁴⁸ Beginning in 2010, the DHS covers all districts in Malawi.

coordination between our evaluation team and project implementation teams will be necessary to ensure that evaluation design is developed simultaneous to implementation planning.

Specific evaluation questions will be tailored to the programs and country-level priorities, and may focus on the efficiency of the USG implementation approach (with attention to program costs); the development hypothesis underlying the programs; and program impact to which USG resources are contributing. Impact evaluations will help ensure efficacy before scale-up and also provide lessons for future program design.

Tentatively, USAID/Malawi is specifically interested in testing the following development hypotheses:

1. Integrating nutrition investments into value chains interventions will improve nutritional outcomes in target areas more effectively than stand-alone nutrition investments.
2. Facilitating private sector provision of higher quality, more reliable input and output markets and services, while also addressing risk aversion among value chain players, will stimulate demand for agricultural production and provide farmers with the tools to increase incomes through improved productivity.

Local Capacity Building in Data Collection, Analysis and Use

A key to the USG FTF investment portfolio will be continued capacity building of MoAFS, in particular the collection, analysis, and use of agriculture and nutrition data for planning and M&E. In addition, we will work with the OPC-DNHA to support the Malawian Nutrition Surveillance Unit. We will also seek to build local academic institutions' capacity through courses related to data collection, analysis and utilization. At the same time we will continue to support the IFPRI-run SAKSS unit as well as FEWS NET.

Emphasis on Gender – Women's Inclusiveness in Agriculture

The gender-based division of labor inherent in many agriculture activities means that men and women will differentially experience FTF interventions. In reporting on the outputs FTF investments, the target individuals/groups should be identified as either male or female and the outputs disaggregated by sex. By disaggregating data by sex and by providing a narrative addressing gender issues within each domain of activity, USAID will have a clearer understanding of how to reach the indicators and to promote gender equity and equality throughout the Mission's portfolio.

Furthermore, specific targets are being incorporated for women-owned/led enterprises in both nutrition and value chain activities. When design is completed of interventions, targets will be updated to include those associated with women in the private sector.

6 ANNEXES

6.1 ANNEX A. PROPOSED FEED THE FUTURE INDICATORS BY GOAL, OBJECTIVE, AND INTERMEDIATE RESULT

| GOAL | OBJECTIVE IRs, Sub-IRs | PROCUREMENT INTERVENTION | BASELINE DATA SOURCES & PROCEDURES | EXPECTED OUTCOMES | INDICATOR LINKS | REPORTING PLANS | PROJECTED IMPACT | TIMELINE |
|-------------------------|--|--|---|--|---|---------------------------------------|---|----------|
| Reduce Poverty & Hunger | Objective 1 Improved Nutritional Status of women and children | In collaboration with GHI, deliver nutrition focused BCC | DHS 2011, GHI program data, USAID Nutrition Sector Assessment | Nutrition education services coupled with increased availability of nutritious foods will reduce under-nutrition | Prevalence of stunted children under five years of age Prevalence of wasted children under five years of age | Baseline, mid-term and end of project | Families will have access to nutrition services and quality food in order to improve nutrition | TBD |
| | IR 1 Improved Nutrition-related behaviors | Nutrition activities will be incorporated into the value chain project. Specific interventions are still in development. | DHS 2011—stunting 47.2%, underweight 13.5% in target region | Reduce number of underweight children | Prevalence of children 6-23 months receiving a minimum acceptable diet Prevalence of exclusive breastfeeding of children under 6 months Prevalence of households with moderate or severe hunger | Baseline, mid-term and end of project | Both community level BCC interventions and national level nutrition investments lead to improved nutrition at the household level | TBD |

| GOAL | OBJECTIVE IRs, Sub-IRs | PROCUREMENT INTERVENTION | BASELINE DATA SOURCES & PROCEDURES | EXPECTED OUTCOMES | INDICATOR LINKS | REPORTING PLANS | PROJECTED IMPACT | TIMELINE |
|------------------|--|--|--|--|--|---|---|----------|
| Poverty & Hunger | Objective 2 Inclusive agriculture sector growth | Flagship value chain program—multiple procurements throughout the multi-year process, Non-State Actor capacity building project, SAKSS, FEWSNET, Agricultural Statistics capacity building with MoAFS | MoAFS Agriculture Production Estimation System National Census of Agriculture and Livestock MoAFS Database IFPRI SAKSS, USAID Dairy Sector Assessment | Combination of increased productivity, input/output markets, private sector investments in agriculture and nutrition and improved policy environment create opportunities for Malawians to improve household incomes | Percent change in agricultural GDP (monitor national trend) Per Capita expenditures of rural households (proxy for income) of USG targeted beneficiaries. Gender index | Quarterly or semi-annually depending upon mechanism | At least 275,000 households are sustainably lifted out of poverty while improved agricultural markets and policies lay groundwork for even greater gains in poverty reduction | TBD |
| | IR 2 Transformational agriculture value chain development through 3 sub IRs | Work with key change agents throughout each value chain (MBGs, GBCs, agro-dealers, VACs, animal health service providers, private dairy processors, AI businesses, breeders, etc.) to increase productivity, profitability and competitiveness | | | | | | |
| | IR 2-Sub IR 1 Increased Productivity of Selected Commodities | Increase availability of quality inputs—seed and other inputs | MoAFS data indicate: 5 million+ cultivate groundnut (313MT/year) 2 million+ cultivate soybean (66 MT/year) 11,000 dairy producers (33 MT/year) | | Gross margin per unit of land or animal of selected product | Quarterly or semi-annually depending upon mechanism | Increased farm level productivity will lead to greater market participation and higher incomes among smallholders | TBD |

| GOAL | OBJECTIVE IRs, Sub-IRs | PROCUREMENT INTERVENTION | BASELINE DATA SOURCES & PROCEDURES | EXPECTED OUTCOMES | INDICATOR LINKS | REPORTING PLANS | PROJECTED IMPACT | TIMELINE |
|------|--|--|---|--|--|---|--|----------|
| | IR 2-Sub IR 2 Increased Market Access and Trade | Support improved storage and post-harvest handling/sorting/grading infrastructure among change agents, upgrade facilities and standards, | Number of GBCs, MBGs, processors and agro-dealers will be collected through a combination of MoAFS data and USAID implementing partner data. | Improved input/output market opportunities will increase the marketed volumes of targeted commodities. | Value of incremental sales (collected at farm-level) attributed to FTF Percent change in diversity of agricultural commodities produced by households | Quarterly or semi-annually depending upon mechanism | Increased capacity and quality of input/output markets will create incentives for investment in diversification and value addition, leading to increased incomes and opportunities for private sector and smallholders | TBD |
| | IR2-Sub IR 3 Increased Private Sector Investment in Ag and Nutrition | Create incentives for investment along value chains with a challenge matching grant fund | Baseline data on current investments are not available. However, USAID will assess the entrance of new private sector firms in the target value chains as well as increased investment from existing firms participating in FtF interventions | Challenge grant facility will incentivize innovative investments along value chains creating employment and increasing value chain efficiency—quantifiable results TBD | Number of newly created jobs attributed to FTF Value of new private sector investment in the agriculture sector or food chain leveraged by FTF | Quarterly or semi-annually depending upon mechanism | New and innovative private sector investment will lead to overall growth in the agriculture sector and create opportunities for both on and off farm income gains | TBD |

| GOAL | OBJECTIVE IRs, Sub-IRs | PROCUREMENT INTERVENTION | BASELINE DATA SOURCES & PROCEDURES | EXPECTED OUTCOMES | INDICATOR LINKS | REPORTING PLANS | PROJECTED IMPACT | TIMELINE |
|------|--|---|--|---|--|--|---|----------|
| | IR 3 Improved Agriculture Policy Enabling Environment | MAPS—capacity building program targeting non-state actors ability to effectively engage with gov't on agricultural policy formulation and implementation Ag Stats—build capacity within MOAFS to effectively collect and utilize data for decision making SAKSS—Support gov't with targeted policy research facility FEWSNET | Imani Consultants inventory of private sector associations shows more than 35 active non-state sponsored associations with relevance to value chain work. This includes major agriculture associations such as NASFAM and Farmers' Union. USAID conducted interviews with a sample of these organizations in 2010—they self- assessed their abilities to meaningfully engage with GOM on policy initiatives as low. | Increased organizational and analytical capacity within Non-State Actors (NSA) and MoAFS, as well as facilitated dialogue through the CAADP process will result in greater participation by and representation of NSA in policy dialogue and processes. | Number of institutions/organizati ons undergoing capacity /competency assessments as a result of USG assistance Number of institutions/organizati ons mature/viable in the competency areas strengthened as a result of USG assistance Frequency of GoM consultation with civil society/private sector on relevant policies | Quarterly or semi-annually depending upon mechanism | Increased dialogue between government and NSA as well as NSA voice in policy processes will lead to improved GOM/NSA relations and an environment which is supportive of growth inducing policies | TBD |

| GOAL | OBJECTIVE IRs, Sub-IRs | PROCUREMENT INTERVENTION | BASELINE DATA SOURCES & PROCEDURES | EXPECTED OUTCOMES | INDICATOR LINKS | REPORTING PLANS | PROJECTED IMPACT | TIMELINE |
|------|--|--|--|--|---|--|---|----------|
| | <p>Objective 3 Improved Local Systems Development through:</p> <p>FtF alignment with local development endeavors</p> <p>Diversification of implementing partners</p> <p>Strategic Management Plan to mitigate risk</p> | SAKSS, MAPS, FEWSNET, Ag Stats, capacity building under VC mechanism | No specific assessments have been completed to establish baseline. This will be done through interventions still under design. | FtF investments in local capacity building through value chain investments will increase the capacity of local and regional organizations to effectively manage and implement USG resources. | <p>Comparison of programmatic objectives</p> <p>Pre and post FtF funding distribution</p> <p>Number of new funding mechanisms</p> | <p>Quarterly or semi-annually depending on the mechanism</p> <p>Monitoring plans will be tied to specific interventions, but will include benchmarks and timelines for moving forward with local and regional procurement for FtF investments. Capacity building service providers will furnish regular updates on progress and USAID staff will do assessments of organizational capacity in preparation for new procurements</p> | Harmonization of FtF investments with GOM objectives accompanied by investments in GOM and local implementer capacity will lead to increased investments by USG and other donors directly through GOM and local systems | TBD |

6.2 ANNEX B. BUILDING ON PAST INVESTMENTS

USAID/Malawi has made significant contributions to strengthening the viability and sustainability of smallholder livelihoods through its portfolio of DA and Title II-funded activities that FtF will build upon. Recent USAID and complementary USG programming has laid a foundation for expanded agriculture-led poverty reduction by promoting market-driven agriculture development, improving production practices, building assets among the poorest, improving access to financial services and promoting more sustainable management of natural resources. At the same time, USAID/Malawi continues to invest strategically in areas of nutrition, health and behavior change providing the platform for integrated agriculture and nutrition programming outlined in the FtF strategy. These prior and current investments are also a strong contributor to USAID/Malawi's goal of strengthening local partners, such that in line with USAID Forward and other agency objectives, various Malawian and regional organizations and firms are increasingly well-positioned to receive direct assistance from USAID and other USG sources.

Market-Driven Agriculture Sector Development – The Market Linkages Initiative, a regional program with direct investment from USAID/Malawi, supports inclusive agriculture sector development by collaborating with private sector actors, notably grain bulking centers (GBCs) and village aggregation centers (VACs) to integrate smallholders more effectively into commercial value chains as well as to improve the overall profitability of VACs and GBCs through capacity building and infrastructure upgrading. An important innovation of the project has been the introduction of a mobile phone based market information system to further reduce transaction costs of price and commodity availability discovery.

Productivity and Asset Building with the Ultra-Poor – In June 2009, USAID/Malawi completed a five-year, \$78 million Title II multi-year assistance program, Improving Livelihoods through Increasing Food Security (I-LIFE). In districts of Central and Southern Malawi, a consortium of CARE, Catholic Relief Services, American private voluntary organizations and Malawian NGOs assisted poor families to improve nutrition and health, increase agricultural production and strengthen rural livelihoods. The project used a community Care Group model to integrate nutrition and agriculture programming at the community level and promote nutrition behavior change.⁴⁹

Integrated Agricultural Investments – In June 2009, a consortium led by Catholic Relief Services was awarded the Wellness and Agriculture for Life Advancement (WALA) project, a five-year, \$80.7 million investment to build upon I-LIFE, while focusing solely on eight of Malawi's Southern districts, where poverty and ultra-poverty is most concentrated. The health and nutrition activities of the WALA program focus on children under the age of two and pregnant and lactating women to reduce chronic malnutrition in pre-school aged children in Malawi. WALA's integration of agricultural and nutrition activities aimed at contributing to greater food security serve as an important reference for FtF, although they operate in different regions and with varied target populations. In addition, the USAID-funded Project Peanut Butter GDA has mobilized more than \$3.1 million of non-USG funding to increase and strengthen the local production facility capacity in Malawi.

USDA has ongoing activities under both Food for Progress and McGovern/Dole Food for Education in Malawi. Intervention areas under these programs include agricultural and community development, building (hospitals, orphanages), training (teachers, leadership, farmers, youth) micro-credit, small-scale business development, as well as school feeding, school rehabilitation, school supplies, and capacity building. USDA, in collaboration with the Bill and Melinda Gates Foundation, is also launching a new intervention designed to address the prevalence of aflatoxin in Malawi's ground nut production.

⁴⁹ CRS, 2008. Integrated Community-Based Nutrition Intervention Using the Care Group Model . Report by the USAID I-LIFE Program. http://pdf.usaid.gov/pdf_docs/PNADPI04.pdf

Animal-Based Livelihoods – Since 1998, USAID/Malawi has supported the development of the dairy sector in central and southern regions. Further work was funded by the Malawi Dairy Development Alliance with Land O'Lakes (\$2.5 million between 2007-2010) to strengthen and organize dairy cooperatives, helping them to establish and manage commercial bulking operations and helping farmers manage their cattle more productively.

Health, Nutrition and Behavior Change – USAID's Support for Integrated Service Delivery project will expand access to the priority health interventions for women and children that can make a difference in their health and engage men in care. The main focus of activities is on integrated service delivery at the community level in the areas of family planning, maternal, neonatal and child health, nutrition, malaria, and water and sanitation.

USAID's investment in Social & Behavior Change Communication (SBCC) will support, at the national level, improved strategic planning and strengthened coordination for effective SBCC, development and production of health-related SBCC packages under a national multi-level communication initiative to be implemented through mass media, within community and facility settings and through capacity building of counterpart institutions.

USAID Health Policy and Systems Strengthening (HPSS) will work in all five zones, in close collaboration with Zone Supervisors, and focus on strengthening the roles and supervisory capacity of zone supervisors and offices. This investment seeks to improve leadership, management and health systems at the district level and below that are needed for effective health program implementation and sustainability in the long term.

The HPSS project will also work with the MoH on policy issues affecting the health sector, including issues associated with human resources for health, such as policies on Health Surveillance Assistants and community health volunteers (CBDAs); policies and guidelines for expanded partnerships with the NGO and for-profit private sector; and, policies and guidelines for the delivery of priority EHP services, as needed.

Financial Sector Deepening (FSD) – The Deepening Microfinance Sector (DMS) project was a five-year, \$4.5 million activity, which ended in September 2009. DMS built capacity among several targeted microfinance lenders⁵⁰, resulting in expanded lending portfolios, improved product design that better serves the needs of agricultural clients, and improved outreach to rural areas. Additionally, to promote increased commercial lending to the agricultural sector, USAID/Malawi established a \$13 million Development Credit Agreement (DCA) credit guarantee to support financing for small- and medium-enterprise (SMEs) in agriculturally related enterprises. Building on these investments, USAID/Malawi will begin a Financial Inclusion Project in 2011 in partnership with DfID and the World Bank. The partnership encompasses a five-year technical assistance project that aims at strengthening financial sector regulations and supervision; developing financial sector infrastructure; improving financial consumer protection and financial literacy; building the Ministry of Finance's institutional capacity for financial policy and sector coordination; supporting financial inclusion, especially for women and rural communities through a Multi Donor Financial Sector Deepening Trust; and supporting implementation arrangements within the Reserve Bank of Malawi.

Policy Environment – USAID/Malawi has two current mechanisms for improving the analytical underpinnings of programming and policy aimed at reducing poverty and food insecurity in Malawi. Since 2008, under the SAKSS framework, IFPRI has provided the MoAFS and the donor community with in-depth analysis of national agricultural trends and model projected policy impacts. USAID/Malawi has

⁵⁰ Assistance to microfinance lenders went primarily to PRIDE, FINCA, OIBM, MUSSCO and CUMO.

also committed \$166,000/year to assure that FEWS NET teams will collect and report on key food security trends.

Biodiversity and Natural Resource Management – Community Partnerships for Sustainable Resource Management in Malawi (COMPASS II) Program – a \$12.6 million project, 2004-9 contract with DAI, Inc. designed to help increase sales of natural resource-based products and help communities take a direct role in managing adjacent biodiversity and forest resources. More recently, USAID/Malawi made two three-year grants to locally-based NGOs to focus on improving livelihoods and food security of communities around key protected areas of Malawi through enhancing their soil and water management and conservation practices and building forest product value chains.