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MALAWI

FY 2010 Implementation Plan

U.S. Government Working Document

The Feed the Future (FTF) FY 2010 implementation plans are working documents outlining U.S. government planning for the first year of the Global Hunger and Food Security Initiative. These plans represent a transition towards the development of multiyear strategies and are targeted at investments that lay the foundation for a new country-level and coordinated approach with a diversity of partners. Multiyear strategies are under development that will span development and diplomatic actions across multiple USG agencies.

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Acronyms and Abbreviations

| | |
|----------------|--|
| ACE | Agriculture Commodity Exchange |
| ACTESA | Alliance for Commodity Trade in East and Southern Africa |
| ADB | African Development bank |
| ADMARC | Agriculture Development and Marketing Corporation |
| ADP | Agriculture Development program |
| ASWAp | Agriculture Sector Wide Approach |
| FISP | Farm Input Subsidy Program |
| APS | Annual Program Statement |
| ASNAPP | Agribusiness in Sustainable Natural African Plant Products |
| BASICS | Basic Support for Institutionalizing Child Survival |
| BASIS | Broadening Access and Strengthening Input market Systems |
| CAADP | Comprehensive African Agricultural Development Program |
| CIAT | International Center for Tropical Agriculture |
| CIP | International Potato Center |
| CMAM | Community Managed Acute Malnutrition |
| COMESA | Common Market for Eastern and Southern Africa |
| CRSP | Collaborative Research Support Program |
| DBS | Direct Budgetary Support |
| DCA | Development Credit Agreement |
| DCAFS | Donor Committee for Agriculture and Food Security |
| DfID | Department for International Development |
| DMS | Deepening Microfinance Services |
| FAF | Foreign Assistance Framework |
| FACTS | Foreign Assistance Coordination and Tracking System |
| FFP | Food for Peace |
| FISP | Farm Input Subsidy Program |
| GBI | Green Belt Initiative |
| GDA | Global Development Alliance |
| GDP | Gross Domestic Product |
| GHFS | Global Food Security Response |
| GoM | Government of Malawi |
| ICRISAT | International Crops Research Institute for the Semi-Arid Tropics |
| IFAD | International Fund for Agricultural Development |
| IFDC | International Fertilizer Development Corporation |
| IFPRI | International Food Policy Research Institute |
| IITA | International Institute for Tropical Agriculture |
| I-LIFE | Improving Livelihoods through Food Security (Title 2) |
| IMF | International Monetary Fund |
| JICA | Japan International Cooperation Agency |
| JFNSTF | Joint Food and Nutrition Security Task Force |
| LSGA | Locally Specific Grant Agreements |
| MAPS | Malawi Agriculture Policy Strengthening |
| MCC | Millennium Challenge Corporation |
| MCH | Maternal Child Health |
| MDDA | Malawi Dairy Development Alliance |
| MGDS | Malawi Growth and Development Strategy |
| MLP | Market Linkages Project |
| MMCT | Mulanje Mountain Conservation Trust |

| | |
|-----------------|---|
| MoAFS | Ministry of Agriculture and Food Security |
| MRA | Malawi Revenue Authority |
| MSU | Michigan State University |
| MVAC | Malawi Vulnerability Assessment Committee |
| NAPA | National Adaptation Program for Action |
| NASFAM | National Smallholder Farmers Association of Malawi |
| P4P | Purchase for Progress |
| PLWHA | Person living with HIV/AIDS |
| NRM | Natural Resource Management |
| REC | Regional Economic Community |
| ReSAKSS | Regional Strategic Analysis and Knowledge Support System |
| RSA | Republic of South Africa |
| RUTF | Ready to Use Therapeutic Food |
| SADC | Southern Africa Development Community |
| SAFEX | South African Futures Exchange |
| SAKSS | Strategic Analysis and Knowledge Support System |
| SAVE | Strengthening Agriculture Value Chains and Enterprises |
| SEG | Sustainable Economic Growth |
| SMEs | Small and Medium Sized Enterprise |
| SPS | Sanitary and Phyto-Sanitary |
| TLC | Total Land Care |
| UILTCB | USAID Initiative for Long-Term Training and Capacity Building |
| VS&L | Village Savings & Loan |
| WALA | Wellness and Agriculture for Livelihood Advancement (Title 2) |
| USADF | United States African Development Foundation |

I. INTRODUCTION

Increasing food security has been the Government of Malawi's (GoM) highest strategic priority since President Bingu wa Mutharika took office in 2004. The GoM has demonstrated a strong commitment to reducing poverty and food security through agriculturally-led economic growth. The GoM is investing 13% of its 2009/2010 national budget to address agriculture and food security-related issues, compared to the Comprehensive Africa Agriculture Development Program (CAADP) target of 10%. President Mutharika's first major initiative, the Farm Input Subsidy Program (FISP), has been praised in many corners of the globe for contributing to four years of consecutive crop surpluses and one of the highest GDP growth rates in the world – 9.8% in 2008.

The GoM is investing 13% of its 2009/2010 national budget to address agriculture and food security related issues, compared to the CAADP target of 10%..

The number of Malawians in need of food aid has decreased dramatically, from nearly half the population (over 4.5 million) following the 2004/2005 drought to less than 254,000 today according to the latest Malawi Vulnerability Assessment Committee (MVAC) report.¹

Attaining Millennium Development Goal (MDG) I will be a challenge for Malawi. A significant portion of the population is malnourished and continues to be food insecure during the “hungry season.” And the country is dependent on rain-fed agricultural practices, and remains only one or two bad rainy seasons away from a drought-related humanitarian crisis. However, Malawi's national agricultural development strategy, called the Agriculture Sector Wide Approach (ASWAp), is aligned with the Comprehensive Africa Agriculture Development Program (CAADP) principles and forms a solid basis for guiding government,

donors and stakeholders towards an investment strategy with the potential for sustainably reducing poverty and undernutrition in Malawi. Within this collaboration, USAID/Malawi is recognized as a leader in developing and stimulating agricultural value chains, supporting private-sector agro-dealers to provide services to rural smallholders, and supporting sustainable natural resource management initiatives. All of these initiatives are supported by strong partnerships working collaboratively with the poorest and most marginalized sectors of society, especially women.

In FY 2010, agricultural funding will be directed to investments in value-chain development and evaluations (including staple crops); irrigation; natural resource management (NRM); soil fertility; strengthening policy dialogue; agricultural research; and cross-cutting capacity building. Additional funding sources include nutrition, biodiversity, climate change, private-sector competitiveness, and economic opportunity. These funds will complement the agricultural investments and target areas such as sustainable natural resource management and environmental and biodiversity assessments. Also, Title II-funded integrated rural development programs will specifically focus health and agricultural interventions on Malawi's very poor and vulnerable in the densely populated southern region. In addition, all programming will seek to engage women as equal contributors to agricultural development and food security.

To improve the overall effectiveness and impact of investments in the agriculture sector, the USG, in collaboration with other development partners, will address the following list of illustrative threshold policy criteria for Malawi:

- Facilitate Malawi's advancement in the Post-CAADP Compact activities;
- Engage the private sector and civil society more fully into national economic growth and development; and
- Facilitate the development, endorsement and implementation of evidence-based

¹ Intermittent and scattered rainfall in the 2009/2010 crop season may further impact these numbers.

agricultural policy that leads to the elimination of restrictive policy and substantially elevates regional trade.

2. FY 2010 OBJECTIVES

2.1. COUNTRY-OWNED COMPREHENSIVE STRATEGY

Malawi's national agricultural strategy, the Agriculture Sector Wide Approach (ASWAp), which relates to the National Nutrition Policy and Strategic Plan (NNPSP), has been under development for almost five years through a process of extensive consultations with key stakeholders and donors. Formally approved by the Office of the President's Cabinet in December last year, the ASWAp is closely aligned with the CAADP pillars and provides a framework for coordinated investment in agricultural development and food security in Malawi.

2.2. CONSULTATIVE PROCESS

In 2008, the Ministry of Agriculture and Food Security (MoAFS) established an Agricultural Development Program Task Force consisting of civil society, private sector, donors and other ministry officials. It was designed to consolidate existing agriculture policies into a single, CAADP-compliant, national agriculture and food security strategy. USAID played a key role in the development of sections relating to capacity building and private-sector inclusion. With the formal Cabinet approval of the ASWAp, and a new GoM focus on donor coordination and sector-wide approaches across all sectors, donor focus has shifted to the development of the harmonized investment plan to support the ASWAp.

From mid-October 2008 through March 2009, the GoM undertook an expert consultation to develop the National Nutrition Policy & Strategic Plan (NNPSP) 2007-2012. This consultation built upon a previous process that sought input from a wide variety of stakeholders at all levels. The final NNPSP document provides analysis of Malawi's

nutrition situation and identifies key issues requiring special focus during nutrition programs implementation.

The Donor Committee for Agriculture and Food Security (DCAFS), in which USAID places particular emphasis on agricultural policy and private-sector development, provides a monthly forum for donors to coordinate efforts. A second monthly DCAFS meeting with the Permanent Secretary for Agriculture enables donors to dialogue openly with the government. Currently, donors are working with the GoM to form Sector Working Groups (SWGs) that will facilitate donor and stakeholder coordination in support of GoM priorities.

USAID maintains a key role on the Trade, Industry and Private Sector Development donor coordination committee, which also addresses many of the issues affecting agricultural development and food security. Three other functioning forums that will be incorporated into the consultative processes are: the Climate Change, Environment and Agriculture Joint Resilience Unit (JRU)², the Joint Food and Nutrition Task force, and the National Program for Managing Climate Change in Malawi, initiated by the GoM with support from Norway, UNDP, DFID and Spain.

2.2.1. Status of CAADP

Malawi signed its CAADP Compact on April 19th, 2010. After several years of collaboration on the ASWAp document, the GoM and stakeholders agreed to formally commit to the CAADP process by signing the Compact and establishing a roadmap of future actions for the Post-Compact process. Currently, GoM is working in collaboration with donors and stakeholders to develop the Roadmap, which parties agreed to finalize by the end of May.

While all parties in this process acknowledge the work that lies ahead in moving towards a sector wide approach supported by a Country

² Currently membership of the JRU consists of DFID, IrishAid, Norway, USAID, Flemish International Cooperation, and DED.

Investment Plan (CIP), it is important to note that many of the principles and activities laid out in the ASWAp are already being implemented. Though the GoM acknowledges the long pauses in the final steps towards signing the CAADP Compact, donors and Government have, nonetheless, moved forward over the past two years to implement Malawi's national agriculture and food security strategy. While certain policy challenges remain (see Section 2.5), the broad commitment to the country-owned strategy is evident.

2.3. POLICY CHALLENGES TO IMPLEMENTING COUNTRY-OWNED STRATEGY

Malawi's national agricultural strategy is sound and grounded in the CAADP principles. However, there are a number of challenges that could complicate its implementation, such as:

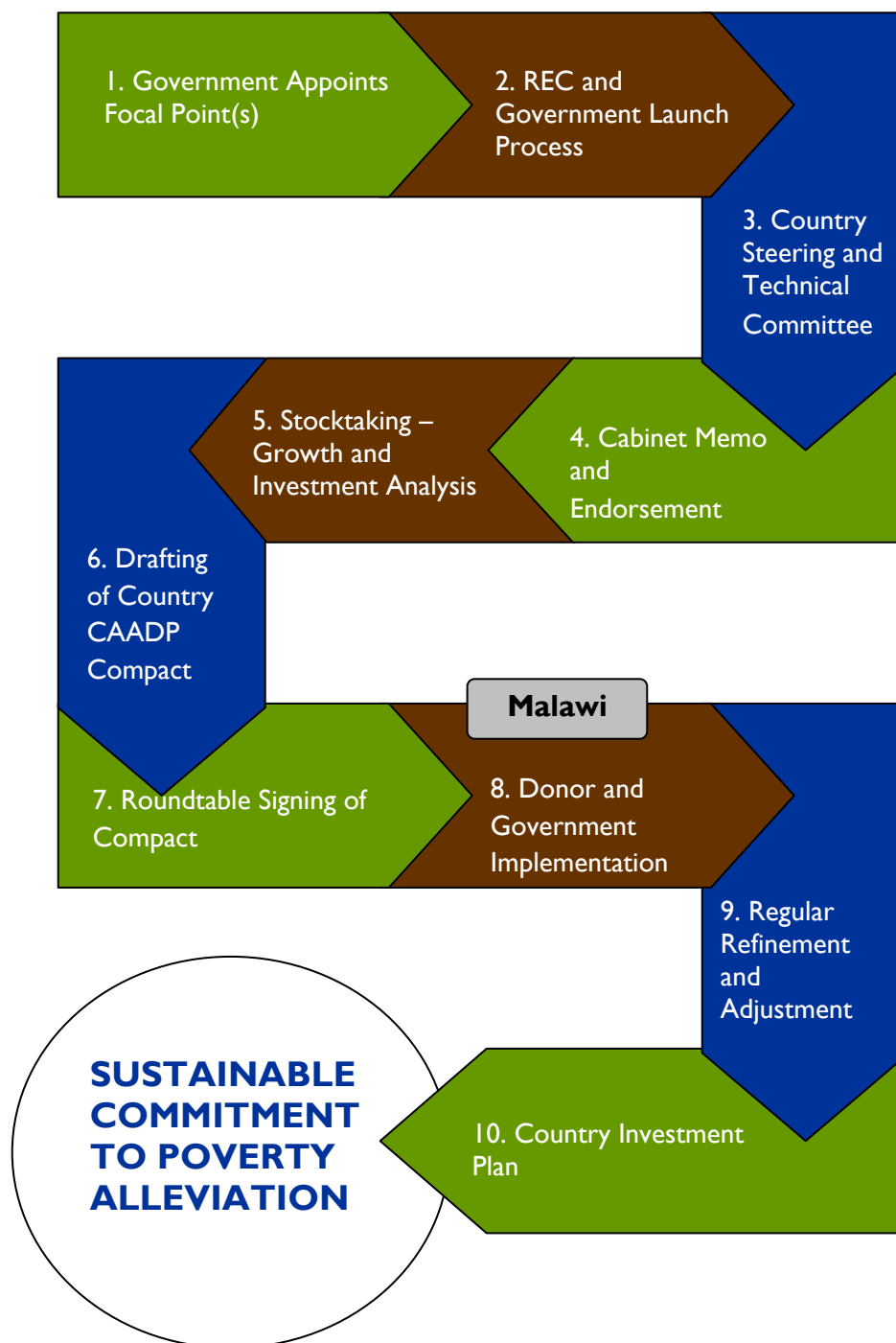
- Improved donor and stakeholder coordination will be critical to developing

the effective dialogue and actions necessary to build an enabling environment in the agriculture sector

- There is a limited number of private-sector firms in Malawi and a complex relationship exists between the private sector and the Malawi Government.
- The GoM has previously lacked adequate capacity to produce and disseminate robust and timely agricultural and nutrition data – a particular concern in moving forward in the CAADP Process

However, it should be noted that the President's dual role, as President of the Country and as Minister of Agriculture, demonstrates the importance of agriculture to Malawians and acts as a catalyst for advancing agricultural development.

Figure 1: The CAADP Process



3. TARGET GROUPS BY LOCATION AND INCOME

The recent 2008 population census, completed by the National Statistical Office, reveals that the population of Malawi grew by 32% from 9.93 million in 1998 to 13.08 million in 2008.

USAID/Malawi programs are primarily located in the central and southern regions, consistently identified as containing the largest number of vulnerable households. Table I provides an analysis of the characteristics and needs of the three main poverty groups in Malawi and has been used to guide GHFS programming and geographical targeting.

Table I: Characteristics of Poverty Groups

| Group | Estimated Population (millions) | Characteristics / Needs | Planned Programs to Address Group |
|----------------------|---------------------------------|--|--|
| Very-Poor | 2.86 | Very-Poor Households: usually larger than average; often with more young children; characterized by a lack of assets, especially limited landholdings. Many are affected by or vulnerable to chronic illnesses, often related to HIV. Others are female-headed, often by elderly women with many dependents. These HHs are characterized by lower levels of education, limited involvement with cash crops and limited access to other economic opportunities. HHs in remote areas or in communities not accessible by a paved road are also more likely to be very-poor. The income cutoff that correlates to this definition was calculated in 2005 as people living at under \$0.25 per day. The very poor, representing approximately 22% of the population, number over 2.86 million people. | WALA SAVE MAPS Market Linkages BASICS PPB IYCN |
| North | 0.36 | | |
| Central | 1.20 | | |
| South | 1.30 | | |
| Poor | 3.95 | Poor Households: have some assets but are exceedingly vulnerable to further impoverishment; are heavily dependent on agriculture or fishing; and are generally net consumers of food, selling some of their output for cash after harvest, when prices tend to be low, while buying food once their own stocks are depleted, often in the expensive pre-harvest "lean season." The income cutoff for the poor was \$1.00 per day. The poor accounted for roughly 30.4% of Malawi's population in 2005, which today would represent almost 4 million people. | SAVE MAPS Market Linkages BASICS PPB IYCN |
| North | 0.51 | | |
| Central | 1.66 | | |
| South | 1.78 | | |
| Transient or at risk | 3.24 | Transient or at-risk Households: live close to the poverty line and could be forced into poverty by even slight misfortune, e.g. loss of adult household member or drought. Roughly 25 percent of Malawi's population falls into this category (20 percent above the poverty line), and thus runs the risk of being thrust back into poverty. This category includes 3.25 million people. | SAVE MAPS Market Linkages BASICS PPB IYCN |
| North | 0.42 | | |
| Central | 1.36 | | |
| South | 1.46 | | |

4. CORE INVESTMENT AREAS

Malawi may face difficulty in attaining the MDG I goal of halving poverty by 2015, according to a 2008 IFPRI analysis³. While the country is projected to be on target for halving malnutrition rates, IFPRI maintains that the country will need 6.9% GDP growth and 7.6% agricultural growth (rather than the CAADP recommended 6%) to meet the 2015 poverty goal. Achieving these rates of growth will require national budget allocations between 20% and 24% for agriculture (doubling the CAADP recommended 10%), and investments would need to be targeted specifically to agricultural research and development, irrigation and rural infrastructure.

These growth targets are a daunting challenge, however, both the GoM and donors will continue to undertake a number of key policies, programs and investments to make significant progress toward achieving the MDG I. Two key developments from the GoM are the establishment of the Greenbelt Initiative (GBI), with a target of irrigating 500,000 hectares of land by 2014 (1,000,000 ha in the long term), and the addition of legume seed packets, distributed by the private sector, to the Farm Input Subsidy Program (FISP). Major donor investments in 2010 will include the anticipated signing of the Millennium Challenge Corporation (MCC) Compact, which will build feeder roads and develop Malawi's power sector infrastructure, and the EU's 10th European Development. These major investments, when combined with GHFSI contributions, significantly improve Malawi's prospects of achieving the MDG I goal by 2015 (See Table 2).

³ International Food Policy Research Institute (IFPRI) Development Strategy and Governance Division Discussion Paper No 00794, "Agricultural Growth and Investment Options for Poverty Reduction in Malawi" (2008) by Samuel Benin, James Thurlow, Xinshen Diao, Christen McCool, and Franklin Simtowe. The paper is available for download at <http://www.ifpri.org/pubs/dp/ifpridp00794.pdf>.

4.1. CORE AREAS

4.1.1. Increasing Agricultural Productivity And Engaging Women In Economic Growth

Current/Potential USG/ Development Partners

USAID/Malawi, USAID/Washington (OFDA), USDA, MCC, Peace Corps, USADF, DCAFS Partners, Farmer Associations, NGO Partners, local agro-processors and input suppliers, civil society.

Contribution to MDG I

Since 2000, two severe droughts have occurred in Malawi. In response to these emergencies, USAID/Malawi Title II/PL480 and DA programming, notably dairy and aquaculture initiatives, have assisted thousands of vulnerable households to achieve improved food security, and in many cases, increased income security—including large numbers of women, orphan and disease-affected individuals. GHFSI projects are designed to enable these 'vulnerable yet viable' households to access sustainable market-based commodity value chains. Increased production capacity and mainstream links to value chains will graduate households from demanders of services to providers of services, i.e. the private sector.

Situation Analysis

The agriculture sector remains plagued by low productivity and dependence on rain-fed production, resulting in price volatility of staple crops and difficulty for smallholder farmers to accumulate capital for investment or a buffer against shocks. Irrigation potential is underdeveloped. There is low ownership of livestock and little mechanized cultivation. Forest resources are heavily overused, and soil fertility has declined substantially in recent decades. Smallholders practicing intensive cultivation methods are unable to allow land to lay fallow or to practice crop rotations, driving decreasing soil fertility and increased erosion.

As a result, increases in land productivity depend almost exclusively on the use of agricultural inputs, largely fertilizer and to a lesser extent improved seed, which income-constrained farmers cannot always access. Even with hybrid seeds, actual yields generate less than one quarter of their potential. While some productivity gains could be achieved through agronomic improvements, such as conservation farming, earlier sowing and timely weeding, the agriculture extension services necessary to achieve this are scarce due to the lack of government capacity.

Labor constraints contribute significantly to Malawi's poor agricultural productivity. Women comprise approximately 70% of farm labor in Malawi. They are also most likely to be caring for people living with HIV/AIDS (PLWHA) and collecting water, firewood, thatching grass, and wild foods. Households are forced to engage in destructive practices to meet immediate needs at the expense of the environment. These circumstances clearly dictate the need to target women and PLWHA, and to provide opportunities to adopt production-enhancing technologies that save labor, conserve resources, and generate income with reduced environmental degradation.

Following the drought in 2004, the GoM has attempted to address the low agricultural productivity through a targeted, voucher-based, smallholder Farm Input Subsidy Program (FISP). The FISP has subsidized both fertilizer and hybrid seed inputs since then and has been characterized by annual increases in national crop production, based on GoM statistics. The modalities and implementation of the FISP have had positive and negative effects on the agriculture sector.

Since 2004, rainfall has, generally speaking, been sufficient and timely and is a key factor in the perceived success of the FISP. However, intermittent drought in the past 10 years (with increasing variability in the amount and timing of precipitation) has had, and will continue to have, serious impacts on overall national food security.

Government's efforts to improve output markets are centered on purchasing commodities via the Agricultural Development and Marketing Corporation (ADMARC), and on regulating commodity prices to help farmers receive fair prices.

The FISP has attempted to reduce high costs of inputs to smallholders. One criticism of the FISP is that it excludes the private sector, particularly through the FISP distribution processes, which prevent the development of an efficient, affordable and sustainable private-sector-led and driven agricultural input system.

The GoM has documented the need to shift resources to more sustainable and market-friendly approaches in order to achieve food and livelihood security and MDG 1 goals. President Mutharika, in his 2009/2010 budget speech, laid out plans for a second agricultural scheme – a drive to promote irrigation along Malawi's rivers and lakes known as the "Green Belt Initiative." Expanding commercial and smallholder irrigation offers promising opportunities for both national food security and for generating exportable surpluses. There is a need to learn from past successes and failures with irrigation initiatives through research to determine how to address issues such as: land tenure and title; social organization around infrastructure management; access to investment capital and inputs. Other issues to investigate include gender, such as the impact of change labor profiles for men and women, as well as health issues such as increases in water borne diseases.

Core Investments

The Strengthening Agriculture Value Chains and Enterprises (SAVE) project will be initiated in FY2010. SAVE is designed to radically improve household-level food security by improving agricultural productivity and boosting competitiveness and market access in selected value chains (including staple crops). Building upon the extensive agricultural productivity and irrigation activities with vulnerable households of the Title II-funded Wellness and Agriculture

for Life Enhancement (WALA) project, the SAVE project will:

- Oversee a steady adoption of irrigated agriculture and more labor and environmentally friendly agricultural techniques, such as conservation agriculture; emphasizing mitigation tools for addressing the adverse labor and health effects for women associated with irrigation, such as the additional number of crop cycles per year and the increased susceptibility to water-borne diseases. The Kulera and Mobilize watershed management will similarly promote the labor-saving conservation agriculture.
- Address access to inputs and financial services, especially for women;
- Foster innovation and uptake of adaptive technologies;
- Link producer associations to pre-identified value chains and the private sector.

These activities will assist beneficiaries through increasing assets and incomes, and will better integrate them into growing national, regional and international market. USAID/Malawi's health team can work with SAVE to integrate nutrition activities into household level interventions.

The GoM and donors acknowledge the importance of expanding irrigation. Following on IFPRI's recommendation of increasing spending in irrigation in order to achieve MDGI, several new activities are planned. In 2010, GoM will roll out its national plan for rapid expansion of irrigation with its new Greenbelt Initiative (GBI), which USAID will seek to support. Both SAVE and WALA irrigation activities will be closely coordinated to complement GBI activities. Similarly, the OFDA-funded Rehabilitation through Irrigation and Extension (RIPE), which is incorporated into WALA activities, will also contribute. Finally, USAID will participate on the irrigation subcommittee of the DCAFS group, and the

Irrigation, Water and Sanitation Sector Working Group to ensure that donor irrigation spending leverages the greatest impact possible and is coordinated with government and development partner programming.

The IFPRI SAKSS unit, strategically placed within the MoAFS, will build ministry capacity to analyze and produce more qualitative and quantitative evidence-based policies that will lead to better targeting of key GoM policies and programs focused on agricultural productivity, such as the FISP. Through conducting analyses and research, SAKSS will help identify capacity gaps and facilitate the rollout of the ASWAp by helping to improve tools and techniques currently employed by Government, such as annual crop estimates and the MVAC. SAKSS will also partner with Bunda College's Center for Agriculture Research and Development (CARD) to similarly build national policy-making capacity.

USAID further contributes to national capacity building in agricultural productivity through the USAID Initiative for Long-Term Training and Capacity Building (UILTCB). Each year, the Mission collaborates with the MoAFS to identify a key sector vital the country's agricultural development strategy and selects six key individuals to earn a Masters Degree in that subject at a participating US land-grant university.

Closely linked with SAVE and the Title II WALA Project, the Malawi Agriculture Policy Strengthening (MAPS) project, will build on substantial work with farmer and producer associations to strengthen organizational capacity and the ability of associations to advocate for policies related to regular and predictable access to inputs and reliable demand for smallholder output. This activity is aimed at improving governance structures within associations and training local 'lead farmers' as organizers of local chapters of these associations. Similarly, the project will focus on building the policy-making and analysis capacity of these associations in order to improve public dialogue and scrutiny of GoM policies and the stability of the associations.

In further keeping with IFPRI's recommendations for investments, the Mission will support Malawi's agricultural research and development efforts. The Mission will collaborate with USDA as well as with a trilateral GoM, RSA and USAID Southern African Regional effort to develop and disseminate virus free seed potato. We will also evaluate potential partnerships with the MoAFS on research to reduce pest infestation and post-harvest losses. Other potential collaborative studies with the GoM could include research into techniques for improving on-farm quality standards.

All USAID/Malawi Initiative programming includes specific efforts to engage women in economic growth. For example, WALA and SAVE place particular emphasis on elevating the role of women in household-level decision making through focusing interventions, such as VS&L, health and nutrition education, and management of new irrigation schemes. MAPS will emphasize the importance of women in leadership roles within farmers associations and SAKSS works with MoAFS policy makers to incorporate evidence about the importance of women in economic development into policy development and implementation. Finally, USAID/Malawi's new relationship with United States African Development foundation (USADF), which is based out of Malawi's National Association for Business Women, will be a strategic partnership that brings expertise and direction for elevating the role of women in Initiative efforts.

4.1.2. Maintaining Natural Resources Including Adapting To Climate Change

Current/Potential USG/ Development Partners

USAID/Malawi, MCC, Peace Corps, Joint Resiliency Unit (Donor group on CC and DRR), UNDP, FAO, World Bank, Norwegian Embassy, Flemish, Irish Aid, DFID, University of Malawi, producer associations and civil society.

Contribution to MDG I

GHFSI programs are designed to improve access by producers associations to certified warehousing, real-time market information, and transparent trading platforms that provide opportunities to access both national and intra-regional trade in agricultural commodities, especially staples. The SAKSS project will assist the MoA to develop future evidence-based agricultural policy that is linked and supported by the COMESA/ ACTESA secretariat, which addresses regional trade issues. USAID trade hubs in East and Southern Africa will be actively engaged in support of these initiatives.

Situation Analysis

High population density and an economy based disproportionately on small-scale agriculture and forest resources have had severe environmental consequences for Malawi. Intensive cultivation and deforestation has led to poor soil fertility, massive soil erosion, damage to watersheds, and siltation of the rivers limiting smallholder productivity. They have also damaged national infrastructure, affected hydro-electric power generation, and diminished fisheries. With only 16% of households having access to electricity and 90% of households using wood and charcoal for fuel, rates of annual deforestation are the highest in Africa at 2.4% (1990–2000). While Malawi's average annual rainfall is adequate for rain-fed crop production and also for recharge of underground aquifers, rainfall intensity is erratic; and water recharge is reduced by rapid runoff. With global climate change and increasing environmental degradation, Malawi is increasingly affected by drought (five major events in the past twenty years) and flooding.⁴

Despite these problems, Malawi continues to show a commitment to safeguarding its environment. The government has ratified international environmental agreements pertaining to biodiversity, climate change, desertification, ozone layer protection, and

⁴ Environmental Affairs Department, 2006. Malawi's National Adaptation Programs of Action (NAPA), Lilongwe.

wetlands among others. Through consultative processes, it has also developed action plans on biodiversity conservation and forestry management. In February 2008, the President launched the National Adaptation Program for Action (NAPA).⁵ Malawi has added an addendum to the Malawi Growth and Development Strategy (MGDS) to include climate change. Similarly, donors have taken increasingly progressive action on this issue. A taskforce was formed to expand Conservation Agriculture in Malawi; and a group of donors, including USAID, formed a donor coordination association called the Joint Resiliency Unit (JRU), designed to coordinate and integrate donor programming on climate change and disaster risk readiness issues.

Core Investments

Two Biodiversity and Global Climate Change (GCC)-funded NRM projects, Kulera and Mobilize, will complement Initiative programming by engaging communities in the shared ownership, management and protection of natural resources in protected areas. The projects will support GoM NRM policy by employing a participatory governance structure that promotes economic incentives for sound management and reduced exploitation of natural resources. Such activities will increase household-level incomes and food security by reversing the effects of soil degradation while also improving the adaptive capacity of farmers in these areas to the effects of climate change. Similarly, these two projects have strong watershed management components that have important soil erosion and irrigation implications. Malawi's substantial soil erosion issues constrain power generation and are a major focus of MCC NRM efforts in the upper Shire region. USAID will collaborate with MCC on its watershed assessments, project designs and future expansion of USAID watershed activities.

⁵ Department of Planning and Cooperation, 2009. National Program for Managing Climate Change in Malawi – Formulation Phase, Lilongwe.

A core component of SAVE will look at developing comprehensive natural soil fertility management regimes with beneficiaries. These interventions will include conservation agriculture and soil conservation activities that will address issues of poor soil fertility, massive soil erosion, damaged watersheds, and siltation of rivers. These will not only improve smallholder productivity but also help beneficiaries adapt to climate change and recover damaged landscapes while reversing the effects of previously unsustainable agricultural practices.

The Mission will partner with donors, through the JRU and the Department of Forestry, to undertake a full baseline analysis of available resources and carbon storage in forest reserves and making that information public. In line with the GoM's interests, a country-wide baseline will enable Malawi to apply for REDD+ status, a major step in introducing carbon financing as part of new sector-wide efforts to promote improved livelihoods through agricultural practices that are adaptive to climate change. Related to these investments, USAID/Malawi will develop a program which integrates Peace Corps activities, focused on the planting of sustainable tree crops, along with other Initiative agricultural and NRM projects.

4.1.3. Linking Small Farmers, Especially Women, to Markets

Current/Potential USG/ Development Partners

USAID/Malawi, MCC, USDA, Peace Corps, USADF, DCAFS Partners, IFPRI, SAKSS, ReSAKSS, University of Malawi (Bunda College), producer associations and civil society.

Situation Analysis

Agriculture remains the key sector of the economy, employing 85% of the workforce, contributing 35% to GDP and 91.3% of foreign exchange earnings. Maize, pulses, groundnuts, rice and sorghum constitute the majority of staple crops grown; but even with increasing diversification in crop production, the area cultivated with maize is equivalent to that of all

other crops combined. Tobacco (60% of export revenue), sugar and tea are the dominant cash crops. More recently, cotton, groundnuts, soya beans and paprika have become more significant contributors. As cash crop production has grown, small farmers have increasingly engaged in out grower schemes with larger commercial farms and tea and sugar estates.

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 productivity.⁶ With only 10-15% of maize total production reaching markets, small changes in the quantity of grain traded have a major impact on prices. When yields are high, farm gate prices are often insufficient to cover costs of production. When yields are low, prices can prohibit adequate household consumption. With an estimated 60% of households as net maize buyers, 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's strong response to improving output markets 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.

Markets for inputs have also had difficulties. With high transport costs, inputs such as fertilizer are too expensive for many to afford. Though roads in Malawi are relatively good, transport to rural areas has been prohibitively expensive for private input dealers to

⁶ The 2006 Poverty and Vulnerability Assessment estimates that only 10-15 percent of maize grown reaches the market, and only 18% of smallholders sell more than half their crop.

adequately service. The government's attempt to address the productivity problem, the FISP, has had a significantly positive effect on production levels. Exclusion of the private sector has limited the long-term development of private-sector-led input markets that could more sustainably address costs.⁷

Core Investments

Building on IFPRI's recommendation of focusing on rural infrastructure to attain MDGI, there are a number of new efforts by the USG, GoM and other development partners that will address several different areas of infrastructure development to boost market access for smallholders.

The current MCC proposal awaiting final approval prior to Compact signature is focused on infrastructure. Similarly, the EU proposes to support GoM efforts to expand rural road infrastructure.

A major obstacle for smallholder market access is the lack of access to financial services. Several recent papers⁸, as well as Malawi's new Financial Sector Development Strategy, have all identified mobile banking programs, coupled with appropriate IT infrastructure and legislation, as a tool to significantly reduce the cost of providing financial services to rural areas. The Donor Group for Private Sector Development has also agreed to use rural financial inclusion as a pilot project focus for developing a coordinated donor investment strategy.

⁷ Minot, Nicholas and Benson, Todd. "Fertilizer Subsidies in Africa: Are vouchers the answer?" *IFPRI Issue Brief 60*. July 2009.

⁸ Ministry of Finance, Republic of Malawi. *Financial Sector Development Strategy, 2010-2015 (Draft)*. Lilongwe. December, 2009; FinScope Malawi funded by the UK's Department for International Development (DFID). *Demand Side Study of Financial Inclusion in Malawi*. 2008; Mjojo, Angela C.N. "Financial Inclusion through Micro-finance Services Provision and Information Communications Technology (ICT): Pertinent Issues for Malawi." MIT Working Paper. Cambridge. 2008.

The SAVE Value Chain Development Project will focus on mitigating risk for smallholders, (especially farmer associations), and processors by working to improve trust and strengthen contract farming relationships. This can encourage long-term investment and provision of financial services to both producers and buyers thereby increasing output. The SAVE grant-making facility will provide loans and grants to businesses, especially female-headed businesses, with innovative approaches to filling gaps in selected value chains. The SAVE project places a strong emphasis on private-sector mechanisms to address gaps in value chains that prevent smallholder access to markets.

On a broader level, the difficulty of starting or operating a business in Malawi has perpetuated the market exclusion of smallholders. Upon the request of the GoM, USAID and the World Bank have begun to develop a strategy to assist Malawi in making improvements to its *Doing Business* indicators, which have slipped in recent years. As a first step in this process, USAID will fund an AgCLIR assessment to fully understand the nature of the problem in the agriculture sector and develop a strategy to address these constraints.

The Market Linkages Initiative (MLI) will address grain bulking, post-harvest handling of both staple and cash crops, and real-time market information services that link smallholders to market service providers, including warehousing, financial and insurance services, input suppliers, and market information. The improvement of post-harvest marketing tools will be especially beneficial to women, who frequently bear the labor burden of transporting or processing goods.

A future partner could include the Agriculture Commodity Exchange (ACE) which will act as a link for smallholder farmers to access national and regional markets. This partnership will be further supported by joint initiatives between USAID regional trade hubs in southern and eastern Africa, such as the Malawi Revenue Authority (MRA) to connect Tanzanian and Malawian customs through the RADDEx. Moreover, MLI activities will coordinate with

the ASWAp Secretariat and the Common Market for Eastern and Southern Africa (COMESA)/Alliance for Commodity Trade in East and Southern Africa (ACTESA) Secretariat to monitor and track the expansion in the trade of staple food crops.

The Kulera and Mobilize_natural resource-based projects will continue to expand both existing and new production and export of natural resource-based products including honey, coffee, baobab, and macadamia. Building linkages for smallholders to markets for sustainably managed natural resource products will be a key focus of Malawi's biodiversity programming.

The SAKSS program will be expanded in 2010 to specifically build MoAFS capacity to develop and implement policies and programs related to the ASWAp. With its strong focus on commercialization of agriculture and export-led growth, the SAKSS program will be a critical component of the effort to improve evidence based policy-making with regard to agricultural markets.

The MAPS project will further build on the Mission's substantial work with producer associations and connect them to the SAVE, Kulera and Mobilize projects. Activities will focus largely on capacity-building and improvement of governance structures within associations as well as the training of local 'lead farmers' as organizers of local chapters of the association. Emphasis will be placed on elevating women to representational and leadership roles within organizational structures and ensuring the equal participation of women in capacity-building trainings. Local chapters will learn how to structure and manage their organizations, better market their products, and represent themselves at the local government/district level.

In FY 2010, the Mission will conduct impact assessments of the Malawi Dairy Development Alliance (MDDA) and Captive Fisheries for Income and Strengthened Households (C-Fish). This will provide the analytical and empirical foundation for the design and development of

proposed new value chain activities in these key sectors in FY 2011.

4.1.4. Encourage Private-Sector Growth Linked To Agribusiness And Ag-Related Businesses

Current/Potential USG/ Development Partners

USAID/Malawi, MCC, USDA, USDA, USAID, DCAFS Partners, IFPRI, SAKSS, ReSAKSS, University of Malawi (Bunda College), producer associations and civil society.

Situation Analysis

The manufacturing sector accounts for 12.5% of GDP, consisting primarily of agro-processed tobacco, tea and sugar. This sector is also regionally specialized, with agro-processing firms based closer to Lilongwe (Central Region) given its proximity to the agricultural belt, and export-oriented production based around Blantyre (Southern Region), with its closer proximity to international markets. Blantyre's industry focuses on higher-tech products like textiles, chemicals and plastics; while Lilongwe focuses on low-tech production, with only 9% destined for export.

Though manufacturing is growing, industry leaders complain of the lack of access to foreign currency, inadequate supplies of inputs (especially agricultural commodities), and insufficient numbers of individuals with the required level of technical skill in mechanics, construction, food processing among others⁹. Lack of a steady supply of domestically grown produce for agro-processing is due to farmers' inability to meet processors' demand; the failure of contract farming mechanisms resulting from weak contract enforcement, side-selling, and cash flow issues.

⁹ Confirming these claims, the 2006 Investment Climate Assessment ranks shortage of skilled workers as the eighth most serious obstacle to growth, corroborated by the high percentage of non-Malawians in key posts in formal sector business and relatively high salaries for skilled positions.

Despite recent growth in the manufacturing sector, outputs do not meet domestic demand. Even with the added protection of high import costs, import-substituting industrialization has been slow to take hold. An overvalued currency could help to explain the slow growth in manufacturing in Malawi since exports would be less competitive in international markets, particularly regionally where recent trends show Malawi has the best opportunity for increasing exports. Another contributing factor could be the lack of a steady supply of domestically grown produce for agro-processing, due to the inability of farmers to meet the demand of processors and the failure of contract farming mechanisms, resulting from weak contract enforcement, side-selling and cash flow issues for small farmers.

Core Investments

The SAVE project is designed specifically to mitigate the risks for both parties entering into production and purchasing relationships, i.e. by supporting and linking the demanders of services (smallholders) to effectively and efficiently access the providers of services (the private sector). SAVE will support the development of private-sector solutions to:

- Improve overall value chain efficiency,
- Help to improve smallholder productivity, and
- Reduce the perceived need for smallholders to seek quick fixes to short-term cash flow issues.

Improved access, especially for women, to finance, inputs and extension services, and greater guarantees on prices for producers, can and will address supply issues for processors while also building household income levels.

In 2008 and 2009 USAID/Malawi put in place a DCA agreement with three banks to support financial services for agriculture-related businesses. The SAVE project will incorporate activities to support DCA activities at the participating banks. Similarly, Malawi's capacity-building activities will include a bankers'

exchange program designed to expose participating DCA bank loan officers to financial institutions in other countries with more experience in agriculture sector credit programs.

Mission activities to support key value chains, such as dairy, coffee and macadamia nuts, will further benefit from strategic coordination with USADF to support farmer associations focused on processing and increasing production. In addition to linking ADF-supported associations to SAVE project activities, the two agencies will also collaborate on USAID's assessment of the dairy sector and will cooperate on new long-term dairy value chain activities according to each agency's area of expertise.

USAID issued a local GDA APS in 2009 with a focus on projects that "support the growth of small- and medium- sized agro-enterprises, including producer associations, which are engaged in producing, marketing and/or adding value to crop, livestock, forestry, or fishery products." The first round of concept papers is currently under review.

MAPS will work with farms, producer, and input/output dealer associations to improve their capacity to influence the policy agenda. A key focus of these activities will be based on advocating for the legal and regulatory changes recommended by the AgCLIR assessment. As previously mentioned, improving the business enabling environment will be a core underlying theme of all USAID/Malawi economic growth activities.

Hosted by the Embassy and facilitated by the Embassy Commercial and Business section, the USG has launched a Public-Private dialogue to improve communication and transparency between the private sector and the government. The monthly meetings help to identify enabling environment constraints to private sector development and provide an opportunity for government and donors to discuss with the private sector how development programming can better support their needs.

4.1.5. Increasing Agricultural Trade

Current/Potential USG/ Development Partners

USAID/Malawi, MCC, State Dept (AGOA), DCAFS Partners.

Situation Analysis

The 2009 Malawi Country Economic Memorandum (CEM) identifies regional trade of non-traditional goods as key to Malawi's future economic growth.¹⁰ Though tobacco's share of export revenue has remained relatively stable, and other traditional cash crops (e.g. tea and sugar) have declined, the share of non-traditional exports (e.g. fruits and vegetables) has risen by almost half in recent years to 29% of export revenue. Non-traditional exports, grew at an average of 14.3% from 2000- 2006, a more dynamic growth than that for traditional exports, (average growth of 2.9%). Despite higher prices over the past two years, it is unlikely that an expansion of tobacco cultivation would lead to sustainable growth because global demand for tobacco is slowing (and has worsened due to the global financial situation). A significant increase in production would also depress world prices. Moreover, while two-thirds of traditional exports go to European and American markets, regional trade, especially with SADC and COMESA countries, has fueled the expansion of non-traditional exports. Lower transport costs and growing improvements to regional transport corridors and trade regulations make regional exports an attractive avenue to pursue for growth. This is especially true of South Africa, which represents 15.3% of Malawi's total exports.¹¹

¹⁰ World Bank Report No. 47969-MW "Malawi Country Economic Memorandum: Seizing Opportunities for Growth Through Regional Integration and Trade, Volume I: Summary of Main Findings and Recommendations", Poverty Reduction and Economic Management I Africa Region

¹¹ Ibid.

Core Investments

USAID and the U.S. Embassy are collaborating on the effort to help the Ministry of Industry and Trade develop an AGOA taskforce and strategy. The effort will focus on identifying regulatory issues that slow the growth of Malawian exports to US markets. The AgCLIR assessment will assist in the process, as will USAID's collaboration with the World Bank on their Doing Business indicators project.

As the AGOA task force has already identified several areas where the lack of capacity in the trade sector hinders access to foreign markets. One possible area of intervention could include supporting and strengthening Malawi's SPS capabilities.

The SAVE and MLI projects will support Malawian efforts to increase exports by addressing market gaps that prevent the transfer of surplus agricultural production to export markets. The MLI project will similarly boost output market stability through its warehousing and market information activities.

4.1.6. Reduce Under Nutrition

Current/Potential USG/ Development Partners

USAID/Malawi, USAID/Washington (OFDA, FFP), OGAC/PEPFAR, MCC, USDA, Peace Corps, UN – UNICEF, WFP, Clinton/Hunter Foundation, Irish Aid, CIDA, GTZ, faith-based organizations, NGOs, private-sector food manufacturers.

Contribution to MDG I

The Dept. of Nutrition, HIV & AIDS (DNHA) in the Office of the President and Cabinet (OPC) and Min. of Health, supported by USAID and other donor partners, is implementing a number of innovative nutrition initiatives and research. Examples include: national decentralized community-based management of acute malnutrition (CMAM); local production and export of ready to use therapeutic foods (RUTF or plumpy nut); crop diversification (SAVE) micronutrient supplementation and

fortification of foods; promotion of breastfeeding & maternal nutrition; prevention and control of public health diseases. These efforts are designed to address and counter the ongoing prevalence of chronic malnutrition, especially in children under 5, and to support the HIV and AIDs-affected.

Situation Analysis

Malawi has one of the highest rates of chronic malnutrition in young children in Africa and half of under-five's are affected. According to the 2006 Multiple Cluster Indicator Survey (MICS), 46% of children under five were stunted, 21% were underweight, and 4% were wasted. The data show no improvements compared to the 1992, 2000 and 2004 Malawi Demographic and Health Surveys (MDHS).

Prevalence of micronutrient malnutrition is also high. A 2001 survey showed that 57% of children under five suffer from moderate vitamin A deficiency and 7% from severe deficiency. The 2004 MDHS surveys reported 73% of children 6-59 months as anemic, 42% moderately anemic, and 5% severely anemic.

The causes of poor nutritional status are many. At the macro level, poverty, food insecurity, and high illiteracy levels, especially among women, are key determinants. Underlying causes are the high disease burdens, the major culprits being malaria, diarrhea, respiratory infections, HIV/AIDS and poor infant and young child practices. Despite the alarming statistics, some progress is being made. A recent ReSAKSS working paper shows that Malawi is on track to reach the MDG target for both proportion of under-fives underweight and the proportion below a minimal level of dietary energy consumption.¹²

¹² International Food Policy Research Institute (IFPRI) Development Strategy and Governance Division Discussion Paper No 00794, "Agricultural Growth and Investment Options for Poverty Reduction in Malawi" (2008) by Samuel Benin, James Thurlow, Xinshen Diao, Christen McCool, and Franklin Simtowe.

To translate MGD I into actionable plans for the period 2006-2010, sector reviews were conducted, within both the agriculture and health ministries, to align resources to core functional areas and improve sector-level performance and results. These efforts led to the reformulation of both the food security and nutrition policies and consolidation of national safety-net activities into a national Social Protection program. Reducing chronic malnutrition among children under-five (with a special focus on children under the age of two) and pregnant and lactating mothers will be a priority within the GHFSI. Planned activities will focus on integrating best practices within nutrition and agriculture, food security, and various health platforms, and building upon past success and lessons learned in USAID I-LIFE, WALA and BASICS programs.

Core Investments

SAVE will contribute to improving the nutritional status of households by establishing linkages between agricultural production, income, and consumption within those value chains targeted by the program. SAVE will look for innovative entry points to embed nutrition education; conduct demonstration activities on early childhood nutrition needs; and identify lead mothers participating in irrigation projects to educate them in growing nutritious vegetables and protein-rich foods for HH consumption. These interventions will prioritize a primary role for women in improving nutrition, as has been the overwhelmingly success case with I-Life and WALA. The SAVE grants facility will provide assistance, particularly to women's cooperative groups and female-headed businesses, and to a limited number of innovative private-sector solutions to nutrition problems, such as businesses with novel strategies for making and marketing enriched flours or food supplements for infants and young children.

The main focus of GHFSI investment will be to prevent malnutrition; however, investments will continue to be made in the treatment of acute malnutrition. Through Concern World Wide and the BASICS project, USAID is supporting

the effective integration of community-based management of acute malnutrition (CMAM). The USAID-funded Project Peanut Butter (PPB) Global Development Alliance has mobilized more than \$3.1 million of non-USG funding to increase and strengthen local production capacity. The scaled-up PPB facility is able to manufacture greater quantities of Ready-Use Therapeutic Food (RUTF) for home-based treatment of malnourished children. The PPB will act as a 'pull' in the market, encouraging increased production of suitable grades of peanuts to supply the facility. Additionally, a ready-to-use supplement is supplied to thousands of vulnerable adults and children (including orphans) affected by HIV/AIDs and receiving anti-retroviral therapy. About 900 metric tons of RUTF were produced in FY09, which, combined with that produced by Valid International based in Lilongwe, met all Malawi's needs.

USAID will continue to support activities that improve diet quality and diversification. Through UNICEF/ Malawi, USAID supports the prevention and control of iodine deficiency disorders through the use of iodized salt, as well as the prevention of vitamin A deficiency through fortification of selected centrally-processed foods (sugar, oil, RUTF) and complementary baby foods. Through Partners Collaborating Together (PACT), USAID is supporting a home/community-based flour fortification program with potential for scale-up.

Strategic Objective 3 of the NNPS aims to create an enabling environment for the effective implementation of nutritional services and programs, and clearly outlines the capacity gaps and needs. USAID/Malawi will build the capacity of the nutrition sector to plan, implement, monitor, and evaluate nutrition programs, both at national and community levels. We will support graduate-level courses in nutrition at local training institutions, such as Bunda College of Agriculture and Natural Resources College, and through long-term education support through US-based universities (already budgeted for in FY09).

Medium to short-term training in nutrition for district and national managers will also be supported, to address the lack of a suitable cadre of staff for nutrition in the community. With FY09 funds, USAID partnered with Global Health's Infant and Young Child Nutrition (IYCN), through PATH, to develop a nutrition curriculum, and recruit and hire community nutrition workers.

4.1.7. Engaging Women And Underserved Populations, Particularly The Very Poor, In Rural Economic Growth

Current/Potential USG/ Development Partners:

USAID/Malawi; USAID/Washington (OFDA, FFP, WALA); USDA; DCAFS partners

Situation Analysis

Malawi's high growth rates yet persistent high poverty demonstrates that economic growth alone does not guarantee poverty reduction. While much of the situation described in previous sections constrains overall levels of economic growth, the effects are most critical to the lives of Malawi's poorest, where livelihoods are so fragile that even the smallest economic changes can have devastating effects. The latest comprehensive study of poverty in Malawi estimated that in 2005 over half the population was still living below the poverty line, with over 22 percent classified as very-poor.¹³ Demographically, the south accounts for 40 percent of the population and half the nation's poor, with a secondary concentration in the extreme north.¹⁴ With respect to gender, poverty rates are higher in female-headed households (58 percent versus 51 percent for male-headed households). Poverty correlates with morbidity, but is largely shaped

by the HIV/AIDS epidemic which further exacerbates poverty in these groups as surviving relatives are incorporated into households headed by women, children or the elderly, who often care for orphaned grandchildren, nephews and nieces. Working with the most vulnerable, especially women and those affected by HIV/AIDS, is essential to ensuring their participation and contribution to national economic growth their participation into national economic growth.

While economic growth at the national level enhances the possibility of employment and income creation, for the poor and very poor, structural constraints tend to make household level growth either unacceptably risky or prohibitively costly. Chief among these constraints is the difficulty household members face in accumulating assets or factors of production such as land, labor or capital. With few to no assets, farms have neither the liquidity to make investments, nor the access to credit facilitated by assets serving as collateral.

A key finding of an external I-Life study is the extent to which access to capital, especially for women, constrains very poor households in their attempts to expand agricultural production. Households can have difficulty accumulating assets or capital for a number of reasons. Some may have adequate land and labor inputs, but the costs of accessing markets are prohibitively high. In some cases, land holdings, which in areas of high population density in Malawi average 0.4ha, are simply too infertile or too small to produce yields adequate to meet household needs. Finally, households headed by orphans or the elderly, or those severely constrained by health issues related to HIV/AIDS, malaria or malnutrition, may not have the labor capacity to generate sufficient income.

A powerful corollary to the problem of cost for the poor is the challenge posed by the high levels of risk that households face in making investments or changes in activities to empower themselves economically. Identifying measures to mitigate these risks will enable the poorest to begin the process of accumulating land and

¹³ World Bank, Malawi Poverty and Vulnerability Assessment, 2006, as cited in USAID, Malawi Food Security Programming Strategy: FY 2008-2014, (prepared by USAID's global FANTA Program, October 2007), p. 8.

¹⁴ Ibid. p. 12.

capital. For several years, the government has attempted to buy down the risk of productivity enhancing inputs through the FISP in order to bolster food security and stabilize maize prices. The benefits of such a strategy are confirmed in a recent IFPRI study,¹⁵ which concludes that increasing maize production reduces food prices and increases real incomes that are then spent on non-agricultural commodities. However, while the GoM has made maize a central pillar of their agricultural development strategy, there is little evidence to suggest that maize production can drive growth or bring Malawi's poor out of poverty. While poor maize harvests have a direct correlation to GDP growth, analysis of maize production compared to GDP growth shows a much weaker and even negative correlation between high yields and growth.¹⁶ Relatively thin maize markets and a ban on maize exports also provide little incentive to expand maize cultivation.

The multiplier effect for the economy from the expansion in non-traditional exports and their associated support industries, suggests that cultivation of nontraditional cash crops may be a more effective avenue than maize expansion for improving household income.¹⁷ Yet, with the devastating effect of weather risk for rain-fed cultivation, the vast majority of farmers cannot bear the risk of shifting their one, land-restricted crop per year away from subsistence maize production. A recent study from Bunda College, however, suggests that irrigation may be an important solution for risk-averse subsistence farmers to take advantage of the potential offered by non-traditional exports.¹⁸

¹⁵ Samuel Benin et al. "Agricultural Growth and Investment Options for Poverty Reduction in Malawi." IFPRI Discussion Paper 00794. September 2008.

¹⁶ World Bank et al. Malawi Country Economic Memorandum: Seizing Opportunities for Growth Through Regional Integration and Trade. Lilongwe, 2009.

¹⁷ Ibid.

¹⁸ Kenneth Wiyo and Jean Mthethiwa. Irrigation Development In Malawi: Determining the major

Given the vast potential of irrigation, expanding irrigation for poor and very-poor families may double or triple production, allowing farmers to grow both staple and cash crops in one year. The I-LIFE external evaluation confirmed the possibility of helping the poor and very-poor reduce costs and risks to expanding production. The report singled out "the small-scale irrigation and village savings and loan activities [of I-LIFE] as the two [interventions] most likely to have significant impacts on the incomes and food security of thousands of households in the target areas."¹⁹

Core Investments

SAVE will support the Title II-funded Wellness and Livelihoods in Agriculture (WALA) project and other donor efforts to build community and individual assets of the very poor. SAVE interventions will concentrate on risk mitigation in order to facilitate graduation of targeted Title II project beneficiaries to mainstream into commercial, income generating agriculture. Activities will include improving contract farming relationships and access to credit, building on WALA and OFDA-supported RIPE small scale irrigation schemes, improving access to markets and market information and exploring risk mitigation tools such as crop and livestock insurance.

The new Financial Inclusion and MLI projects will further improve access to capital for the very poor and vulnerable households by reducing transaction costs for banks and MFIs to provide services to rural areas and providing warehousing services that improve smallholder ability to borrow against their produce.

A key recommendation of the 2009 GoM/WB Contract Farming study is that the GoM build its capacity to disseminate market information to assist smallholders in negotiating better

factors that have led to slow development of irrigation, Bunda College, Center for Agricultural Research and Development (CARD). September 2008.

¹⁹ Malawi Food Security Programming Strategy: FY 2008-2014, p. 12.

contract farming arrangements.²⁰ The MLI project will partner with ACE and the GoM supported MACE to pilot ICT solutions for improving flows of market information to extreme rural areas. This, in conjunction with its warehousing activities, can significantly improve income potential for poor and very poor households.

A similar recommendation of the Contract Farming Study is that the GoM Contract Farming Strategy should incorporate consultative processes to identify specific productivity enhancing interventions for targeted crops.²¹ The MAPS project, in collaboration with SAVE, will have a particular focus on helping to organize poor and very poor farmers with potential to participate in key value chains and link them into existing national farmers association networks. This will ensure that the needs of such farmers are effectively represented in discussions with MoAFS and with contract-buyers.

WALA, which targets a majority of its interventions to women and women-headed households, will continue to target the most vulnerable in society to improve household income and food availability. Training, technical assistance and financial services will be provided to increase agricultural production through access to small-scale irrigation and improved seed, promote crop diversification, and provide linkages to local and regional markets. Both SAVE and the Financial Inclusion projects will establish linkages to WALA Village Savings & Loan (VS&L) groups to facilitate more formal inclusion in the micro banking sector and improved investment opportunities for their savings.

WALA, SAVE and both biodiversity programs will have a strong focus on promoting the use of conservation agriculture both to improve smallholder productivity and reduce the labor intensity of agriculture for labor constrained

households. Similarly, both our WALA and C-FISH projects will focus on less labor intensive livelihood projects for labor constrained households, such as aquaculture. Finally, as HIV/AIDS is the key culprit for household labor constraints, the Mission will take advantage of every opportunity to mainstream this vital issue by employing its I-Life model of including HIV/AIDS awareness and health education into unrelated activities such as Village Savings and Loans programs.

4.1.8. Increase the Efficiency of Humanitarian Assistance

Current/Potential USG/ Development Partners:

USAID/Malawi; USAID/Washington (OFDA, FFP, WALA); USDA (DAPP); DCAFS partners

Contribution to MDG 1:

Despite recent successful GoM initiatives to improve national food security, primarily in food availability, the country still has the potential to rapidly slide back into food insecurity, hunger and malnutrition. USAID/Malawi resources will continue to support the Famine Early Warning System (FEWSNET) to increase the impact of humanitarian assistance and enhance the capacity of the GoM and development partners to plan and implement programs to respond to natural disasters. To the extent possible, FEWSNET and MVAC activities will continue to be integrated with and complement PL480 Title II, DA-funded agricultural activities and planned GHFSI projects, targeting some of the most vulnerable populations in the country.

Situation Analysis

In the past two decades, recurrent drought has seriously impacted Malawi's national food security. Significant drought events in 1991/92 affected all of Southern Africa. Localized events in 1997/98, 2001/02 and 2004/05 required significant emergency food aid assistance, with substantial USG donations. Droughts have adversely affected the production of staples (maize), and primary cash crops (tobacco, tea

²⁰ Kadale Contract Farming study, recommendation #3, pg iii.

²¹ Ibid, recommendation #4, pg iii.

and sugar) that supply foreign exchange. They also disrupt and divert resources away from long-term development initiatives.

Until Malawi lessens its dependence on rain-fed agriculture and firmly adopts longer term management strategies (i.e., improved soil conservation practices, more widespread use and access to irrigation) and reverses spiraling rates of deforestation, the country remains vulnerable to adverse climate events. Improvements in economic growth, governance, and other development sectors have been evident over the last several years; but another major humanitarian crisis in Malawi could jeopardize all of these gains.

Continued and sustained efforts are required to identify and support vulnerable households, especially female- and orphan-headed, to address food availability, access, and utilization. In the course of the past decade, USAID/Malawi's Food for Peace Title II program has worked with significant²² numbers of drought-affected, vulnerable and food insecure households. These projects have primarily focused on agricultural productivity and nutrition activities, graduating targeted beneficiaries / households from a short-term *vulnerable* status to a longer term more *viable* status.

The USAID/Malawi GHFSI strategy incorporates core investments that are designed to graduate these viable households (those that have recovered their asset base and are producing surplus crops) to enter into viable and sustainable commodity value chains that ensure both increased food and income security. There is a significant window of opportunity to better link and coordinate USG humanitarian-assistance efforts through increased coordination between USDA, OFDA, USAID, MCC, Peace Corps and the Embassy.

²² Over 70,000 HHs in I-LIFE (Central Region) & 220,000 HHs projected in WALA (southern region). This equates to approx. 1,500,000 beneficiaries since 2002 (equates, at current projection, to 10% of pop.)

Objectives

Increase coordination of USG Food Assistance.

Title II FFP projects are generally well received and regarded by both Government and NGO partners in Malawi. These large scale FFP projects are seen as both innovative and enduring, leaving targeted populations with the ability to better cope with and surmount future drought events. The Malawi GHFSI incorporates an approach which significantly improves communication and coordination from top-level decision makers, to district officials, down to the grassroots household level. Malawi is scheduled to achieve CAADP compact status in 2010, and the structures and mechanisms incorporated into this process will further strengthen and enhance a harmonized and coordinated strategy to achieve MDG I goals by 2015.

Improve Global Coordination and Forecasting.

Since 2003, the Malawi Vulnerability and Assessment Committee (MVAC) has been considered a best practice for vulnerability assessment by both the government and donors. The MVAC consortium, led by the Ministry of Development Planning and Cooperation with numerous members (FEWSNET, WFP, FAO, International NGOs and donors), has applied 'tried and tested' science and methodology that have produced a high quality and detailed level of annual vulnerability analysis and reporting.

MVAC vulnerability assessments were initially received with surprise by the GoM and parliamentarians—especially those MPs with districts not receiving food aid based on MVAC assessment. However, the detailed MVAC analysis has by and large been accepted and endorsed by the President and his cabinet. In the past five years, improved rainfall and consequent national food security has seen a scale-down of MVAC assessments, which now are targeted at identifying pockets of food insecurity/vulnerability that continue to persist in many areas.

The extensive training and assessment systems developed by and within a multilateral,

Government-led MVAC consortium provide a solid platform for engagement. GHFSI activities will further support capacity building of the core MVAC team, access to training, and access and use of technologies (remote sensing, GPS mapping) to further strengthen vulnerability analysis and forecasting. Proposed future activities include linking USAID regional databases to the MoA website to provide stakeholders with access to relevant USAID project data and forecasting tools.

Increase capacity to reduce vulnerability. MAPS will improve the GoMs policy-making capacity to take advantage of more efficient and sophisticated technological or financial mechanisms, such as index insurance based on satellite imaging or price-hedging mechanisms for staple commodities (a concept that many donors have tried to introduce). Currently, the GoM maintains substantial physical strategic grain reserves as a buffer against potential humanitarian need—a practice which is both costly and inefficient.

The GoM has utilized modern risk management tools in the past five years, such as a SAFEX call option for 100,000 mt of maize in 2006, and testing indexed-linked weather insurance (with a premium paid by DFID to a large international insurer). WFP's Purchase for Progress (P4P) is utilizing the nascent web-based agricultural commodity exchange (ACE) to procure local commodities to supply both local needs (Dole-McGovern school feeding in Malawi) and also wider regional programming.

These activities are catalytic, introducing and promoting modern and transparent commodity trading platforms and/or exchanges to the GoM, donors, NGOs and private sector traders. These new trading paradigms ameliorate and mitigate the effects of the many entrenched and restrictive trading practices that exist in a monopsonistic Malawian marketplace. These mechanisms will be further supported by various planned GHFSI core investments, especially by further linking both householders and farmer associations to access and sell commodities into more lucrative and potentially sustainable commodity value chains.

Core Investments:

To increase coordination of USG Food Assistance, USAID will continue to participate in the various groups that have been organized by the GoM. Since their establishment during the 2000/2001 food crisis, the Joint Food and Nutrition Security Task Force (JFNSTF) and sub-committees continue to provide an excellent mechanism for coordinating humanitarian and development assistance. The membership is multi-sectoral and includes all relevant ministries (Agriculture, Health, the OPC DNHA, and OPC Department of Disaster Management Affairs), donors, UN agencies, NGOs and the private sector. All decisions regarding humanitarian assistance are made through these committees.

The JFNSTF/Technical Secretariat is the interface between donors, NGOs, civil society, private sector and the MoAFS that allows detailed information to be shared. This platform also provides the GoM an opportunity to express its own policy decisions in the sector. USAID/Malawi will continue to attend and engage in the JFNSTF to ensure that ongoing humanitarian assistance activities continue to lead to rehabilitation, risk management and disaster mitigation.

To increase the impact of humanitarian assistance, USAID/Malawi resources will continue to support FEWSNET. Food security early warning information provides trade monitoring, vulnerability assessment and training, and technical support to the MVAC and other government units and personnel. To the extent possible, FEWSNET activities will continue to be integrated with and complement PL480 Title II, DA-funded agricultural activities and planned GHFS projects in order to target some of the most vulnerable populations in the country.

Utilizing FY10 funds, USAID/Malawi will facilitate the re-commissioning of the Integrated Food and Nutrition Surveillance System (IFNSS), working with the GoM, UNICEF and European Union, who have also set aside resources for this activity. The IFNSS was designed and implemented by an NGO from

2003 to 2007 and collapsed when it was handed back to the MoH. Due to the usefulness of the IFNSS, the GoM and development partners would like to revamp and redesign the system using more modern, sustainable and cost-effective technologies. Examples being piloted in Malawi include the use of SMS technology to transmit nutritional surveillance data and using communication coverage provided by two commercial mobile phone operators. Data is collected and further analyzed, graphed, and posted on a website. This activity is in line with GHFSI objectives, complementing existing FEWSNET and MVAC early warning systems. The Mission will also consult with other regional missions that have successfully

integrated nutritional surveillance into FEWSNET.

A key goal of the MAPS program is to help vulnerable and isolated households have a voice in the policy debate. Bringing the very poor into strengthened producer associations and civil-society organizations will enable those who become recipients of humanitarian assistance when shocks arise to substantively participate in GoM coordination of that assistance.

The new USAID Market Linkages Initiative (MLI) project will explore possibilities for further and strengthened engagement with other agencies; for example WFP's P4P.

Table 2: Alignment of ASWAp/CAADP Pillars, GHFSI Agriculture and Nutrition Objectives, and National Nutrition Strategy Objectives

| Corresponding CAADP Pillars and crosscutting issues | ASWAp Objectives | Objectives of USAID/Malawi programs (2010-2015), |
|---|---|--|
| <p>→ Increasing Food Supply and Reducing Hunger Across the Region by Increasing Smallholder Productivity and Improving Responses to Food Emergencies (Pillar 3). Includes emergency food supply management, nutrition, school feeding schemes, HIV/AIDS support strategies, attention to priority livelihood sectors.</p> <p>→ Sustainable Development of Livestock, Fisheries and Forestry Resources.(cross-cutting)</p> <p>→ Extending the Area Under Sustainable Land Management and Reliable Water Control Systems. Includes soil fertility management and conservation, agricultural water use and irrigation, and land policy and administration. (Pillar 1)</p> | <p>Food Security and nutrition including the following activities:</p> <ul style="list-style-type: none"> • Promoting maize self sufficiency • Diversification of food production and dietary diversification • Increasing food productivity • Promoting consumption and utilization of diversified high nutritive value foods • Risk management for sustainable food availability at national level <p>From the National Nutrition Policy and Strategic Plan:</p> <ul style="list-style-type: none"> • Prevent and control the most common nutrition disorders among women, men, boys, and, girls in Malawi • Increase access to timely and effective management of the most common nutrition disorders among women, men, boys, and, girls in Malawi | <p>Through WALA with the objective to reduce food insecurity for chronically food insecure households.</p> <p>Activities</p> <ul style="list-style-type: none"> • Improve health & nutrition practices • Build lead farmers' capacities to propagate new ideas & technologies • Increase land productivity, better water resources, improve post-harvest management, crop diversification, enhance skills in conservation agriculture & strengthen market linkages • Mobilize rural capital • Strengthen community safety nets • Ensure and promote environmental protection • To improve the effectiveness, quality and accessibility of child health services through the development and implementation of high impact interventions that prevent and reduce illness, mortality and malnutrition among children under the age of five • Enhance the effectiveness and coverage of community-based management of acute malnutrition (CMAM) in Malawi, and build the capacity of national and district-level health staff to manage CMAM within the primary health care • Augment the current PPB production facility for RUTF to a capacity of 1200 tons/year by September 2009; Develop effective and less costly ready-to-use food recipes for nutritionally-vulnerable and malnourished individuals. • To support efforts towards fortification of selected, centrally processed foods • Expand and improve quality of priority Essential Health Package(including nutrition) services at the community level with the aim of improving the health and well-being of the population of Malawi |

| Corresponding CAADP Pillars and crosscutting issues | ASWAp Objectives | Objectives of USAID/Malawi programs (2010-2015), |
|---|--|---|
| | | <ul style="list-style-type: none"> Improved nutrition early warning systems that can provide timely data for planning and action. <p>Through FEWSNET whose objective is: To provide host country and US decision makers with timely, accurate and actionable information on potential food insecurity conditions so that they can make appropriate decisions about the necessary course of action to avert suffering and loss of lives as well as strengthening livelihoods.</p> <p>Activities</p> <ul style="list-style-type: none"> Expand capacities for preparedness & mitigating of natural disasters Participation in livelihood assessments Participation in vulnerability assessment Participation in national food production forecasts Monitoring of informal cross border trade |
| <p>→ Increasing Market Access through Improved Rural Infrastructure and other Trade Related Interventions. Includes supply chain development, quality control and management system development, export infrastructure, and global trade policies and agreements (Pillar 2)</p> <p>→ Sustainable Development of Livestock, Fisheries and Forestry Resources. .(cross-cutting)</p> | <p>Commercial Agriculture, Agro-processing and Market Development, including the following activities:</p> <p>Agricultural exports for improved balance of trade and income</p> <p>Commercial production and agro-processing for import substitution and domestic market development</p> <p>Public/private partnerships in Input and output market development</p> | <ul style="list-style-type: none"> Agricultural value chain development Increase volume and value of smallholder commodity purchases. Increase use productivity-enhancing technologies including irrigation. Increase linkages along value chains. Increase regional or international sales for Malawian farmers. Expand agricultural value chain and other non-farm employment and enterprise opportunities for poor and ultra poor households. Post-harvest technologies and practices. Supporting services/markets improved. <ul style="list-style-type: none"> ✓ <i>Financial services</i> ✓ <i>Business enabling environment</i> ✓ <i>Identifying and fostering access to international and especially regional markets</i> |

| Corresponding CAADP Pillars and crosscutting issues | ASWAp Objectives | Objectives of USAID/Malawi programs (2010-2015), |
|---|--|--|
| | | ✓ <i>Facilitate infrastructure investments.</i> |
| → Extending the Area under Sustainable Land Management and Reliable Water Control Systems. Includes soil fertility management and conservation, agricultural water use and irrigation, and land policy and administration. (Pillar 1) | <p>Sustainable Agricultural Land and Water Management including the following activities:</p> <p>Sustainable agricultural land management</p> <p>Sustainable agricultural water management and irrigation development</p> <p>Sustainable management of the effects of climate change</p> | <ul style="list-style-type: none"> • To improve food security for chronically food insecure households • Ensuring and promote environmental protection (WALA) • Promote watershed management practices, conservation agriculture techniques, expand small-scale irrigation projects and promote watershed management practices. |
| → Improving Agricultural Research and Systems to Disseminate Appropriate New Technologies and Increasing the Support Given to Help Farmers Adopt Them. Includes technology development, access and dissemination; innovation systems platforms; building research capacity and training (Pillar 4) | <p>As key support services, Technology Generation and Dissemination including the following Activities:</p> <p>Conducting results and market oriented research on priority technology needs and provision of technical and regulatory services</p> <p>Provision of efficient farmer-led extension and training services</p> | <ul style="list-style-type: none"> • Improved access to productivity enhancing agricultural technologies <ul style="list-style-type: none"> ✓ <i>Promoting adoption of irrigation and coordinating with GoM and donor irrigation programs and the Greenbelt Initiative for harmonized approaches (SAVE/WALA).</i> |

| Corresponding CAADP Pillars and crosscutting issues | ASWAp Objectives | Objectives of USAID/Malawi programs (2010-2015), |
|---|---|--|
| <p>→ Institutions. (cross-cutting)</p> | <p>As key support service; Institutional Strengthening and Capacity Building::</p> <ul style="list-style-type: none"> • Strengthening public management systems • Capacity building of the public and private sectors • HIV prevention and AIDS impact mitigation • Gender equality and empowerment <ul style="list-style-type: none"> ○ <i>Enhanced capacity of youth, women and men.</i> <p>From the National Nutrition Policy and Strategic Plan</p> <p>✓ <i>To create an enabling environment for the effective implementation of nutrition services and programmes</i></p> | <p>Through SAVE:</p> <ul style="list-style-type: none"> • <i>Human and institutional capacity development</i> • <i>Division of labor and coordination with other donors</i> <p>Through World learning/Forecast (Msc. In Human Nutrition)</p> <ul style="list-style-type: none"> • TBD- Regional capacity building mechanism |

4.2. HOW CORE AREAS BUILD ON EARLIER INVESTMENTS

With respect to agricultural productivity, USAID/Malawi's Title II funded I-Life and WALA programs continue to target and assist significant numbers of the most vulnerable in society. Specifically, by elevating the role women in livelihood activities and household-level decision-making, Food for Peace programming has achieved widespread impact, primarily in agricultural productivity, financial inclusion, and improvements to Maternal and Child Health. OFDA funding will continue to be leveraged to support the establishment of small-scale irrigation in Title II-supported areas. USDA supports microfinance initiatives and farmer associations in the southern region. Malawi is now Millennium Challenge Corporation (MCC) Compact eligible, which may result in substantial investments in the energy and transportation sectors.

The SAVE project is designed to build on these activities and assist the 'vulnerable yet viable' to more fully graduate and mainstream into dynamic agricultural value chains, linked to the private-sector and financial institutions/service providers in agreed-upon working models that provide a sustained stream of benefits for all the participants. SAVE will similarly support and build on the USAID-funded dynamic and innovative nutritional programming, such as seen in I-LIFE, WALA, and Community Management of Acute Malnutrition (CMAM) and Project Peanut Butter.

The recently concluded COMPASS II Natural Resource Management (NRM) project has assisted numerous communities living adjacent to areas of biodiversity, forest reserves, and watersheds, to diversify and scale up the production and sale of agricultural and NRM products. For example: coffee, honey, baobab, and macadamia nuts.

Two proposals submitted through a Biodiversity Annual Program Statement (APS) solicitation have recently been awarded to Total Land Care (TLC) and Mulanje Mountain Conservation Trust (MMCT). Both organizations possess a

demonstrated track record with USAID and will build upon the foundations of Compass II, assisting communities to take ownership, manage, and protect their own natural resource base and achieve improved food and livelihood security.

USAID/Malawi is working with key international and local organizations in Malawi (IITA, ICRISAT, CIP, and the University of Malawi) in research and development initiatives. The GoM has developed detailed biosafety laws, trained a key scientist in the USA, and planned GM trials of BT cotton with the MoA/University of Malawi. IITA is working with USAID's Southern Africa Trade Hub to develop a mobile phone-based Market Information System (MIS) in the Chinyanga triangle covering Chewa-speaking peoples in Malawi, Mozambique and Zambia. CIP is working on the development of improved disease-resistant, higher-yield potatoes. The regional institution Agribusiness in Sustainable Natural African Plant Products (ASNAPP) is engaging with current USAID/Malawi supported NRM projects and will be an integral part of GHFSI activities in 2010 and beyond.

The Malawi Dairy Development Alliance (MDDA) has been a notable success, stimulating targeted components of the dairy value chain to assist very poor smallholders to access, produce and create milk bulking groups that link into commercial-sector milk production. The MDDA initiative has partnered with Opportunity International Bank of Malawi (OIBM) mobile banking services, supported by the Bill and Melinda Gates Foundation, to provide mobile banking services to rural milk bulking groups and provision of dairy insurance products.

The Deepening Microfinance Services (DMS) project has been credited with significantly assisting microfinance institutions and Government-led microfinance legislation and is concluding in 2009. The recent visit by USAID/W experts noted the growing number of financial services and products offered in rural areas. A recent DFID evaluation revealed that approximately 45% of working-age Malawians access formal and informal financial

services. The DMS initiative is credited with being a driver of this increased uptake, and a follow-on activity to support this sector is being planned which will complement the 2010 GHFSI implementation.

Building on past efforts to increase trade and reduce barriers to market access, USAID/Malawi will continue to advocate for the tabling, review and approval of key policies that affect trade and transport. The Famine Prevention Fund/Market Linkages Initiative (MLI) is designed to facilitate the establishment of 20 certified grain bulking centers in rural areas and develop a private sector-led market information system. NASFAM is a key partner in lobbying for deregulation of inhibitive GoM agricultural trade policy and is also working collaboratively to support a 'last mile' project to link smallholder farmers to internet-based market information systems. The MCC transport component will be linked to watershed initiatives to maximize output in a joint collaboration and increase national and regional trade from key production areas.

USAID/Malawi will continue to promote sound market-based principles and policies. For example, the DMS project was instrumental in facilitating the development and finalization of detailed microfinance and banking sector policies, critical for the expansion of the microfinance sector. For several decades, USAID has worked to build the GoM's policy-making capacity, through programs such as the UILTCB, Centre for Agricultural Research and Development (CARD) and SAKSS. Finally, USAID has worked extensively to ensure 'bottom-up' linkages to the policy-making arena in the form of strong and organized producer associations, like NASFAM, that have the clout to advance the needs of their constituents via the policy arena. Malawi's first Development Credit Authority (DCA) loan guarantee mechanisms have encouraged several commercial banks to extend financing to small and medium-sized enterprises (SMEs) to strengthen and increase the number and types

of commercial agribusinesses in Malawi, thereby broadening and deepening the choice and access to services by smallholders in future.

4.3. LINK TO FOREIGN ASSISTANCE FRAMEWORK

All proposed IP core investments support the Economic Growth, Health, Education and Democracy and Governance Objectives of the USG Foreign Assistance Framework (FAF). These investments will promote rapid, sustained, and broad-based economic growth, as well as contribute to improvements in the health and nutrition status of Malawians. Malawi, as a transforming country, requires the provision of *'financial resources and technical assistance to promote broad based growth'* under the Economic Growth Pillar of the USG FAF. The Humanitarian Pillar describes the need to *'address emergency needs on a short term basis only, as necessary.'* These two pillars accurately describe the current and planned programming activities within the initiative (refer to Section 9).

5. FY 2010 RESULTS/ INDICATORS/TARGETS

USAID/Malawi's I-LIFE Title II program has assisted over 75,000 targeted households, including significant numbers of female-headed, very poor, orphan-headed and HIV/AIDS-affected, to improve their food and livelihood security. The new activities to be initiated under the initiative in 2010 (WALA, SAVE) will target 125,000 households and will build and add upon these beneficiaries to further mainstream them into commodity value chains. A list of suggested illustrative FACTS and IEHA indicators that will be used to measure program performance of the Malawi GHFS Initiative are included in the table Global Hunger & Food Security Initiative Indicators can be found in Table 3.

Table 3: Global Hunger and Food Security Initiative Indicators

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|--|---|---|--------------------|-------|---|--|---|
| Sustainably Reduce Global Hunger & Poverty | Prevalence of poverty | Proportion of people whose income is below the poverty line. The poverty line for tracking the Millennium Development Goals (MDGs) is \$1.25 per day at 2005 Purchasing Power Parity (PPP). | National | % | - National HH survey, - USAID Poverty Assess. Tool, - WB Country Econ. Memorandum, - MoAFS Technical Secretariat M&E | Depends on country & available funding - many countries conduct national HH surveys every 3 to 5 yrs. Special surveys can provide estimates on a more frequent basis if necessary. | This indicator will track overall poverty, but any changes in the indicator will not be attributable to the initiative. This indicator should also be analyzed to look at poverty in quartiles & changes of poverty for the poorest quartile. |
| | Prevalence of underweight children | Prevalence of weight for age below minus two standard deviations from the median weight for age of the standard reference population (children under 5 yrs of age). | National | % | - DHS survey - Title II M&E | Depends on the country & available funding. All focus countries conduct Demographic & Health Surveys every 3 to 5 yrs. | |
| Improved Economic Performance of the Agriculture Sector | Change in agriculture sector GDP per agriculture worker | Yearly change in the value of agriculture-related activities (production & processing) in GDP divided by workers in the sector. | National | % | - Government rcrds. - Title II M&E | Annual | This indicator is meant to measure the increase in agriculture GDP & not the contribution of agriculture to overall GDP since that may decline as countries become more advanced. |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|-----------------------------|---|---|--------------------|-------|--|--|--|
| | Change in women's & men's income in beneficiary HHs | Percentage change in real per-capita consumption expenditures among program beneficiaries. Separate estimates should be made for women & men. | Project | % | - DHS survey - Title II M&E - Other Partners | Depends on country & available funding | Standard practice focuses on HH expenditures rather than income per se. Expenditures are far easier to measure, whereas measuring income requires some way to measure changes in the value of assets from one year to the next, & many other challenges. |
| Improved Nutritional Status | Prevalence of stunted children | Prevalence of height for age below minus two standard deviations from the median height for age of the standard reference population (children under 5 yrs of age). | National / Project | % | - DHS survey - Title II M&E - Other Partners | Depends on country & available funding. All focus countries conduct Demographic & Health Surveys every 3 to 5 yrs. | National level data should be supplemented by project-specific surveys when applicable. |
| | Prevalence of wasted children | Prevalence of weight for height below minus two standard deviations from the median weight for height of the standard reference population (children under 5 yrs of age). | National / Project | % | - DHS survey - Title II M&E - Other Partners | Depends on the country & available funding. All focus countries conduct Demographic & Health Surveys every 3 to 5 yrs. | National level data should be supplemented by project-specific surveys when applicable. |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|---|-------------------------------------|--|--------------------|---------|--|--|--|
| | Prevalence of underweight women | Percentage of women with a BMI less than 18.5. | National / Project | % | - DHS survey | Depends on country & available funding. All focus countries conduct Demographic & Health Surveys every 3 to 5 yrs. | National level data should be supplemented by project-specific surveys when applicable. |
| Improved Capacity of Vulnerable HHs to Meet Their Food Needs | Household hunger scale (HHS) | Percentage of HHs experiencing severe hunger, as indicated by a score of 4 or more on the HHS. | National/Project | % | - Titlell M&E - MoAFS Technical Secretariat M&E | Depends on country & available funding. All focus countries conduct Demographic & Health Surveys every 3 to 5 yrs. | National level data should be supplemented by project-specific surveys when applicable. |
| Improved Agriculture Productivity | Agricultural value added per worker | Output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs per unit of labor. Agriculture comprises forestry, hunting, & fishing as well as cultivation of crops & livestock production. Data are in constant 2000 US dollars. | National / Project | Dollars | - World Development Indicator (WB national accounts) - FAO, Prod. Yearbook & data files | Annual | Economic theory & empirical analyses indicate that with greater value added per worker, agricultural development leads to making more farm-sector labor available for off-farm employment which then contributes to the overall economic growth. National level data should be supplemented by project-specific surveys when applicable. |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|---|--|--|--------------------|--|--|--|---|
| | Gross margin per hectare or per animal unit for targeted commodities | Gross margin is a measure of the profitability of a farm activity, before taxes & indirect costs. | National / Project | Dollars | Survey | Depends on the country & availability of funds | Gross Margin Calculations will be included in all new GHFSI procurements. |
| | Adoption of targeted technologies | Net adoption of technologies targeted for assistance by the program. | National / Project | Ha, Farmers, Processors, Volume of Commodity | - Title II M&E | Depends on the country & availability of funds | |
| Improved Access to Well-Functioning Markets | Growth in marketed surplus as share of total production | Value of trade (all markets) for targeted commodities. Targeted commodities will vary by country & possibly over time. | National | Dollars | Country government records supplemented by surveys | Annual | Quality of data will vary among countries with implications for the need for surveys. |
| | Farmgate price as a percentage of border price | Farmgate produce price as a percentage of border price for targeted commodities. | National | % | Country government records & survey | Depends on the country & availability of funds | As farmers gain access to markets, the farmgate prices should increase. By using the comparison of farmgate prices to border prices, the indicator accounts for other factors that could be affecting prices. |
| | Farmgate price of inputs as a percentage of border price | Price of targeted inputs at the farmgate as a percentage of border price. | National | % | Country government records & survey | Depends on the country & availability of funds | |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|--|--|--|--------------------|---------|--|--|---|
| | Changes in price b& between farm gate & consumer prices for targeted commodities | Margin between producer & consumer prices to compensate for marketing & distribution functions. | National/Project | % | Survey | Depends on the country & availability of funds | Will need to establish a common set of guidelines to treat variables such as storage or value added that could affect cross-country or cross-commodity comparisons. |
| | Percentage of food assistance purchased locally, regionally or via vouchers. | Percentage of food assistance purchased locally, regionally or via vouchers. | National | % | US & country government records | Annual | |
| Increased Private Investment in Agricultural & Nutrition-Related Activities | Value of new private investment in the agriculture sector | Change in level of new private investment in farm & non-farm activities associated with agriculture (local & FDI). This includes additional investment being done by existing businesses & new businesses. | National / Project | Dollars | Country government records & survey | Depends on the country & availability of funds | Need to discuss with KP; public investment is not a sign of improved investment climate; it is a tool to contribute to improved investment climate. |
| | Value of new public investment in the agriculture sector | Change in level of public investment in farm & non-farm activities associated with agriculture. | National | Dollars | Country government | Annual | |
| Improved Nutrition-Related Behaviors, such | Dietary diversity for women & children | Proportion of women & children consuming foods from the recommended number of food groups. | National / Project | % | - Title 2 M&E - MoAFS Technical Secretariat M&E | Annual | |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|--|---|---|--------------------|-------|--|------------------------|------------------------------------|
| as Consumption of Nutritious Foods | | | | | - National Statistics Office | | |
| | Infant & young child feeding practices | Proportion of children 6 to 23 months of age who receive a minimum acceptable diet apart from breast milk, including diet diversity & meal frequency. | National / Project | % | - DHS - Title 2 M&E | Annual | |
| | Exclusive breastfeeding under six months | Proportion of infants 0 to 5 months of age who are fed exclusively with breast milk. | National/ Project | % | - DHS - Title 2 M&E | Annual | |
| Improved Utilization of Maternal & Child Health & Nutrition Services | Coverage of the Community Management of Acute Malnutrition (CMAM) program | Percentage of population with access to the CMAM program. | National / Project | % | - Ministry of Health - Title II M&E | Annual | In countries where GAM exceeds 10% |
| | Prevalence of maternal & child anemia | Percentage of all women age 15 to 49 & children 6 to 59 months who have hemoglobin less than 11.9 g/dl (women) & 10.9 g/dl (children). | National / Project | % | - DHS | Annual | |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|---|---|---|--------------------|----------|--|------------------------|---|
| Improved Effectiveness of Humanitarian Assistance & Social Safety Nets | Increased communities with early warning systems | Number of communities with early warning systems in place. | Project | Number | - Malawi Vulnerability Assessment Committee - MoH Nutrition Surveillance Unit | Annual | |
| | No. of USG humanitarian assistance programs implementing a preventive nutrition approach | Number of countries implementing the approach & number of beneficiaries reached. | Project | Number | USAID Health Unit | Annual | |
| | Reduced requirements for international food assistance | | | | - Title II M&E | | |
| | Coverage of community-based safety nets | Percentage of vulnerable HHs with safety nets. | Project | % | - Title II M&E | Annual | |
| Maintaining natural resources including adapting to climate change: | No. hectares under improved natural resource management as a result of USG assistance (cumulative) | Improved NRM includes activities that promote enhanced management of natural resources. | Project | Hectares | - Project M&E Results - Title II M&E | Annual | WALA, Conservation Farming. MOBILISE and KULERA NRM projects. |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|------------------|--|--|--------------------|---------------|---|------------------------|---|
| | No. of people receiving USG training in NRM and biodiversity Conservation | The number of individuals participating in learning activities intended for teaching or imparting knowledge on NRM and biodiversity conservation. | Project | Number | - Project M&E Results | Annual | WALA, Conservation Farming. MOBILISE and KULERA NRM projects. |
| | Qty. of Greenhouse Gas Emissions, Measured in Metric Tons CO2 Equivalent, Reduced or Sequestered as a Result of USG Assistance in Natural Resources Management, Agriculture, and/or Biodiversity Sectors. | Activities to address this include reduction of GHG emissions, increases in carbon sequestration, reduction of vulnerability of countries by improving their adaptive capacity to handle the impact of climate change. | Project | Metric Tonnes | - Project M&E Results - Title II M&E | Annual | WALA, Conservation Farming. MOBILISE and KULERA NRM projects. |
| | No. hectares in areas of biological significance under improved management as a result of USG assistance (cumulative) | Improved Management includes activities that promote, enhanced management of natural resources for the objective of conserving biodiversity in areas that are identified as biologically significant. | Project | Hectares | - Project M&E Results - Title II M&E | Annual | WALA, Conservation Farming. MOBILISE and KULERA NRM projects. |
| | No. people with increased economic benefits derived | Increased economic benefits includes: increased HH income, | Project | Number | - Project M&E Results - Title II M&E | Annual | WALA, Conservation Farming. MOBILISE and KULERA NRM projects. |

| Result Statement | Indicator | Definition of Indicator | Level of Indicator | Units | Data Source | Frequency of Reporting | Notes |
|------------------|---|--|--------------------|-------|-------------|------------------------|-------|
| | from sustainable natural resource management and conservation as a result of USG assistance (cumulative) (F/M) | average increase in income per HH, number of new enterprises developed, economic benefits from ecosystem services. | | | | | |

6. KEY ISSUES AND ANALYTICAL ACTIVITIES LOOKING TOWARD FY 2011

Malawi benefits from an extensive and recent series of analyses, assessments and reports that provide GoM and donors with a rich foundation for planning and coordinating activities from targeted interventions to broad sectoral strategies. Given the amount of attention placed on Malawi for its FISP program, numerous organizations, from academic institutions to regional economic communities, have studied Malawi's agricultural policies and their opportunity costs, markets and health; and supported sectors such as infrastructure and the financial sector. Related cross-cutting issues such as nutrition are also well researched.

The ASWAp Key documents include a Food Security Strategy funded by USAID in 2008, a 2009 DFID/WB economic analysis of Malawi's agriculture sector, a soon-to-be-released CDC/UNICEF nutrition study, and a USAID-supported District Health Survey (DHS). The GoM is also gearing up for a joint donor-supported poverty and vulnerability assessment to be conducted in 2010.

Building on the collaborative efforts that went in to developing the ASWAp, donors are increasingly focused on coordination of analyses, avoiding repetition, and assisting Government in being more selective about studies that will be conducted. Already, USAID's SAKSS program is embedded within the MoAFS for the purpose of identifying gaps in ministry capacity or analytics, and assisting to address those gaps. Similarly, the EU-supported Technical Section in the MoAFS collects and maintains a database of existing analyses, assessments and reports from Government, donors and other institutions. Coordination mechanisms, such as DCAFS, JRU and SWGs, are all actively putting mechanisms in place to facilitate collaboration and coordination on future analytical work. This is key as Malawi's fast-moving policy environment is constantly

producing new policies and programs, such as the Greenbelt Initiative, that will require analytical work.

With the national focus on increasing agricultural productivity, specific issues requiring further analysis will be closely tied to capacity or the programs necessary to support of that effort.

Within the Mission, achieving a deeper understanding of the impacts of some of our longer running programs, such as dairy sector development, will address gaps in our analytical frameworks and assist in future project designs. As such, in 2010 we will conduct analyses of the dairy and aquaculture value chain to assist in project designs for FY 2011 implementation.

With the prospect of irrigating one million hectares of land through the Greenbelt Initiative, the country will need to address issues surrounding land tenure and water rights. The existing system governed largely by traditional leaders will need to be evaluated, and a new national Land Policy will need to be developed. The GoM acknowledges this and has taken steps to begin a dialogue with donors and stakeholders to identify a process for moving forward with development of the policy. Similarly, an analysis of hydrology and water supply, as well as the climate-change-impacts potential, will be a necessary part of planning for GBI and donor irrigation activities. The Mission will undertake such a study in 2010, potentially coordinating through the JRU, with GoM.

Given the evidence in support of the anticipated effects of climate change on African agriculture, donors and government have taken concrete steps towards conducting analyses, developing a national strategy for climate-change adaptation, and mainstreaming climate-change adaptation into all sector strategies. Many analyses will be required, and the JRU will be the tool used to help coordinate this effort with Government. In 2010, USAID will conduct vulnerability and adaptation assessments to evaluate the potential impact of climate change on the agricultural sector and identify the regions and populations

most vulnerable. This will be an opportunity to link to FAO's existing work under the climate change framework.

According to the Agency's Regulation 216 environmental compliance regulations, we will also conduct an assessment for all agricultural activities (rain-fed or irrigated) to measure impacts related to downstream water quality as a result of the agricultural interventions. On natural resources management, the Mission will conduct its Biodiversity and Forestry 118/119 analyses in FY09, specific to the GHSFI, to identify key threats and implications for agricultural activities. With the increase in agricultural activities, new areas will be converted to agriculture; and there will be a need for an assessment of effects on biodiversity, watershed maintenance, and movement of wildlife to determine if migration corridors are affected. It will also evaluate the effect on local populations that may be heavily relying on existing land use of resources.

As Malawi scales up production of agricultural commodities, Government and development partners will need to look at both post-harvest storage and increasing trade-capacity issues. Two key analyses with which the GoM has requested assistance are farm-level techniques for improvement of crop production quality and pest control for the reduction of post-harvest storage losses.

A final key issue requiring analysis is identifying the specific gaps in the GoM capacity to implement the ASWAp. A Core Function Analysis, supported by the EU, has been ongoing for several years; but has yielded little information about specific actions necessary to build MoAFS capacity. In coordination between the DCAFS, MoAFS officials and IFPRI SAKSS, discussions are ongoing as to what type of analysis would effectively reveal and identify solutions for the staffing and resource gaps that plague much of the Government.

Additional support and analysis of the impact of the Farm Input Subsidy Program (FISP) on nutritional status is also needed

7. PARTNERSHIP PLAN

7.1. USG INTER-AGENCY CONSULTATION AND COORDINATION

USG funding in the agriculture sector is coordinated at the inter-agency level through Mission Strategic Resource Plan (MSRP) and Operational Plan processes to increase the overall impact of our investments. The USG GHFSI process in Malawi is as follows.

There are a number of potential areas of collaboration between USAID and MCC. These include targeted activities to protect selected river basins and watersheds, to safeguard key power and transportation infrastructure investments, and to strengthen the financial management systems of public institutions active in these two sectors. In collaborating with the MCC, USAID can boost its efforts in improving livelihoods from sustainable natural resource management, increased potential for irrigation, improved reliability of power supply for industry and other service providers, and facilitating the functioning of input and output markets through improved access to rural areas.

The US Embassy advocates for agriculture-sector policy change with high-level GoM officials through diplomatic channels. Similarly, USAID and the Embassy collaborate on all trade and commercialization activities and programs, such as AGOA consultations with Government and the Public-Private Dialogue.

While USDA does not have field staff based in Malawi, they support farmer associations, microfinance institutions, and school-feeding through the Food for Progress and Dole-McGovern Programs. Given the potential for overlap between USDA programs and USAID Title II activities, enhanced coordination is critical. USAID and USDA have taken initial steps to devise a system for better information sharing and coordination of programming. Some initial activities will be to include regional USDA technical experts in USAID project design and assessment activities.

USAID and the Peace Corps are currently collaborating on a program design for a FY11-and-beyond PAPA agreement that will integrate Peace Corps volunteers into future USAID agriculture, environment, and Title II programs by linking volunteers to PVO projects. Possibilities also exist for Peace Corps volunteers to partner with USDA school garden projects to be rolled out in 2010.

The US African Development Foundation, working in Malawi through the National Association for Business Women, partners with key farmer and producer associations that are closely linked to existing and future USAID value-chain activities. USAID will coordinate its 2010 dairy and aquaculture sector assessments with USADF and use the findings to forge strategic partnerships in those sectors.

At the regional level, the Mission partners with both the Southern Africa and East Africa Regional Missions on regional programs and technical experts, for example, for trade or climate change activities. There is also regional coordination in the development of centralized mechanisms for capacity building in Malawi, in particular through the tri-lateral support mechanism between USG, RSA and Malawi. USAID/ Malawi, supported by EGAT, has also initiated discussions with the Tanzania and Mozambique missions on increasing coordination on environmental projects; such as the protection of Lake Malawi and vulnerable landscapes that pose cross border challenges.

7.2. CONSULTATION AND COORDINATION WITH GOVERNMENT

There are numerous mechanisms in place for both bilateral and multilateral coordination with the government. First, USAID plays key roles on the donor coordination committees for Agriculture and Food Security, Private Sector Development, and Nutrition. All three committees hold regular meetings with the Principle Secretaries of the respective ministries. In 2010, USAID will also fund a facilitator for the DCAFS group that will focus on improving coordination between donors and

the GoM. USAID will also participate on the corresponding Sector Working Groups for these three sectors. Both USAID and the Embassy coordinate closely with the GoM on issues relating to trade, particularly the Ministry of Trade and Industry's AGOA task force.

7.3. MULTILATERAL AND BILATERAL DONOR CONSULTATION AND COORDINATION

Malawi currently enjoys active and innovative coordination between donors and international institutions. As Malawi focuses on implementation of the Paris Declaration Principles and moves closer to sector-wide approaches in every sector, the donors have significantly increased their efforts to coordinate programming and harmonize investments. As previously described, USAID is an active member in numerous donor coordination groups. These groups serve as the forums for coordination on technical issues, program design and development, analyses and assessments, and policy issues. Issues not resolved at the DCAFS level are taken up by the comparable Heads-of-Cooperating Partners and Heads-of-Mission oversight groups for higher policy-level discussions and to take any appropriate action.

Subcommittees and sister groups are formed as needed by the members to more deeply evaluate areas of particular concern or complexity. For example, the JRU was established by DCAFS members to deepen coordination and discussion on climate change. As the DCAFS group moves forward in its collaboration and preparations in the CAADP process, the group has also taken concrete steps to institutionalize consultation and coordination structures through the development of a MoU and a Code of Conduct. These actions are being taken in full recognition of the next step in developing a Country Investment Plan and Joint Financing Agreement.

On an individual multilateral level, USAID and Irish Aid have forged a strategic partnership in the field of agricultural development and food

security. A MoU is currently being finalized which outlines a framework for enhanced cooperation on agricultural development, food security and nutrition programs. Similarly, USAID's Food for Peace program and WFP's Purchase for Progress programs will attempt to increase collaboration and coordination of activities in humanitarian assistance, especially as WFP is the recipient of significant USDA funding. The Mission will explore other such partnerships that would increase efficiency and coordination between development partners in agriculture and food security.

Several donors work in one of the key areas in which USAID complements investments, that of helping smallholder farmers to increase their agricultural productivity and to access local, regional and international markets for their products. The World Bank, with support from DFID and USAID, has piloted the use of Risk Mitigation tools with the GoM (call and put options, warehouse receipt systems and weather-indexed insurance).

Several donors support value-chain approaches, most significantly the EU by direct budgetary support to the MoAFS, largely for arable agriculture, e.g. smallholder sugar and legume seed production, small scale irrigation development. Irish Aid and Norwegian resources support the development of various components of the seed value chain.

DFID has supported access to banking services, credit and inputs. The Gates Foundation supports AGRA, more specifically CNFA's to develop small scale agribusiness input suppliers. Norway funds NRM activities such as conservation farming projects. The European Union has supported the development of environmental policy, especially in forestry; and these initiatives provide collaborative opportunities. JICA supports watershed management and especially irrigation efforts. The UNDP coordinates a climate-change forum on behalf of the GoM, which also coordinates with UNEP.

7.4. CIVIL SOCIETY AND PRIVATE SECTOR CONSULTATION AND COORDINATION

In developing Malawi's GHFSI IP, we conducted extensive consultations with our partner farmer and producer associations, such as the National Smallholder Farmers Association of Malawi (NASFAM) and the Coffee Growers Association of Malawi (CAMAL), as well as with Malawi-based agro-processors, such as Nali, Mulanji Peak Foods and Dairy Board of Malawi. USAID support to these partners, especially through GDA agreements, also provides the Mission with regular feedback and needs assessments. Two new GDA projects and the MAPS program will further expand the Mission's relationships with civil society and private-sector associations. Finally, USAID participates on numerous government taskforces, such as the AGOA taskforce or the CAADP Country Team, which also increases Mission interactions with these groups.

8. FY 2010 CAPACITY-BUILDING PLAN

8.1. SITUATION ANALYSIS

In the past decade the GoM and donor partners have expended significant time, resources and effort to support and train a wide range of capacities in various aspects of the agricultural sector. This support has largely targeted academics and civil servants (policy development, research, management, administration, M&E, extension models, vulnerability assessment, emergency response, etc.), parliamentarians (legislative policy, governance, etc.), and NGOs (core staff capacity, project beneficiaries, including many of the most vulnerable in society, etc.). However, capacity-building support has typically been administered in a "projectized" approach with little coordination between partners and key stakeholders in the sector, which has challenged evaluators in identifying the impact these efforts have achieved.

CAADP processes are moving steadily forward in Malawi. Implementation of the country-owned agriculture and food security strategy will depend largely on existing public and private institutions. Given the political importance of food security and the President's position as Minister of Agriculture, the MoAFS shoulders a disproportionate share of the responsibility for implementation of the ASWAp. As such, the ASWAp Secretariat (which will itself require capacity assistance) will be the focus of key capacity-building efforts in the public sector. The ASWAp secretariat will lead this process, but will require close support from other line ministries, i.e. Industry and Trade, Finance, Irrigation and Water, Health, the Office for the President (OPC), Cabinet, and the National Statistics Office. GHFSI efforts will be grounded in and through the ASWAp Secretariat which supports mutually agreed-upon activities implemented by the GoM, DCAFS partners, NGO partners, and private-sector institutions.

GHFSI assistance will be comprehensive and support each of the three overarching goals of agricultural-led growth, reduced under nutrition, and improved effectiveness of humanitarian assistance. A 'whole-of-government' approach will link and build upon the core capacities of USAID, USDA, MCC, and others in order to support and achieve planned GHFSI capacity-building initiatives. As yet, there is not a full understanding of where current capacity gaps exist. In 2010, USAID/Malawi, in collaboration with other USG agencies, donors and GoM, will work to identify specific causes and areas where these gaps exist and collaboratively develop a long-term plan for boosting Malawi's capacity to implement the ASWAp.

Key capacity gaps within the public sector include the following:

- Insufficient suitably qualified and skilled policy practitioners who have the ability to analyze, develop, and implement new evidence-based policies.

- Limited capacity to manage the data and information systems required to complete the M&E framework in the ASWAp.
- Difficulties of key line ministries in identifying, employing and maintaining suitably qualified and experienced staff.
- Despite significant support, the Malawi Bureau of Standards is not widely accredited in quality grading or monitoring and certifying SPS standards for national and export products.

The ASWAp focuses heavily on the development of commercialized agriculture and trade. Consequently, farmers, producer associations, agribusiness dealers and financial institutions will be the key actors, requiring adequate capacity to facilitate agricultural growth and establishment of national food security.

Private sector capacity constraints include the following:

- Financial institutions lack experience in providing services and access to credit to the agriculture sector, especially smallholders.
- Farmers and other private-sector associations lack coordination and organizational capacity to effectively engage and advocate with government at the policy level.
- Agro-processors and agribusinesses identify a lack of skilled and experienced technicians for maintaining and operating machinery and equipment.

8.2. SECTOR SUPPORT

Policy-Making Capacity

USAID currently supports policy-making capacity-building activities through the IFPRI/SAKSS and UILTCB projects. The SAKSS unit, located within the MoAFS, provides technical assistance, training and support for detailed evidence-based policy analysis. The

program will be further expanded in 2010 to include specific support for ASWAp implementation activities, such as the M&E framework. In 2010, the UILTCB will support six Masters Degree students to attend US Land Grant Universities to study various aspects of agribusiness. The GHFSI MAPS project will expand USAID capacity-building support to key private-sector institutions to strengthen their efforts to advocate for more evidence-based GoM agricultural policy.

Building on existing efforts to identify policy-making capacity gaps, such as SAKSS and the EU funded MoAFS Core Function analysis, the Mission will develop new mechanisms in 2010 to add to our capacity-building activities. Both SAKSS and Bunda College will be key partners in building Malawi's base of policy-making skills, along with centralized mechanisms identified in South Africa. Key training and programs identified in collaboration with the Southern Africa Regional Mission include medium-term training in data collection and analysis and policy analysis.

Monitoring and Surveillance Systems

There are numerous GoM surveillance activities undertaken annually which are critical to the country's ability to target programming and maintain adequate preparedness for potential food security crises. Two such activities are the Malawi Vulnerability and Assessment Committee (MVAC) assessments, which annually identify pockets of persistent food insecurity and vulnerability, and the annual MoAFS crop assessments. Both suffer from inconsistencies in data quality and are frequently challenged by donors. The GoM has acknowledged that improvement is required and is collaborating with FEWSNET and SAKSS to build technical capacity to utilize more advanced methodologies, to collect, transfer, analyze, and tabulate field data, as well as in-house training capabilities to further disseminate skills to field extension staff. USAID will undertake similar steps to build a national nutrition surveillance system, in collaboration with UNICEF and the EU.

The 2010 GHFSI strategy will:

- Coordinate with the World Bank on building capacity within MoAFS on Monitoring and Evaluation;
- Partner with the European Union and the Ministry of Health on developing a nutrition surveillance unit; and
- Support improvements to the early warning systems and crop estimate techniques, potentially through our IFPRI/SAKSS unit embedded within the MoAFS.

Field-Level Technical Expertise and Experience

As previously described, a key constraint to private-sector growth is the lack of trained and experienced technicians. Agro-processors in particular cite a lack of trained technicians to maintain processing equipment. Similarly, both commercial farms and the MoAFS Department of Irrigation identify the lack of skilled and experienced irrigation engineers and technicians. While Malawi does have several trade schools, their equipment is outdated; and teachers are not trained in the most recent technologies. The SAVE value-chain project will include a specific component for developing technical capacity along the value chains selected. Similarly, the Education and Economic Growth Teams have collaborated on a work force development GDA project designed to build trade skills. In 2010 the two offices will jointly explore development of GDA project focused on improving the quality of education at Malawi's trade and technical schools.

Other potential mechanisms include long-term internship and mentorship programs designed to bring new graduates in the fields of irrigation engineering, agriculture extension and soil science up to a supervisory level more quickly.

Nutrition

In the nutrition sector, USAID/Malawi will build the capacity to plan, implement, monitor and evaluate nutrition programs, both at the national and community levels, by supporting MSc. courses in nutrition by working with local

training institutions, such as Bunda College of Agriculture, Natural Resources College; and through long-term education support through US-based universities. This activity was already budgeted for in FY09. In FY10, USAID will support three students for a Master of Science Degree in Nutrition at Bunda College of Agriculture, a constituent college of the University of Malawi. The number of students benefiting from this effort will increase with increases in funding for nutrition under the GHFSI. We will also support medium to short-term training in nutrition for district and

national managers, and address the lack of a suitable cadre of staff for nutrition in the community. With FY09 funds, we have partnered with Global Health's Infant and Young Child Nutrition, through PATH, to develop a curriculum, recruit, and hire 300 community nutrition workers. This activity will contribute to Strategic Objective 3 of the NNPS, which aims to create an enabling environment for the effective implementation of nutrition services and programs, and clearly outlines the capacity gaps and needs.

Table 4: Proposed Regional Training against Core Investment Areas

| Proposed Activity | Indicative No. of Trainees | Timeframe | Comment |
|--|----------------------------|---------------------------|--|
| - Organizational Development - Advocacy | 25 | Start in 4th qtr 2010 | Program will run for est. 5 years and will train at least 100 individuals per year |
| - Irrigation Technical Training - Improved Agronomy - Agribusiness | 25 | Start in 4th qtr 2010 | BDS training and Agricultural Extension Services Training |
| - Agribusiness | 12 | 2010 | Masters Degree Programs in US Universities |
| - Bankers Exchange for Ag Lending skills building | 9 | 3rd and 4th qtr 2010 | DCA bank participant Ag sector loan officers training |
| - Irrigation engineering field internships | 20 | Beginning in 4th qtr 2010 | |
| - M&E / Data collection and analysis | 10 | 3rd and 4th qtr 2010 | Training and TA for ASWAp M&E Systems |
| | 10 | 3rd and 4th qtr 2010 | Training in Improved Technologies and Methods for estimates and forecasting |
| | 5 | 3rd and 4th qtr 2010 | |
| | 20 | 4th qtr 2010 | Nutrition Surveillance Unit |
| - MFI Network capacity building | 25 | 3rd and 4th qtr 2010 | Program will run for est. 3-5 years |
| - Masters level Nutrition Training | 3 | 3rd and 4th qtr 2010 | |
| - Training community-based nutrition workers - curriculum development and training | 20 | 2nd, 3rd and 4th qtr 2010 | 18 month project to train a total of 300 |
| Totals | 159 | | |

9. MANAGEMENT PLAN

9.1. WHOLE OF GOVERNMENT COORDINATION STRUCTURE

The Mission is committed to a whole-of-government approach to improving food security in Malawi, drawing on the strengths of the US Embassy, USDA, Peace Corps, MCC, CDC, Treasury and USADF. USAID will coordinate the activities outlined in Malawi's Initiative Implementation Plan with collaboration and support from partner USG agencies.

9.2. M&E STRUCTURE ACROSS COUNTRY-LED FOOD SECURITY STRATEGY

Coordinated, mutually agreed-upon monitoring and evaluation (M&E) frameworks in a post-CAADP Compact Malawi will be critical to achieving the 2015 MDG goals. The GoM endorsed ASWAp is the key document supporting CAADP roll-out, and it incorporates a comprehensive M&E framework, on which, to a large extent, there is donor consensus. Future CAADP roll-out requires both the GoM and the donors to agree on both harmonized implementation and investment plans. The agreed vehicle to oversee, implement and

achieve this will be the ASWAp Secretariat, located within the MoAFS.

Since 2003 the MoA has developed a wide-ranging, bi-annual M&E reporting system that has wide buy-in from NGOs and civil society. This report captures a broad range of output and outcome indicators, including those in the following areas: key economic; agricultural (crop production, livestock, irrigation, etc); health and nutrition; and other key social indicators.

There is wide-ranging agreement that the ASWAp will provide the platform for national M&E reporting as the CAADP processes progress in Malawi. Further discussion will be required between the GoM and the DCAFS to consolidate and mutually agree upon a single harmonized M&E framework.

Additionally, the MoAFS Technical Secretariat (or tech. sec.), supported by the EU, has been effectively and efficiently hosting widely attended, sector-specific committees, reporting on food security, nutrition, information systems, logistics, and humanitarian assistance. It is the MoAFS tech. sec. that has been responsible for coordinating, finalizing and disseminating the bi-annual M&E reports mentioned above.