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FIRST QUARTERLY REPORT – FY 2013

FEED THE FUTURE

INTEGRATING NUTRITION IN VALUE CHAINS PROJECT, MALAWI

COVERING PERIOD: 1ST OCTOBER– 31ST DECEMBER 2012

FINAL

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AUTHORITY/DISCLAIMER

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FIRST -QUARTERLY PROGRESS REPORT FY2013

COVERING THE PERIOD OCTOBER 1ST THROUGH DECEMBER
31 2012

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ACRONYMS

ADMARC	Agricultural Development and Marketing Corporation
AI	Artificial Insemination
AIDS	Acquired Immune Deficiency Syndrome
ARET	Agricultural Research and Extension Trust
ARI	Acute Respiratory Infection
ASWAp	Agriculture Sector Wide Approach
BCC	Behavior Change Communication
BDS	Business Development Services
CAADP	Comprehensive African Agriculture Development Program
CBO	Community Based Organization
CCFLS	Community Complementary Feeding and Learning Sessions
CG	Care Group
CGIAR	Consultative Group on International Agricultural Research
CGV	Care Group Volunteers
CH	Community Health
C-IMCI	Community Integrated Management of Childhood Illness
COMESA	Common Market for Eastern and Southern Africa
CONGOMA	Council for Non-Governmental Organizations in Malawi
COP	Chief of Party
CSB	Corn Soy Blend
CTC	Community Therapeutic Care
DAES	Department of Agricultural Extension Services
DAPP	Development Aid from People to People
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
DHS	Demographic and Health Survey
DIDP	Dairy Industry Development Platform
DNHA	Department of Nutrition, HIV and AIDS
DTWG	Dairy Technical Working Group
ELISA	Enzyme-Linked Immune-Sorbent Assay
EMMP	Environmental Mitigation and Monitoring Plan
ENA	Essential Nutrition Actions
EPA	Extension Planning Area
ERF	Environmental Review Form
EU	European Union
FAS	Field Accounting Systems
FBO	Farmer Based Organization
FISP	Fertilizer Input Subsidy Program
FTF	Feed the Future
FUM	Farmers Union of Malawi
FY	Fiscal Year
GAP	Good Agricultural Practices
GBC	Grain Bulking Center
GDA	Global Development Alliance
GHI	Global Health Initiative
GIS	Geographic Information System
GM	Growth Monitoring
GMO	Genetically Modified Organism

GOM	Government of Malawi
GPEC	Grant Proposal Evaluation Committee
GPRT	Grant Proposal Review Team
HACCP	Hazard Analysis and Critical Control Points
HICD	Human and Institutional Capacity Development
HIV	Human immunodeficiency virus
HSA	Health Surveillance Assistant
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
ICT	Information Communication Technology
IEE	Initial Environmental Examination
IFPRI	International Food Policy and Research Institute
IHS	Integrated Household Survey
IIF	Investing in Innovation Fund
IITA	International Institute of Tropical Agriculture
I-LIFE	Improving Livelihoods through Increasing Food Security
INVC	Integrating Nutrition in Value Chains
IQC	Indefinite Quantity Contract
IR	Intermediate Results
ISF	Implementation Support Fund
IT	Information Technology
KFP	Key Family Practices
LQAS	Lot Quality Assurance Sampling
MAD	Minimum Acceptable Diet
MALEZA	Malawi Enterprise Zone Association
MASA	Malawi Seed Association
MBG	Milk Bulking Group
MCHN	Maternal Child Health and Nutrition
M&E	Monitoring and Evaluation
MDDA	Malawi Dairy Development Alliance
MDGs	Millennium Development Goals
MEDI	Malawi Entrepreneurial Development Institute
MGDS	Malawi Government Development Strategy
MIM	Malawi Institute of Management
MLI-BM	Market Linkages Initiative- Bridging Mechanism
MMPA	Malawi Milk Producers Association
MoA&FS	Ministry of Agriculture and Food Security
MoICE	Ministry of Information and Civic Education
MOH	Ministry of Health
MOU	Memorandum of Understanding
MSU	Michigan State University
MUSCO	Malawi Union of Savings and Credit Association
NASFAM	National Association of Smallholder Farmers of Malawi
NGO	Non-Governmental Organization
NRU	Nutritional Rehabilitation Unit
OCAT	Organizational Capacity Assessment Tool
OIBM	Opportunity International Bank of Malawi
PDH	Positive Deviance/Health
PDI	Positive Deviance Inquiry
PERSUAP	Pesticide Evaluation Report and Safe Use Action Plan
PFS	Partners in Food Solutions

PIRS	Performance Indicator Reference Sheet
PMEP	Performance Monitoring and Evaluation Plan
PSI	Population Services International
RSA	Republic of South Africa
RUMARK	Rural Market Development Trust
RUTF	Ready to Use Therapeutic Food
SA	Supervision Area
SATH	Southern Africa Trade Hub
SFSA	Support for Food Security Activities
SME	Small and Medium Enterprise
SMS	Short Messaging System
SO	Strategic Objective
SPS	Sanitary and Phyto-Sanitary
SSDI	Support for Service Delivery Integration
Sub-IR	Sub Intermediate Results
TAMIS	Technical and Administrative Management Information System
ToT	Trainer of Trainers
UFML	Universal Farming and Milling Limited
UHT	Ultra High Temperature
UNC	University of North Carolina
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
VAC	Village Aggregation center
VAT	Value Added Tax
VCS	Value Chain Specialists
VSLA	Village Savings and Lending Associations
WALA	Wellness and Agriculture and Life Advancement
WFP	World Food Program
WVI	World Vision International
ZOI	Zone of Influence

MALAWI INVC ACTIVITY OVERVIEW AND RESULTS

This document presents the *Integrating Nutrition in Value Chains* (INVC) project's first quarterly progress report for fiscal year (FY) 2013. This quarterly report covers the period from 1st October to 31st December 2012.

Awarded on April 25, 2012, Malawi INVC runs for three years from April 2012 to 2015. Designed to help advance the vision of Feed the Future and Global Health Initiative in Malawi, the INVC project will focus its activities to deliver the Initiatives' two over-arching goals:

1. Sustainably reducing rural poverty; and
2. Improving Nutrition.

These goals reinforce Malawi's Poverty Reduction Strategy and USAID/Malawi's Strategic objective of promoting Economic Growth and Food Security. The INVC activity components are essentially contributing to these goals directly and indirectly.

This report presents an overview of the project as well as some of the main achievements and challenges experienced during the reporting period. It is intended to provide a brief background and set the context for those unfamiliar with the activity.

BACKGROUND AND CONTEXT

The Malawi "Integrating Nutrition in Value Chains (INVC)" project, a three year effort under the Task Order/Contract No: AID-612-TO-12-00001 is funded under the SFSA IQC No: AID-623-I-10-00003. To achieve the overall goals of the project, INVC will promote, support, and facilitate gender equitable market-driven, agriculture-led, and integrated economic growth approaches. The delivery of targeted technical assistance will assist not only civil society, but also the private sector and government throughout the seven target districts, to realize the advantages of greater collaboration, commercialization, and competitiveness across three targeted value chains: Soy bean, groundnuts, and dairy.

INVC support over the life of the activity is expected to lead to agricultural transformation across the three value chains resulting in the achievement of the following objectives:

1. Improved productivity (land, water, labor) through soil and water management practices;
2. Increased competitiveness of the legumes and dairy value chains to mitigate food insecurity and increase incomes of the rural poor;
3. Reduced chronic under-nutrition;
4. Improved value chain competitiveness and nutrition outcomes through the fostering of innovation in adaptive technologies and techniques that will increase participation of the poor in agriculture-led growth; and
5. Enhanced capacity of local organizations and institutions developed to promote sustainability and climate change resilience.

To achieve the above objectives, INVC will:

1. Invest in the competitiveness of legumes (soy bean and groundnut) and dairy value chains to develop domestic and export markets and improve nutrition options;

2. Link increased market-oriented production of legumes and dairy to household consumption and improved nutritional status;
3. Support community based programs focused on behavior change, food fortification, and capacity building to impact nutritional outcomes; and
4. Strengthen Malawian agriculture-related organizations (both government and non-governmental) to improve institutional capacity to capture and scale up existing models and practices in order to implement one or more components of INVC.

To realize the above results, the INVC project will fully integrate USAID FtF goals of poverty reduction and malnutrition. INVC will focus its activities along the following five inter-related components to harness the production and commercial potential of smallholders so that they are better enabled to accelerate their march toward prosperity and healthful living. These five inter-related components form the core of the project, which provide the means to deliver long-term, systemic changes in Malawi's market and health systems:

- a. Advancing Value Chain Competitiveness.
- b. Improving Productivity.
- c. Improving Community Capacity to Prevent Under-Nutrition.
- d. Promoting Innovation.
- e. Developing Local Capacity.

In addition to these components, a number of systemic and cross-sectoral issues critical to INVC success including gender, information and communication technology, HIV and AIDS, access to financial services, policy advocacy and climate change will be addressed.

Over the life of the project, INVC will also tackle market and firm-level efficiency issues for Malawi's smallholders, increase farm-level value capture, and promote more mainstream consumption of nutritious foods through behavior change strategies.

INVC Target Beneficiaries

Malawi smallholders that are eligible for participation in INVC activities are described as "the poor with assets." These are smallholders who, while they do not belong to the "ultra-poor" group that fall well below the poverty line, nevertheless lack sufficient resilience to completely escape from the possibility of falling under the line in the future. External shocks beyond their control could easily plunge them into poverty. As such, this group remains vulnerable to economic and climatic swings.

This population representing the target beneficiaries shares the following characteristics:

- Cultivate between 1.25 to 3 acres (0.5 to 1.2 Ha) of land,
- Produce sufficient maize for home consumption,
- Have the potential to increase maize productivity and to free up land for crop diversification to legume production,
- Access extension services and inputs (seeds and inorganic fertilizers), and
- Have the potential for linking to markets.

INVC Target Districts

The focus on diversification into legume production (groundnut and soy bean) and dairy for their income generation, soil fertility and moisture enhancement and nutritional benefits determine INVC's geographic scope as those areas of Malawi suitable for these agricultural activities. The seven districts, spanning two regions (Central and South) and affecting

275,000 households, with highest potential for increasing legume and dairy production are: Mchinji, Lilongwe, Dedza, Ntcheu, Balaka, Machinga and Mangochi (See Figure 1).

RESULTS FRAMEWORK

INVC activities fall under six intermediate results (IRs). These IRs highlight the close linkage between agriculture and nutrition, and the leveraging of resources from across both the FtF and the Global Health Initiative (GHI) portfolios further underscore the centrality of the two domains to the success of INVC (Figure 2).

Both domains support the overall USAID FtF and GHI goals, which are:

- a. Sustainably reduce poverty and hunger in Malawi
- b. Foster a healthier populace able to participate in the nation's economic development

The six IRs and their subsequent sub-IRs are clustered around a framework that supports the achievement of a strategy to deliver the achievement of the Mission-level objectives of:

1. Inclusive agriculture sector growth
2. Improved nutritional status

The five INVC components contain activities that are prioritized to achieve results in each IRs and Sub-IRs and maximize INVC contribution to the Mission objectives.

Together the IRs and sub-IRs provide the pathway for INVC to achieve its development goals, strategic objectives, and required results. The IRs and Sub-IRs under the two objectives are presented below:

Sub-Objective 1: Inclusive Agriculture Sector Growth

IR 1: Improved Agricultural Productivity

- Sub-IR1.1: Enhanced Human and Institutional Capacity Development for Increased Sustainable Agricultural Sector Productivity
- Sub-IR1.2: Enhanced Technology Development, Dissemination, Management, and Innovation
- Sub-IR1.3: Improved Agricultural Policy Environment

FIGURE 1: INVC ZONE OF IMPACT

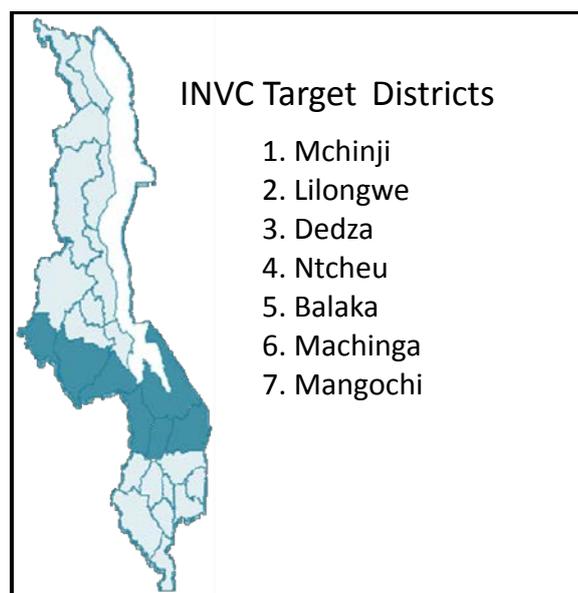
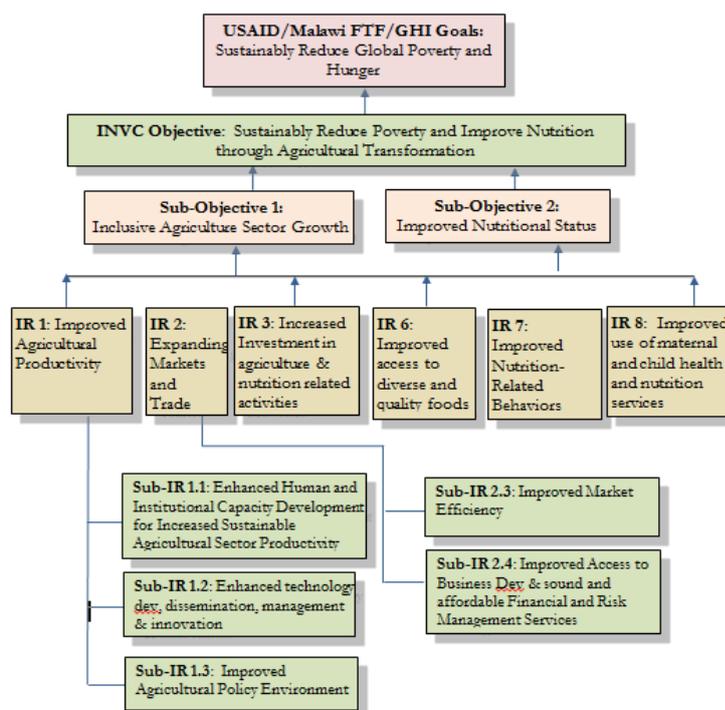


Figure 2: Malawi INVC Results Framework



IR 2: Expanding Markets and Trade

- Sub-IR2.3: Improved Market Efficiency
- Sub-IR2.4: Improved Access to Business Development and Sound and Affordable Financial and Risk Management Services

IR 3: Increased Investment in agriculture and Nutrition-related Activities

Sub-Objective 2: Improved Nutritional Status

IR 6: Improved Access to Diverse and Quality Foods

IR 7: Improved Nutrition Related Behaviors

IR 8: Improved Use of Maternal and Child Health and Nutrition Services

IR 3: Increased Investment in agriculture and Nutrition-related Activities

To successfully deliver the results outlined above, Malawi INVC must manage and monitor its activities under the five inter-related components and cross-cutting areas over the life of the project. Table 1 below illustrates how each component and IRs and Sub-IRs are linked to generate the outputs and outcomes leading to achievement of the objectives.

Table 1: INVC Project Components and IRs

Sub-Objective 1: Inclusive Agricultural Sector Growth	Sub-Objective 2: Improved Nutritional Status
<i>Component 1: Advancing Value Chain Competitiveness (IR-2;IR-2.3; IR-2.4)</i>	<i>Component 3: Improving Community Capacity to prevent Under-Nutrition (IR-6;IR-7;IR-8)</i>
<i>Component 2: Improving Ag. Productivity (IR-1;IR-1.2;IR-1.3)</i>	
<i>Component 4: Investing in Innovations (IR-3)</i>	
<i>Component 5: Developing Local Capacity (IR-1.1)</i>	

All INVC activities will contribute toward achieving the following performance targets (Table 3), as measured by the above intermediate result (IR) indicators.

Table 2: Performance Indicators

Project Wide Performance Indicators	Life of Project Targets (Apr-25-2015)
Households benefiting from INVC facilitation	275,000
Children under 5 years with reduced malnutrition	100,000
Yield/hectare for legumes increased	15%
Yield/cow for milk increased	50%
Land area under legumes production increased	15%
No. of agriculture-related Malawian NGOs and/or governmental organizations with operational capacity and effectiveness increased	5
No. of local partners with effective management practices and financial systems with potential to receive future USG awards	3
Value of new investments by private sector actors increased as a result of innovation fund co-investments	\$500,000

HIGHLIGHTS OF PROGRESS THIS QUARTER

This subsection of the quarterly report briefly summarizes progress made by the Malawi INVC project team toward completing the tasks under the five components listed in Table 1. Highlights from the quarter include:

PROJECT MANAGEMENT:

Two tasks guide efforts to achieve results under Project Management. Noteworthy progress, under these tasks attained this quarter, are as follows:

1. Malawi INVC office continued to be set-up and almost all long term technical assistance team are on board. That said, three long term positions had to be replaced. INVC expects these positions to be filled next quarter.
2. Series of partner meetings and visits continued during the quarter. To be precise, INVC had meetings with all our implementing partners (MMPA, NASFAM, CADECOM and FUM) in order to finalize the work on their various proposals so that approval could be sought from USAID/Malawi. Other meetings were also arranged with our business and technical providers on the improvement of quality of their proposals in readiness for funding. It is also interesting to note that INVC, after looking at the lack of coordination which existed decided to organize a one day meeting for all players in the dairy sector. This resulted in the formation of the dairy platform. This platform will be a voice of all dairy players and in the long run will help in prioritizing issues and challenges faced by dairy industry in Malawi.
3. Malawi INVC Branding and Marking plan was submitted to USAID and approved.
4. Malawi INVC Environmental Mitigation and Monitoring Plan (EMMP) conducted and draft report submitted. Once the report is finalized, it will be shared with our Partners so that they should know, for example, which pesticides to recommend to farmers among others.
5. Malawi INVC project M&E which was established during the previous quarter is now functional. The M&E unit has all the three coordinators in place and each of the three coordinators was assigned to a specific value chain. Also INVC managed to submit first report on the FTFMS on the progress of the FTF indicators by November 30, 2012.
6. Malawi INVC project Technical and Management Information System (TAMIS) which was established during the last quarter is functional with, for example, a number of technical proposals being uploaded.
7. INVC BCC Specialist participated in USAID organized N-GLEE conference which took place in Uganda. The BCC specialist was accompanied by the USAID Senior Program Advisor – M&E. At the conference the BCC specialist was able to make a presentation on how INVC is integrating nutrition in value chain using a care group model approach.
8. M&E workshop was successfully conducted at the Lilongwe Hotel on December 6, 2012. The aim of this workshop was to brief Partners on their responsibilities and the Feed the Future (FTF) indicators which they will be responsible to track once the grants have been disbursed.
9. INVC was also privileged to host the UNC Impact Evaluation Team. The team was on a consultative mission to meet with INVC and INVC Partners with an aim of soliciting views for the Impact Evaluation which the UNC is going to conduct in the Zone of Influence. The objective of the Impact Evaluation is to make a comparison as to whether integrating nutrition in value chains is more effective than implementing nutrition and value chains as separate projects.

10. The visit by USAID Senior Advisor – M&E was scheduled at a time when INVC needed her most. During the December 6, 2012 the Advisor made a presentation which enabled Partners to understand what FTF indicators they were responsible to collect. Also at this workshop there was a presentation on the roles of INVC staff and the responsibilities of the Partners which were clearly spelt out.
11. INVC PMEP was revised taking into account comments from the USAID Senior Advisor – M&E. The advisor informed INVC as to which indicators were dropped and while others were co-opted in. The revision affected the definitions of these indicators and INVC has been working on these definitions which will be made available to Partners in a workshop to be determined later.

COMPONENT 1: ADVANCING VALUE CHAIN COMPETITIVENESS

Four tasks guide efforts to achieve results under Component 1. During the quarter, Malawi INVC program achieved the following:

1. Coordinated with the Southern Africa Trade Hub (SATH) to conduct a training of INVC partners to address groundnut-related aflatoxin risk reduction issues prevalent in Malawi.
2. Developed a balance sheet for groundnut which will be shared with the stakeholders in the groundnut industry in Malawi in the month of December, 2012.
3. USAID/Malawi in partnership with FHI360 facilitated a 5-day workshop on Low-Cost Video Production for Agricultural Development Practitioners. INVC project assisted with coordination of participants for the workshop.
4. Developed the soy bean and groundnuts gross margin analysis. (The gross margin per hectare or per head for soy bean and groundnuts was compared with ‘standards’ (published averages of what might be typically possible in average conditions) obtained from other stakeholders such as government of Malawi through the Ministry of Agriculture. The comparisons gave a useful indication of the production and economic efficiency of an average smallholder farmer. The information was relevant for planning purpose as the data was used to bench mark our project and set achievable targets for INVC Partners by end of project
5. Worked with the ACE CEO to present warehouse receipt business opportunities and to get preliminary commitments to participate in the loan financing using deposited stocks as collateral.
6. Initiated grant activities with ACE to expand the rural penetration of certifiable, bondable warehouses in rural areas.

COMPONENT 2: IMPROVING PRODUCTIVITY

Four tasks guide efforts to achieve results under Component 2. Noteworthy progress, under these tasks attained this quarter, are as follows:

1. The Value Chain Competitiveness Specialist worked with the ACE CEO to present the business case for additional banks to become lenders to depositors of staple food commodities into ACE’s warehouse receipt program.
2. In Quarter 2, INVC Value Chain Competitiveness Specialist, Agricultural Production Specialist, and Value Chain coordinators discovered that most Malawi smallholder farmers lack financial literacy. It was found that few of the technical or organizational training programs or training materials do not contain even basic partial budgeting

and gross margin analysis of production, harvest, postharvest handling and storage technologies that are promoted.

3. Throughout the quarter, INVC staff also worked with CISANET staff and stakeholders in the dairy industry on a dairy industry review.

COMPONENT 3: IMPROVING COMMUNITY CAPACITY TO PREVENT UNDER-NUTRITION

Five tasks guide efforts to achieve results under Component 3. Noteworthy progress, under these tasks attained this quarter, are as follows:

1. Draft Behaviour Change Communication Strategy (BCC) developed.
2. Organizations that will facilitate and promote cultivation of nutritious crops and those that will enhance increased access to diversified and quality foods have been identified. The organizations are CADECOM, FUM, NASFAM and DAPP for Groundnuts and SOYAMA for Soy beans.
3. A seasonally adjusted INVC recipe book has been drafted to be used for promotion of food processing activities. Draft seasonal food calendars have been sourced for 4 districts: Mchinji, Lilongwe, Balaka, and Mangochi; and INVC legume and dairy based recipe books have been compiled from Recipe Book for Malawi (2012).
4. Consultations have been held with Department of Nutrition HIV and AIDS in the Office of the President and Cabinet and UNICEF to establish status of home food fortification with micronutrient sprinkles in Malawi.
5. INVC has identified Pakachere Institute for Health and Development Communication and Nkhoma Hospital to promote vitamin A supplementation and deworming.

COMPONENT 4: INVESTING IN INNOVATIONS

Four tasks guide efforts to achieve results under Component 4. Noteworthy progress, under these tasks attained this quarter, are as follows:

1. INVC endeavored to increase investment in agriculture and nutrition related activities by private sector actors.
2. This quarter INVC continued with the operationalization of funding mechanisms.
3. The development of sustainability mechanisms for funds was also another task which INVC accomplished this quarter.
4. Also INVC looked at the compilation of grant manual which is used as a reference guide in handling issues to do with funding.

COMPONENT 5: DEVELOPING LOCAL CAPACITY

Five tasks guide efforts to achieve results under Component 5. Noteworthy progress, under these tasks attained this quarter, are as follows:

1. In collaboration with USAID Mission and FHI360, INVC co-facilitated training workshop for low cost video production on agriculture value chains where 11 officers from 8 INVC partners attended. At the end of the training session, two low cost video documentaries were produced and circulated to partner organizations.
2. One M&E training workshop was conducted. The main objectives of the workshop were to review indicators in the INVC PMEP and brainstorm on the most effective approach for continuous monitoring and designing of data collection tools to collect quality data on a timely basis.

3. During the quarter INVC reviewed project proposals for 8 partners namely; ACE, NASFAM, MMPA, CADECOM, IITA, FUM, Nkhoma and Pakachere of which two (NASFAM and ACE) have been given grants for 10 months project implementation
4. INVC identified RUMARK and MIM as the two training institutions that could provide and deliver new technologies and management practices to other organizations. The two institutions submitted their proposal for funding and INVC reviewed their proposals and now awaiting feedback from RUMARK and MIM.
5. INVC facilitated the arrangement of training workshop of agriculture officers from NASFAM, FUM and government. At this workshop participants were oriented to agricultural best practices which will improve agricultural production within the INVC project area. These agriculture officers were drawn from Mchinji and Lilongwe districts.

CHALLENGES EXPERIENCED THIS QUARTER

The key challenges experienced during the quarter primarily focused around partner grant finalization issues which were time-consuming and labor intensive. Partner organizations ability to prepare, produce and deliver reasonably sound proposals was a key factor in slowing down the grant making process. Partner organizations also seemed to be unable to adequately align activities with budgets they submitted, requiring INVC to assist with additional educational interventions. Partners generally were observed to struggle with translating ideas into results-based implementation plans and programs. Compliance requirements were new and the novelty of the concept tended to turn them into issues causing delays of the implementation process. Additionally, INVC grant requirements such as cost-share also caused difficulties with partners, who were either struggling or reluctant to provide supporting evidence for their contributions. All these factors converged to delay the INVC grant issuance and implementation process. However, INVC has collated all the lessons learned, which will be applied toward developing a capacity building effort.

Details for each activity under the five components and project management including proposal review processes have been explained in subsequent chapters.

KEY RESULTS THIS QUARTER

The combined effect of all of the activities mentioned in the next sections is expected to contribute to the achievement of the overall impact objectives pertaining to this Activity.

INVC estimates that during this quarter, it contributed the following outputs toward achievement of the outcomes and targets. As INVC further establishes itself in communities across the zone of influence (ZOI), we expect its contribution toward the impact indicators to increase as well.

Table 3: Key Results - This Quarter

Applicable Performance Indicator	Last Quarter Outputs	This Quarter Outputs
Number of private enterprises (for profit), producer organizations, water users associations, women's groups, trade and business associations and community based organizations (CBOs) receiving USG assistance	50	5
Number of members of producer organizations and community based organizations receiving USG assistance	326	15,365
Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	120	162
Number of rural households benefiting directly from USG interventions	1500	15,365
Total increase in installed storage capacity	0	0
Number of MSMEs, including farmers, receiving USG assistance to access loans	0	0
Number of MSMEs, including farmers, receiving business development services from USG assisted sources	0	0
Number of public-private partnerships formed as a result of FTF assistance	4	1
Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation	\$25,000	0
Number of people trained in child health and nutrition through USG-supported programs	0	0
Number of children under five reached by USG-supported nutrition programs	0	0
Number of malnourished children (under 5) referred to higher level services	0	0
Number of children (under 5) screened for malnutrition	0	0
Value of incremental sales (collected at farm- level) of milk, soy beans and groundnuts attributed to FTF implementation	0	0
Number of private enterprises, producer organizations, water users associations, women's groups, trade and business associations and community based organizations (CBOs) that applied new technologies or management practices as a result of USG assistance	40	17
Number of farmers and others who have applied new technologies or management practices as a result of USG assistance	221	64
Number of firms (excluding farms) or CSOs engaged in agricultural and food-security related manufacturing and services now operating more profitably (at or above cost) because of USG assistance	0	0
Gross margin per unit of land (for soy bean and groundnut) and animal (for milk)	0	0
Number of hectares under improved technologies or management practices as a result of USG assistance	0	0
(CBLD 5) Score, in percent, of combined key areas of organization capacity amongst USG direct and indirect local implementing partners	0	0
Women's dietary diversity: Mean number of food groups consumed by women of reproductive age(15-49 years)	0	0
Prevalence of exclusive breastfeeding children under 6 months of age	0	0

PROGRAM MANAGEMENT AND MONITORING

This section of the report provides a concise overview of project management and monitoring efforts undertaken by the project team to contribute toward achieving the overall project objectives. The primary focus of the project team during the quarter was to (1) facilitate the process to complete the project staff hiring, and (2) assist local partners in their effort to submit grant proposals and get programs started in a timely manner. These activities are discussed under the two tasks detailed below.

TASK 1: KEY PROGRAM MANAGEMENT ACTIVITIES

SUB-TASK 1: PROJECT START-UP

Activities under this sub-task were successfully accomplished. No additional activities are envisaged under this sub-task.

SUB-TASK 2: PROJECT LAUNCH

Activities under this sub-task were successfully accomplished. No additional activities are envisaged under this sub-task.

SUB-TASK 3: PROJECT IMPLEMENTATION/MANAGEMENT ACTIVITIES

FY 2012 Performance Monitoring and Evaluation Plan (PMEP)

This quarter saw the revision of the INVC PMEP. The revision was necessitated by the dropping of 9 indicators from the PMEP and incorporating two more with one of them under the IR level (IR4: **Increased Employment Opportunities in Targeted Value Chains**) because employment creation is not an explicit objective or a key result of the INVC project. The IR level indicator (**IR7: Improved Nutrition Related Behaviors**) was added because this result is required to achieve the project impact of prevention of stunting. It is a key objective of INVC's nutrition strategy, and an essential component of nutrition-related activities. The changes to this PMEP were carried out to streamline and focus the PMP on a minimum set of key and relevant indicators needed to monitor the progress and impact of the INVC project.

Environmental Mitigation and Management Plan (EMMP)

The EMMP was successfully conducted after engaging an external consultant, who did the whole exercise within a period of about three weeks and a draft report was submitted to INVC. The EMMP was also shared with the Regional Environmental officer. Upon a thorough review of the draft, a final report will be released to all stakeholders.

Project Staffing

Last quarter, three long term technical positions (nutritionist, capacity development specialist, and agricultural production specialist) were successfully filled. However, the value chain specialist position still remains outstanding. Efforts are ongoing to identify and field the most appropriate and qualified candidate for this position. On the administration front, the position of operations manager also remained vacant last quarter. However, this position has been successfully recruited for, and will see the candidate take his position next quarter. Once the two are on board, the project will then become fully staffed.

SUB-TASK 4: PROJECT SITE VISITS AND FIELD TRIPS

As FtF/USAID's flagship project in Malawi, INVC is mindful of its role in sharing project performance information and showcasing project activities. Having successfully showcased

one of its many dairy milk bulking group sites during Secretary Clinton's visit to Malawi, INVC is prepared to continue this practice and in the process, is working closely with its four implementing partners to assist them to do the same. INVC is working closely with NASFAM, one of four implementing partners, to prepare for a site visit next quarter for US Ambassador David Lane's visit. Ambassador Lane is expected to visit Malawi on January 14, 2013.

The highlight this quarter was the visit organized for USAID/BFS's Anne Swindale, Sr. Program Advisor, who visited several INVC partners (NASFAM, Nkhoma Hospital, FUM, MMPA, CADECOM among others) based in Lilongwe. Ms. Swindale, an M&E Advisor, also assisted INVC project to refine its indicators and conduct a workshop on INVC M&E for grantees where 43 participants attended the workshop. Anne also worked with INVC to prepare for the Nutrition-Global Learning and Evidence Exchange (N-GLEE) workshop held in Uganda.

SUB-TASK 5: DONOR COORDINATION

To foster synergy, reduce duplication, increase coordination, and contribute to development, INVC participated in several workshops and meetings organized by donors, NGOs, partner projects, and government ministries such as the ASWAP workshops, Ministry of Trade and Industry's National Export Strategy workshop, SATH's Aflatoxin workshop, FANRPAN Seed sector meeting held on November 14, 2012, and Umodzi's SME role in Malawi's Economic growth and export development workshop. As a member of the Technical Working Group on *Technical Generation and Dissemination*, INVC will continue to contribute to and participate in such activities next quarter so that we are better able to link with other development efforts, capture synergies, and work together in areas of mutual interest and oversight.

TASK 2: KEY MONITORING AND REPORTING ACTIVITIES

SUB-TASK 1: MONITORING AND REPORTING SYSTEM

Project Documents and Report Submission

As per contract progress reporting requirements to USAID, the Annual Progress Report and quarterly report for FY2012 ending September 30, 2012 was prepared and submitted on time. INVC also contributed to USAID/Malawi's effort in submitting information for the FY2012 Op/Performance Plan and Report (PPR).

Data Collection Tool Development

The INVC M&E team started designing tools to be used in collecting data at partners' level. This exercise is still in progress as there are changes in definitions of other indicators hence this will affect the level of disaggregation, gender and data source among others. The M&E coordinators were assigned this task to come up with easy, comprehensive and fewer tools which should be used in tracking the FTF indicators. It was against this background that it was recommended that other indicators could be merged onto one sheet and such indicators should be able to collect similar information.

SUB-TASK 2: STRENGTHENING GRANTEE M&E SYSTEMS

With the visit of Dr. Anne Swindale, Sr. Program Advisor, BFS/USAID, in Lilongwe, INVC took advantage of the opportunity and organized an M&E workshop for INVC grantee partners. The M&E workshop was organized on December 6, 2012. The workshop offered

the opportunity to the grantees to get a deeper understanding of FTF M&E framework, INVC/USAID Results Framework, and the purpose behind USAID's zone of influence. The workshop, the first of its kind vis-à-vis Feed the Future M&E, provided clarity in terms of their responsibilities and which indicators they will be tracking. The workshop was like an eye opener to our grantee M&E units as the results of the Needs Assessment which was conducted in the month of September and October, 2012 were unveiled. The results helped INVC M&E team to note potential areas which will require urgent attention so that the grantees M&E Systems are strengthened.

Designing Performance Indicators for Tracking by Partners

To enhance the tracking of each performance indicator, the M&E team helped to come up with final work plans for the partners and the performance indicators which our partners are asked to track. This information was vital as it was used to help the Grants Manager to make decisions as to which of our partners is eligible for funding. Organizations such as MMPA, ACE, NASFAM, FUM, CADECOM and IITA have their proposal approved by USAID for funding. In the next quarter INVC M&E team will start making follow-up as to whether our partners are following the agreed work plan to collect agreed performance indicators.

Organizing the 2013 First Quarter Training Workshop

The INVC M&E Team began the process of preparing for the workshop which is planned for the first quarter. The focus of this workshop will be to enlighten our partners on their responsibilities, which indicators they will be responsible for and also help them to understand the definitions of such indicators. The definitions will help our partners to design meaningful field data collection tools which will be used to collect quality data which will later be fed in the FTFMS. This training workshop will also require the presence of all the project managers so that they appreciate the importance of M&E in the project set up.

SUB-TASK 3: PROJECT BASELINE AND PERFORMANCE UPDATE

Consultative meetings were carried out with IFPRI and Bunda College of Agriculture, research institutions which were identified to conduct baseline survey. IFPRI in collaboration with Bunda College have agreed to conduct the baseline, using it as an opportunity to train not only Bunda College of Agriculture students but also government and grantee participants on baseline data collection and understanding the importance of representative sampling, M&E, among others. The baseline will only focus on agriculture and value chain activities since nutrition is to be covered by University of North Carolina.

USAID identified University of North Carolina (UNC) as an institution that will conduct impact evaluation in the zone of influence which happens to be INVC project districts namely: Mchinji, Lilongwe, Mangochi, Dedza, Ntcheu, Balaka and Machinga. Two (2) M&E experts from UNC held series of consultative meetings with partners on the approach and methodology of the impact evaluation including sampling modalities. One M&E workshop involving INVC and its partners was done where UNC presented the findings from its consultative meetings and the proposed methodology on the impact evaluation.

SUB-TASK 4: DATA COLLECTION, REVIEW, AND SUBMISSION TO VARIOUS USG EFFORTS

Feed the Future Monitoring System (FTFMS)

Another notable task which the M&E unit performed this Quarter was the entry of data on the FTFMS database. The database was open to users from October, 2012 up to 30th November,

2012. INVC managed to enter data from the previous Quarter and also data on targets for the FY13, FY14 and also FY15. Though there were some “first use” technical glitches, data entry was eventually successful given that it contributed to the overall USAID effort on proper and timely data capture at the country level.

Ministry of Health/Clinton Health Access Initiative (MOH/CHAI), Resource Mapping

As requested by the Ministry of Health (MOH) through the Clinton Health Access Initiative (CHAI), INVC submitted detailed information for the ministry’s resource mapping exercise for all its health projects as a way to account for all health interventions delivered in the nation.

USAID Microenterprise Results Reporting (MRR)

The Microenterprise Results Reporting (MRR) is USAID's official system for collecting and reporting to the U.S. Congress on Agency-wide funding and results in terms of economic development at the micro-level. As a USAID funded project, INVC is expected to share and submit any microenterprise-related results achieved through the project. Beginning next quarter, INVC will submit its microenterprise-related results to MRR.

COMPONENT 1 – ADVANCING VALUE CHAIN COMPETITIVENESS

The competitiveness of most agricultural value chains in Malawi has been negatively affected by the lack of knowledge, capacity, finance, institutional deficiencies and policy/regulatory interventions that have distorted the business environment. Continued depreciation of the Malawi Kwacha since the 2012 float of the currency has increased the Kwacha costs of key production inputs (fertilizer, plant protection products, tools, agricultural equipment, livestock inputs) and processing materials (ingredients and packaging). There have also been rises in the cost of energy and fuel for transport, tractors, and factory operations. The foreign exchange component of these costs is important. Foreign exchange controls are said by industry actors to induce substantial delays in procurement, tie-up cash flow, and increase transaction risks. INVC analysis of the trends in the use of products from its three value chains shows an increasing trend towards exports over the past three to four years. We expect that this trend will continue. We do not know until late in this year's main marketing season, however, what the impact of the macroeconomic policy change will be on smallholder revenues.

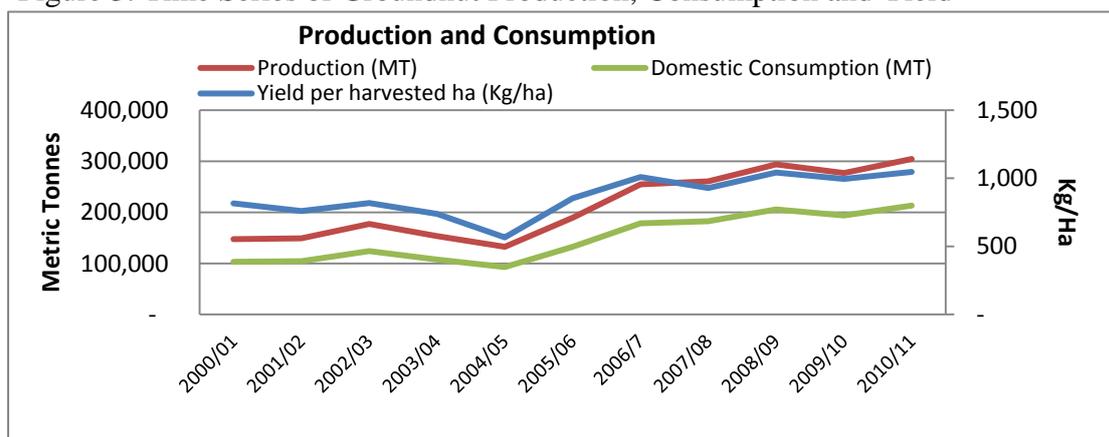
TASK 1: INCREASE ACCESS TO MARKETS

SUB-TASK 1: CONDUCT UPGRADING STRATEGIES, COMPETITIVENESS/MARKET ANALYSES, AND DEMAND ASSESSMENTS

1.1 Groundnut Value Chain

INVC developed a groundnut balance sheet. The balance sheet presents a summary picture of the pattern of Malawi's groundnut supply and utilization during the 2000/2001 to 2010/11 production and marketing years. Figure 3 below shows trend in production and consumption.

Figure 3: Time Series of Groundnut Production, Consumption and Yield



The total quantity of groundnuts produced in the country, added to the total quantity imported and adjusted to any change in stocks that may have occurred since the beginning of the reference period, gives the supply available during that period (increasing by 46% i.e. from 147,784 MT in the 2000/01 season to 323,330 MT in the 2010/11 season). On the utilization side, categories include the quantities exported, fed to livestock, used for seed, put to manufacture for food use and non-food uses, losses during storage and

transportation, and supplies available for human consumption. For example, in 2009/10 season, Malawi exported 21,772MT of groundnuts shelled, 165MT with shell, postharvest losses accounted for 41,542 MT (15% of total production), while an estimated 193,862 MT (70% of total production) was available for human consumption. Annual balance sheets tabulated over a period of 10 years help to show the trends in the overall national groundnut supply and utilization that are helpful for planning purposes. The balance sheet will be shared with stakeholders for their input in the next quarter, after we incorporate informal cross border trade figures.

1.2 Dairy Value Chain

The Dairy Value Chain End Market Analysis was conducted and its preliminary report was presented to the industry stakeholders during the quarter (See Figure 4 and 5 below). The market analysis has been broadly disseminated to dairy value chain actors. The findings of the analysis will be used to help the industry determine most promising market segments and analyze trends; understand and describe how the market channels are operating and how best to improve their use. It will also be used to benchmark strengths and weaknesses against competitors.

This first national milk balance sheet showed that 47% of milk consumed is supplied by the informal market against 13% consumption of retail-packed fluid milk and milk products. Low consumer purchasing power, limited and costly raw milk supply, and poor distribution of packaged dairy products beyond the main urban and trading centres account for the dominance of informal marketing of milk in Malawi. Imported milk products accounted for 38% of consumption. The majority of imports are dominated by milk powders most of which are directly consumed in the households, and some of which are used for dairy product manufacturing. The most notable trend in the dairy balance sheet is a sharp increase in the export of milk products over the past 2 years. This trend is likely to accelerate as processors and importers need foreign exchange to support their hard currency costs and to hedge against the continuing decline in the local currency (Malawi Kwacha).

Figure 4: Long-term milk and milk product market share

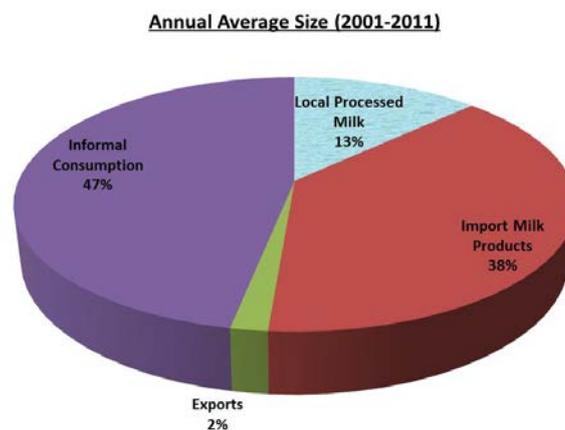
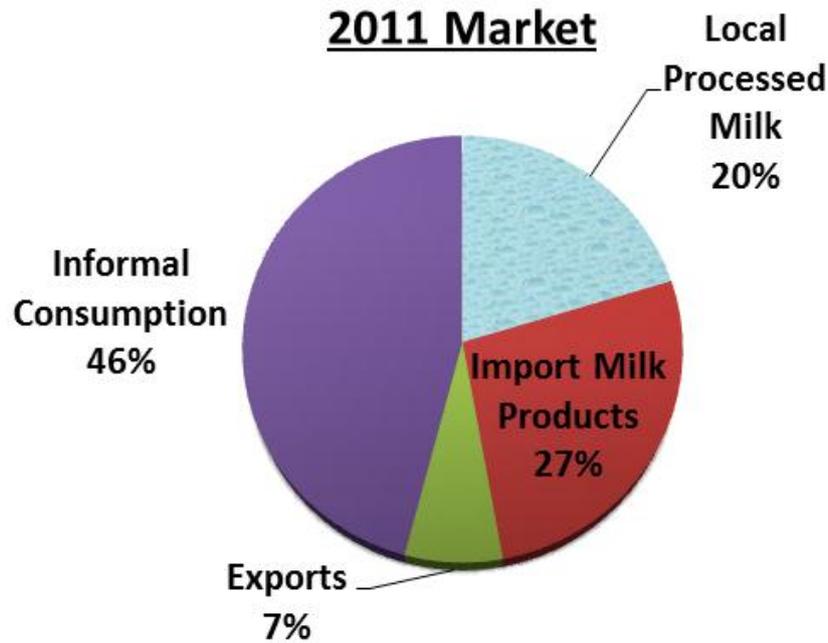


Figure 5: 2011 Milk and milk product market share

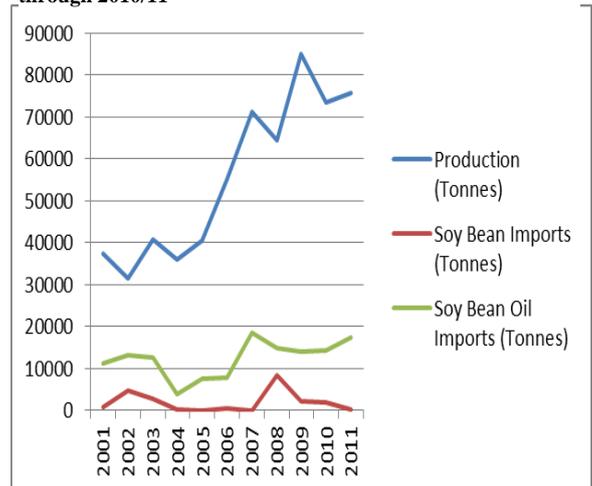


In Quarter 3 of FY 13, the End Market Analysis findings will be amplified with benefit/cost analysis of production, aggregation, processing, and marketing choices to inform the industry development strategy formulation and to benchmark the financial sustainability of MBGs' and other dairy enterprises.

1.3 Soy bean

INVC developed the soy bean balance sheet capturing soy bean supplies, uses and stocks during the 2000/01 to 2010/11 growing seasons. The balance sheet shows that the total quantity of soy beans produced in Malawi has increased from 37,428 MT to 75,665 MT from the 2000/01 season to the 2010/11 season (See Figure 6 below). Soy bean is mostly processed into chicken feed and soy bean oil, with smaller amounts entering the textured vegetable protein market and the fortified food channel. Formal exports of soy beans are low, with the peak noted at 287 tonnes in 2008. The soy bean balance sheet further revealed that despite the increase in soy bean production, the country keeps importing soy bean oil, raw soy beans, soy bean flour and meal from other countries. Soy bean production in Malawi is still below demand, which results in local price spikes that push prices above import parity early in the marketing season, stimulating imports of meal and oil primarily from high productivity countries using GMO varieties. For example, Malawi increased its soy bean oil imports from 11,111 tonnes in 2000/01 to 17,443 in 2010/11.

Figure 6: Soy bean production and export from 2000/01 through 2010/11



SUB-TASK 2: SUPPORT INDUSTRY PARTICIPANTS IN MARKET DEVELOPMENT AND MARKETING

INVC staff participated in the ACE planning meeting with potential partners on December 7, 2012. The objective of the meeting was to identify rural warehouses that can be bonded and insured for receipts and those that have sufficient capacity (500 to 1000 metric tons) to be financially sustainable. ACE is using the financial sustainability threshold to ensure that rural beneficiary participation can continue beyond the period of INVC project support. Warehouse receipting is a systemic intervention potentially affecting all marketed staple crops. Much of the fixed cost and the interest of the Malawian financial community in warehouse receipting is linked to the maize and bean crops. Under INVC Project, soy beans are an important part of the warehouse receipting efforts for 2013. Groundnuts cannot become part of the warehouse receipting process until banks are convinced that the risk of aflatoxin contamination can be managed to keep aflatoxin levels below the point where price reductions would prevent recovery of loans made on crop deposits.

Through the planning meeting, ACE has identified 12 rural deposit sites in the INVC project districts. The following is a list of the sites: 5 belong to Rab Processors/Kulima Gold, 2 for CADECOM/RLEEP, 2 for NASFAM, 2 for WVI and 1 for Clinton Hunter Foundation. These organizations do not have a working relationship with ACE, however, INVC is currently facilitating a new partnership in warehouse receipt system between ACE, CADECOM, NASFAM and other organizations involved in agro-dealership. . Table 4 below is a summary of the potential list of sites:

Table 4: List of identified Warehouse Receipts under ACE

PLACE	District	Organization	Capacity MT
Kamwendo	Mchinji	Rab/Kulima Gold	60
Mchinji	Mchinji	Rab/Kulima Gold	30
Santhe	Mchinji/Kasungu	Rab/Kulima Gold	60
Malomo	Ntchisi	Rab/Kulima Gold	30
Ntchisi	Ntchisi	Rab/Kulima Gold	30
Dedza Diocese	Dedza	Dedza Diocese/RLEEP	500
Kapesi	Dedza	Dedza Diocese/RLEEP	500
Nathenje	Lilongwe	NASFAM	500
Mitundu	Lilongwe	NASFAM	1000
Mpherero	Mchinji	Clinton Hunter Foundation	3000
Bua and Namitete	Mchinji	World Vision International	500
Nthondo	Ntchisi	World Vision International	1000
			7210

Under the terms of the INVC grant, ACE is required to operate 10 warehouses on receipt operations in the 2012/2013 marketing year. The warehouses in Table 4 above will be assessed by ACE in the next Quarter for inclusion in the warehouse receipt system. These warehouses will extend ACE's storage capacity deeper into production zones adding approximately 7,210 MT of storage capacity in rural areas compared to the 81,500 MT of

urban and peri-urban warehouse space at ACE's disposal in Lilongwe and Blantyre. This appears small in total terms, but compared to ACE's existing 1,000 MT of storage in Dowa and Balaka trading centers, it represents a more than seven-fold extension of warehouse receipting space into rural areas.

SUB-TASK 3: STRENGTHEN PRODUCER, PROCESSOR AND VALUE CHAIN BASED TRADE ASSOCIATIONS

Assessing Partners' Institutional Needs and Developing Tools for Planning and Management

INVC provided technical assistance to MMPA to develop a CREMPA database that will improve the association's data collection, analysis and record-keeping. This was carried to support partners assess their institutional needs and help them develop tools for planning, management and improved marketing. INVC staff met with SOYAMA leadership in Blantyre in November to discuss the need to develop a strategy for the sustained increase in soy bean seed production nationally at a rate that mirrors the growth in demand for vegetable oil and meal and for an industry-led approach to the development of SOYAMA's working agenda.

Strengthening the National Dairy Industry through a Unified Platform

In addition to supporting partners on the management side, INVC also facilitated the industry to help organize a formal Dairy Industry Development Platform (DIDP) meeting. The meeting was convened by and hosted at the Civil Society Agriculture Network (CISANET) offices. A total of 14 participants (10 males and 4 females) attended the meeting. The majority of the participants were from CREMPA industry stakeholders. INVC presented the findings of the End Market Assessment of the Dairy Value Chain Review requested by the DIDP. The assessment developed with DIDP members was to identify issues along the value chain impeding industry growth and to stimulate debate on the actions needed to improve the competitiveness in the dairy value chain. The DIDP technical working group for Policy, Regulation and Standards will further collaborate with CISANET to work with government to review and where necessary change the policies and regulations. One of the major immediate tasks for the DIDP is to formulate a long term national dairy industry development strategy beginning with the legal act of creation of the Malawi Dairy Board.

INVC assisted the industry stakeholders to participate in the identification of the following policy and regulatory issues that need to be improved by government to ensure dairy industry efficiency:

- (a) Abolishment of the 3% withholding tax on milk sales. INVC was asked to present cases on the effect of levy on milk production.
- (b) Utilization of milk product import duty funds for the direct benefit of the industry development.
- (c) Breeding policy versus import of dairy stock.
- (d) Institutionalization of Malawi Dairy Board as authorized by the Act
- (e) Harmonization of Malawi Bureau of Standards (MBS), City Assembly By-laws and Milk and Milk Products Acts requirements
- (f) National budget allocation for research work for livestock development.

In the next quarter, INVC will target achievement of regulatory changes for areas a and b with DIDP and facilitate the review of breeding policy versus import of dairy stock, institutionalization of Malawi Dairy Board, initiate harmonization process of various regulations and standards requirements governing the industry and lobby budget allocation for research work for livestock development.

SUB-TASK 4: ENHANCE CAPACITY TO COMPLY WITH STANDARDS, QUALITY CONTROL AND FOOD SAFETY PROCEDURES

INVC in collaboration with Southern Africa Trade Hub (SATH) conducted a workshop on November 6, 2012 under the theme ‘Solutions to Address Aflatoxin Issues in Groundnuts’. The workshop provided opportunities for the participants to learn a few tools to address some key constraints to accessing higher value markets after addressing aflatoxin. A total of 40 people (30 males and 10 females) attended the workshop. Participants to the workshop included partners and key stakeholders in the groundnut industry and these were: RUMARK, NASFAM, FUM, Valid Nutrition, Exagris, ICRISAT, IITA, ACE, Rab Processors, Universal Farming and Milling Ltd, Rural Livelihoods Economic Enhancement Programme, Ministry of Agriculture, and Department of Nutrition HIV and AIDS in the Office of the President and Cabinet.

Aflatoxin is a highly toxic metabolite produced by *Aspergillus* fungi. Exposure to aflatoxin has been shown to cause cancer, immune-system suppression, liver disease, growth retardation and death in both humans and domestic animals. Though a sensitive public health and food industry issue, awareness is not widespread. Smallholder farmers have limited knowledge of suitable aflatoxin control and management strategies. Participants identified exposure to moisture because of poor handling and inadequate storage conditions, prevalent in *many villages and collection centers*, along with poor processing. There is also no clear market incentive for value chain actors to address the problem of high aflatoxin levels in groundnuts. Interventions included that storage and drying of groundnuts should be in their shells. Groundnuts should be bought from farmers and transported to depot in-shell to prevent ingress of moisture during on-farm hand-shelling. Also mechanical shelling in a controlled environment should gradually replace hand shelling. Packaging *should be in clean natural fiber* (jute) bags in place of polypropylene bags to reduce moisture ingress. Participants, who included INVC partners *will be helped to assess whether and how to bring on-board one or more of these options* in their implementation programs *during the 2013 harvest and market season*

INVC held a meeting on 16th November 2012 with Malawi Bureau of Standards (MBS) and CISANET to assess how the Bureau develops, promulgates, and diffuses mandatory (regulatory) standards for dairy production, processing, and marketing. MBS is primarily engaged in standards development. It sometimes is engaged in regulatory enforcement, but dairy industry regulation and regulatory enforcement is done by a range of national ministries and district and local authorities. MBS is seeking support to conduct a standards awareness campaign targeting the dairy value chain. INVC provided MBS a Knowledge-Attitude-Practice framework using food produce expiry date inspections of retail outlets as an example of the type of activity that INVC could support because it could be linked to a specific measurable result that can be audited by an independent third party. In 2006, MBS drafted a Standard for the Dairy Cattle Feeds Specification (DMS 416:2006) and which, through INVC

facilitation, was circulated in December 2012 to stakeholders for review. DIDP plans to facilitate the completion of the standard development and its adoption over the next three quarters.

SUB-TASK 5: DEVELOP PARTNERSHIPS AND STRENGTHEN INDUSTRY/BUSINESS LINKAGES

The purpose of this subtask is to facilitate not only business/industry linkages between producers and buyers of the three commodities, but also to strengthen and even trigger partnerships between and among various parts of the value chains. As a result of the various meetings held with the disparate members of the value chains, some of them are beginning to dialogue with each other. The initial partnership forged by MIM with various associations and organizations to deliver targeted training to beneficiaries serves as a good example of strengthening value chain linkages.

The INVC team expects more of these activities to take place beginning next quarter with the award of the various grants in which business services providers and technical services providers will be embedded.

TASK 2: INCREASE VALUE CHAIN EFFICIENCY AND VALUE ADDING OPTIONS

SUB-TASK 1: CONDUCT ASSESSMENTS OF VALUE ADDED SECTOR

During the DIDP 2012 end-of-year meeting, stakeholders recommended that dairy development initiatives e.g. training, especially on dairy feed production and processing, should also reach out to non-MBG cow owners, to non-dairy farmers who are interested in dairy feed and fodder production at local level, and to rural enterprises who could provide goods and services to dairy and livestock herders such as paravets and AI technicians. MMPA as a dairy implementing partner will start intensification of artificial insemination services and supply exotic dairy breed semen to non-MBG member farmers with Zebu cattle in the next quarter through the INVC grant. Non-MBG member Zebu farmers will be identified through the membership expansion exercise in Quarter 2, which will identify farmers with local Zebus within a 20 km radius in the five MBGs targeted for work in Quarter 2. The MBGs are Likuni, Lumbadzi and Nkhweza in Lilongwe; Bua in Mchinji and Magomero in Dedza. The 20 km radius is an increase from the 10 km radius that DIDP discussions suggested. The reason for the change is evident from the analysis of partial GIS mapping data for the Magomero Milk Bulking Group shown below. Figure 7 shows that MBG members are frequently found between 10 and 20 km from the collection center.

Figure 7: Magomero Milk Bulking Center (Blue push-pin) and outlying farmer members (white dots) with road track for milk transport in red



Another activity INVC focused on during last quarter was to assess avenues to influence perceptions and demand for milk as a value added, nutritious food. INVC has drafted a BCC Strategy which has highlighted 12 key messages that are addressing consumption of dairy products by local communities. The messages are targeting pregnant women, lactating mothers and care givers as primary audience; household members and farmers as secondary and tertiary audiences respectively. The establishment of care groups will be done in the next quarter with the objective of influencing perceptions and demand for milk as a value added, nutritious food thereby promoting increased household milk consumption. The BCC messaging will also discourage maximization of milk sales that are detrimental to the nutritional requirements of human household members and to the nutritional requirements for good heifer calf development. Implementation of the strategy awaits finalization of the strategy and initiation of the grant with Pakachere Institute of Health and Development Communication planned for next quarter.

SUB-TASK 2: FACILITATE TECHNOLOGY TRANSFER THROUGH FIRM-LEVEL AND ASSOCIATION ASSISTANCE

As part of INVC’s effort to disseminate scalable technologies for greater farm and marketing efficiency, in the second quarter, INVC staff worked with MMPA and DIDP members to revise and refine the MMPA grant, which will use Innovative Approaches to Integrating Nutrition through Improved Value Chain Performance funds. MMPA will work with CREMPA in 3 districts and 16 MBGs to introduce new technologies and make the same technologies reach many dairy farmers for greater farm and marketing efficiency. The 16 MBGs consist of 5 already existing ones and 11 to be supported so that they become fully operational. INVC worked at the national and regional level on the Dairy Industry Review requested by DIDP to compare dairy production and productivity performance in the Central Region to that of the Southern Region, the largest milk production region in the country.

The results of the End Market analysis done by INVC, stimulated debate which saw the DIDP agree to pursue standardization of the dairy production training to ensure delivery and adoption of technologies that will effectively improve both milk production productivity and competitiveness. The platform agreed to harmonize the dairy production recording system to improve production data availability and usage. Bunda College of Agriculture, with support from Flanders International Cooperation Agency (FICA) and Scotland's Rural College (SRUC), established a dairy recording unit as part of the Dairy Learning and Outreach Program where the unit aims to capture dairy records from dairy farmers, and provide feedback to guide day to day management; and that the same data will generate a database that will be used to evaluate existing dairy breeds, leading to information needed to recommend management practices that can improve milk yields and quality, and local production of improved dairy breeds. INVC, MMPA, and DIDP members will work during next quarter to extend management practices and technologies addressing production challenges in animal nutrition (crop residue conservation and utilization and fodder propagation) and milk handling and storage.

SUB-TASK 3: IMPROVE ACCESS TO POST-HARVEST HANDLING AND STORAGE OPTIONS

During Quarter 2, 12 rural warehouses of the right size to be certified, bonded, insured, and financially viable were identified. This was the key step to improving the availability in rural areas of storage that can meet warehouse receipt and receipt financing requirements. The ACE Grant is the main driver in the stepwise introduction to rural warehouses of the application of better sorting and grading of product, careful storage and fumigation, and preservation of the nutrient and market values. The training of farmer groups who can aggregate enough product to deposit will begin next quarter. Cooperation with the South African Trade Hub in aflatoxin mitigation in groundnuts was initiated last quarter and will be extended next quarter to incorporate more details of the supply chain management initiatives tested in cooperation with Twin Trading and Afri-nut, Ex-Agris, and NASFAM. Our work during the next quarter with grantees will focus on the refinement and standardization of training modules for the harvest and postharvest handling and storage of both groundnuts and soy beans.

In this quarter, INVC staff reviewed several proposals that focused on the improvement of the nutritional profile of soy or soy-blended foods. INVC rejected some of these proposals because they were too heavily focused on construction and capital equipment, factors that would slow their implementation and likely impact on the targeted beneficiaries of the INVC activity. In addition, their projected return on investment was so high that they should be targets for commercial equity and debt investments, while at the same time being sensitive to the current high political and currency risks in Malawi. Therefore, they are potential targets for project investment and debt finance that is supported by higher risk equity funds, risk insurance, and loan guarantees. INVC will support selected organizations and firms to explore some of these options over the next 2-3 quarters with OPIC and banks participating in the DCA program, along with US firms that provide equipment, installation and training, and project advisory services. INVC staff also met with the INSTAPRO Company from the USA which is a leading supply of extrusion technology used to produce shelf-stable products from soy beans, other oilseeds, and cereals in single and blended form.

TASK 3: INCREASE ACCESS TO CREDIT AND FINANCE

SUB-TASK 1: SUPPORT DEVELOPMENT OF EFFECTIVE STRUCTURED TRADE OPPORTUNITIES

The Value Chain Competitiveness Specialist worked with the ACE CEO to present the business case for additional banks to become lenders to depositors of staple food commodities into ACE's warehouse receipt program. In the 2011/2012 marketing season, ACE had sufficient physical storage for large volumes to be stored but was constrained by the availability of finance for depositors who need cash loans to continue their marketing program or meet cash flow requirements. Banks were visited in Lilongwe and Blantyre in October. All banks met were interested in the warehouse receipt finance market, but all were concerned about risks that they felt were not yet adequately covered.

INVC noted that at the structural level, food crop warehouse receipts made sense as lending target to diversify the current bank concentration in tobacco, sugar, and tea. Tobacco is the biggest concern from a potential "black swan" event on the international regulatory front. Some banks' loan book is 25% exposed to the traditional soft commodities of Malawi, making the move to maize, bean, and soy bean receipt financing be seen as a strategic and prudent risk management move.

INVC established that at the macro-level, the banks may find warehouse receipts very attractive when warehouse receipts are held by exporters (or processors who can trade either grain and beans or process and export them), because Malawi's import forex coverage is so short. For example, in early January 2013 the forex coverage was down to 1.2 to 1.4 months, as exporters may sell the receipt or the commodity more frequently when they seek to cover their own forex-tied cash flow requirements.

ACE demonstrated to the banks at the pilot level that receipt financing is profitable. ACE has convinced the banks that there is enough physical storage capacity in urban areas, and soon to be in rural areas, which will assist in increasing the level of trader and processor participation and in the end improve their cash flow management. ACE made the case that financing is the only constraint, largely because everyone involved in the commodity trading needs liquidity to compete for maize, beans, soy beans early in the marketing year. The challenge is the risk side as the volume of receipts grows so the volume stored under receipts should also grow substantially this year.

The sticking point for some of the banks is professional liability insurance for the exchange itself, which acts as a contract settlement house. Since there is no independent regulator other than the court system on professional liability and no mechanism to provide timely and low cost of recovery cash compensation in the event of a loss if there is professional negligence or malfeasance, the lack of professional liability insurance must be addressed either directly or through other risk mitigation measures. INVC will work with ACE and the SATH on the professional liability insurance issue during the next two quarters because its absence will reduce the regional tradability of warehouse receipts.

INVC noted that the commodities traded in Malawi have different risk profiles, with the duration of storage being a key for the main deposited crop maize, where most traders act like

high-risk profit maximizers, seeking to store for 8-9 months to capture the largest potential upward movement of market prices. Some banks have suggested that they would prefer to force a sale every 3 months to reduce their risk (and increase their refinancing fees and profits), but that option will go nowhere in this market. The option of a performance bond has been mooted, but that is a very expensive option in this market. The option of a third-party collateral asset management with international professional liability insurance coverage has been mooted, but that is even a more expensive option than a performance bond. The risks are lower for soy beans and groundnuts than for maize because of the history of clearing prices in the market that occur during the early to mid-marketing season. Therefore, the duration of storage is generally shorter reducing both financial and physical quality deterioration risks.

Despite these risks, the experience of the two participating banks in the warehouse receipt program has been positive. Therefore, it is likely that at least 3 new banks will become receipt financing banks in the 2012/2013 marketing year. In Quarters 3 and 4, INVC will explore the use of USAID's Development Credit Authority (DCA), a facility that provides loan guarantees that are used primarily as collateral substitution or extension tools by participating banks for warehouse receipt finance. INVC has noted that there will be no one answer to the warehouse receipt risk issue. INVC will work towards having blended solutions to warehouse receipts because the nature of the risk mitigation solutions will vary by commodity, market risk profile, borrower risk profile and tenor of the loans.

SUB-TASK 2: FACILITATE LINKAGES BETWEEN LENDING INSTITUTIONS AND SMALLHOLDERS

In this quarter, the INVC Value Chain Competitiveness Specialist, the Agricultural Production Specialist, and the Value Chain coordinators discovered the depth of low financial literacy of Malawi smallholder farmers and their service suppliers. Few of the technical or organizational training programs or training materials do not contain even basic partial budgeting and gross margin analysis of production, harvest, postharvest handling and storage technologies that are promoted. Cost of production surveys are conducted annually by the Ministry of Agriculture through its extension staff and with the staff of organizations who have signed MOUs with the ministry. However, this survey data doesn't seem to be combined with the results of agronomic trials to work out the cash or labor costs and benefits of the crop varieties or practices that are investigated. This linkage gap leads to financial institutions having difficulties in assessing the risk of different smallholder crop production activities, beyond the traditional issues of lack of land or buildings that can be used as collateral. More importantly, the lack of attention to the cash and labor flow requirements, opportunity costs, and profitability of promoted technologies-all of which change from year to year-is a systemic weakness in the entire agricultural development enterprise in Malawi.

In order to address this gap, INVC staff began an initiative to develop standardized components in partial budget and gross margin analysis to be included in the training programs of INVC grantees. This will be an uphill battle, because it does not appear that Malawi's diploma level and university level programs incorporate the use of real and current farming cases in their instructional programs. INVC preliminary inquiry, also suggests that there is little farm enterprise management research in the technical, economics, extension, and agribusiness faculties of Bunda College of Agriculture. In the next two quarters, INVC

will introduce materials into the training programs of grantees, while search for good sources of farm management data continues. The findings of the farm enterprise management research will enable grantees or BDS providers to develop farming and marketing business plans that are realistic and grounded in Malawi specific data. This will assist to attract microfinance institutions to support: (1) Rural warehouse receipting tied to a strong marketing strategy, and (2) progressive investment warehouse receipting.

The 2012/2013 crop production season is already well underway, therefore INVC efforts in Quarter 3 will focus on partial budget and gross margin analysis of harvesting, postharvest handling and storage, and marketing options. These are fundamental to the engagement with financial institutions who may be involved in the structuring of credit products for smallholders, clubs, groups of clubs or cooperatives.

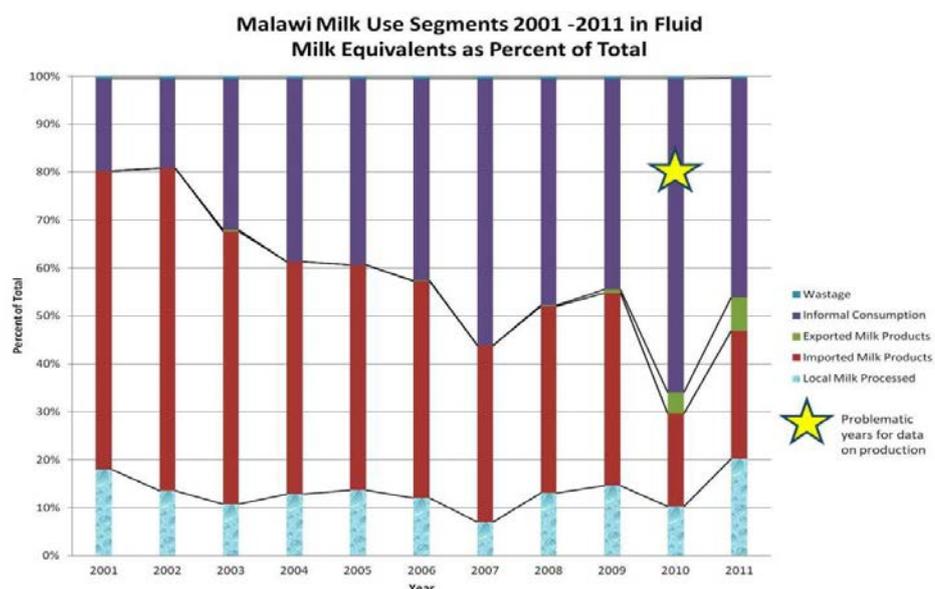
This quarter the MMPA grant was finalized. The grant to MMPA provides the opportunity to improve recordkeeping and financial analysis of dairy production, the operation of MBGs as dairy enterprises, and the milk marketing strategies of producers. At the same time, Bunda College of Agriculture launched a program of dairy production information collection and analysis via SMS. Over the next two quarters, INVC staff will work with MMPA and CREMPA to examine how information gathering supported by the INVC grant can be combined with other sources to explore the structuring of lending to the dairy industry in Central Region.

TASK 4: FOSTER BUSINESS ENABLING ENVIRONMENT

SUB-TASK 1: STRENGTHEN VERTICAL COORDINATION AND TRUST

INVC Value Chain competitiveness and productivity staff expended substantial effort in this quarter to develop balance sheets for the dairy, soy bean, and groundnut industries. The balance sheet for dairy, the simplest of the three, was completed in this quarter (**See Figure 8**). The reasoning behind this effort is that conflicting positions among stakeholders can be assessed and discussed to seek resolution only when there is at a minimum agreement on the evidence (statistics) on the volumes and values of production, importation, consumption, waste, and export of each commodity. Throughout the quarter, INVC staff also worked with CISANET staff and stakeholders in the dairy industry on a dairy industry review.

Figure 8: Malawi Milk Balance Sheet 2001-2011



Substantial progress was made on the soy bean and groundnut balance sheets, but INVC is still in the process of uncovering data on important flows that are poorly reported, e.g. informal cross-border imports and exports, and reconciling data that shows drastic movement from year to year that is difficult to explain. The soy bean and groundnut balance sheets will be released early next quarter for industry and government discussion at SOYAMA and the Grain Legume Development Trade Association.

SUB-TASK 2: BUILD AGRICULTURAL POLICY ADVOCACY AND DIALOGUE CAPACITY

As discussed in the prior section, the first stage results of this review were debated at the December 2012 meeting of the DIDP. Stakeholders from each level of the value chain attended. They recommended a set of policy, regulatory, and technical points that have been advanced for the agenda of the next DIDP meeting to be held on January 29, 2013, which will be hosted by the MMPA and presided over by CISANET

COMPONENT 2: IMPROVING PRODUCTIVITY

Across the three INVC value chains – soy bean, groundnuts and dairy – Malawi’s per unit productivity remains well below world levels. In each respective value chain, this low productivity is attributable to a number of factors. Productivity and profitability will be improved through increased availability of inputs, better crop management and expansion of extension support.

TASK 1: IMPROVE ACCESS TO QUALITY SEED AND OTHER AGRO-INPUTS

SUB-TASK 1: INCREASE/STRENGTHEN SEED SUPPLY

Much of this quarter’s effort on strengthening seed supply has focused on the development of the grant agreement with IITA to execute the soy bean breeder seed strategy. The IITA grant activities have started in pre-award mode this quarter but will be fully established next quarter.

SUB-TASK 2: STRENGTHEN AND EXPAND SEED/INPUTS DISTRIBUTION SYSTEMS

In this quarter, INVC developed a soy seed institutional ecosystem map in consultation with soy bean value chain actors. This was reviewed with SOYAMA leadership in Blantyre, and discussed with a visiting delegation from AGRA. One of the issues with the promotion of seed multiplication is that public sector and NGO programs are crowding out private seed investments. INVC will work next to address the issue of linking the banking system to the redemption of seed vouchers and the end-users of grain legumes to the seed marketing system. A solution must be found, perhaps through SMS codes embedded in scratch spots on seed bags, to the continuing program of commercial grade grain being packaged and sold fraudulently as certified seed.

TASK 2: INCREASE ACCESS TO NEW TECHNOLOGY AND MANAGEMENT PRACTICES

SUB-TASK 1: IMPROVE ACCESS TO EFFECTIVE BEST BET (PRODUCTION) TECHNOLOGIES AND MANAGEMENT PRACTICES

In this quarter INVC supported the training of 9 Agricultural Extension Agents for 4 days in the Africa RISING Training Program that took place at Mapiri Lodge from 7th to 10th November 2012. The 9 Agricultural Extension Agents were part of the 35 workshop participants mainly drawn from the Ministry of Agriculture and Irrigation from Mchinji, Lilongwe, Dedza and Ntcheu districts. The workshop, titled ‘Participatory Approaches in Agricultural Extension’, aimed to enhance increased efficiency of use of resources, utilization of harmonized individual experiences and indigenous knowledge with clear understanding of existing constraints in attaining sustainable and smart implementation of project activities. The workshop approach used a number of participatory tools such as the ‘Bus role play’, the ‘River code’, and the ‘Liberator code’ to help participants increase farmer participation in the Africa RISING project implementation. The workshop introduced the ‘Mother-Baby’ trials approach which is the main conduit for the dissemination of the doubled-up legume technologies for groundnuts, soy bean, and pigeon pea in rotation with maize. The double-legume intercrop (with maize) is already being promoted by the Africa RISING Project in a number of Extension Planning Areas (EPAs) within the INVC districts using the ‘*mother-baby trial approach*’.

The project is experiencing some challenges to get data on production cost analysis for each of the best bet technologies developed to better inform the farmer in adoption decision making. Dr. Dymon Kambewa of Bunda College of Agriculture who leads a team of researchers in Extension and Economics component of the 'best-bet' technologies assignment indicated that cost benefit analysis of each of the technologies was not part of the deliverables. In the next quarter, therefore, INVC will collaborate with MSU/Africa RISING to define the best approach to establish the gross gains of each best bet technology.

SUB-TASK 2: IMPROVE ACCESS TO PROVEN MANAGEMENT PRACTICES IN THE DAIRY SECTOR

During INVC staff review of dairy management practices, we found that there is also little financial analysis applied to those practices by producers or their service providers in the Central Region. It is also clear that MBG milk deliveries are not a consistent indicator of total milk output of cows because of the interplay between raw milk vendors and MBGs for milk supply. SHMPA experience may be the best indicator for lower cost approaches to the three key categories of dairy herd management: feeding to maintain milk output and good condition for breeding; good heat detection and timely breeding of cows; and simple veterinary health programs to keep the cows alive. While milk prices offered by processors increased over this quarter and this helped maintain deliveries in the Southern Region, Central Region MBGs saw milk deliveries decline in part because raw milk vendors were offering cash purchase prices twice those of the dairy processors in the run up to Christmas and New Year. After the New Year, consumer buying power declines until the maize marketing season begins in March. Processors buy less milk than is produced, and vendor prices decline because consumers buy less milk. This 2-3 month period of cash income decline reduces producer incentives to maintain cow condition.

This analysis leads INVC staff to the conclusion that a three-pronged strategy based on finding low cost feeding, breeding, and veterinary service supply is key to improving dairy herd management practices. Next quarter, the Dairy Value Chain Specialist will work to identify the lowest cost feed, forage, and fodder sources for Central Region producers on a seasonal basis around the year. High-quality concentrate is probably out of the realm of the possible for small scale dairy farmers.

Documentation of fodder production and management practices being promoted among dairy farmers started this quarter. The original MMPA proposal and other grant proposals included small fodder blocks but their approach was not financially viable. The Dairy Value Chain Review identified feeding and animal nutrition as the top most priority to improve current milk output and to build and maintain cow condition to increase chances of successful pregnancies. The objective is to promote the best practices available that would significantly contribute to increasing milk production by 50% in the five targeted MBGs by the end of this fiscal years. Training module improvement is hampered by the apparent lack of partial budgeting for feeding, forage, and fodder alternatives for smallholders, because training focuses only on ideal levels of cow nutrition incorporating dairy mash and dairy mash has high dependency on imported components (forex requirements) and energy for manufacture (forex requirements).

TASK 3: IMPROVE ACCESS TO EFFECTIVE ADVISORY EXTENSION SERVICES AND INFORMATION

SUB-TASK 1: SUPPORT LINKAGES OF RESEARCH INSTITUTIONS WITH EXTENSION SERVICE PROVIDERS (BOTH PUBLIC AND PRIVATE SECTOR BASED)

This quarter's effort focused on the incorporation of these linkages into the revision of grant proposals to avoid duplication of effort, especially at the EPA level. Grant development incorporated research and extension linkages in soy breeder and foundation seed multiplication and management practice transfer with IITA. Next quarter's effort efforts will be focused on initiation of these grant activities.

SUB-TASK 2: USE ICT IN STIMULATING PRODUCTIVITY AND VALUE CHAIN DEVELOPMENT

INVC initiated communications with satellite companies (SES/ASTRA) and service provider (INTERSAT) to begin procurement of the satellite equipment required to set-up pilots in three locations to test the innovative Satellite/solar kiosk technology. It is with pleasure to report that the satellite was successfully installed in two out of three locations. As part of INVC's public-private partnership, SES/ASTRA and INTERSAT have provided the three satellite equipment for free to the project. While all three pilots have already been installed and tested, one awaits additional computer equipment to be operational.

SES/ASTRA and INTERSAT delivered and installed the pilot equipment in Mchinji, Chigonthi and at the INVC offices in Lilongwe. The INTERSAT technician from Kenya spent over 10 days in the field to complete the installation, compared to the scheduled 6 days, increasing the partnership contribution to the project. Mchinji and Lilongwe pilots are in full operation, with accessory computer and projector powered by the electric grid. The Chigonthi pilot has an operating satellite connection, but the solar panel delivered can only provide power for the satellite receiver and has insufficient power to support the desk-top computer supplied. Content development for the satellite community kiosks accessed through ACE's MIPs (Market Information Points) was prepared under the ACE grant and by INVC staff.

During the next quarter, options to increase the power supply and shift to a lower energy-requiring laptop are being explored to resolve the issue by the main marketing season. ACE and INVC have organized a demonstration of the new capability for traders and famers to participate in Bid Volume Only auctions for the first part of Quarter 3.

TASK 4: PROMOTE RISK MITIGATION EFFORTS

SUB-TASK 1: PROMOTE CONSERVATION AGRICULTURE AND OTHER RESILIENT AGRICULTURAL PRACTICES

The INVC Agricultural Productivity Specialist came on board towards the end of the quarter. He is deeply experienced in conservation agriculture and serves on the Malawi National Committee on Conservation Agriculture. Conservation agriculture and other climate resilient agricultural practice materials were aggregated and reviewed during the quarter. The result of this review is that far too little financial partial budgeting analysis has been done of the conservation agriculture practices and other resilient practices, despite the fact that some of them have been developed and used for a decade or more. Ways to fill this critical gap are programmed for next quarter, but may be further delayed to permit the Agricultural Productivity Specialist to focus on critical path practices for the harvest and postharvest operations, since planting and weeding were already well underway by the close of the quarter in late December.

SUB-TASK 2: DEVELOP THE ENVIRONMENTAL MANAGEMENT AND MONITORING PLAN (EMMP)

INVC initiated the design of a detailed plan to integrate environmental actions within INVC activities. The EMMP, which will include procedures, policies and tools, is expected to show how INVC will complete the initial environmental examination and subsequent environmental reviews and analyses if needed, and comply with policies by tracking environmental conditions and the effects of project activities and mitigation measures. This quarter, INVC is glad to report that the EMMP was successfully completed and a draft report is available. Once all the necessary reviews have been made the report will be released to stakeholders.

COMPONENT 3: IMPROVING COMMUNITY CAPACITY TO PREVENT UNDER-NUTRITION

The key challenges and constraints to improving community capacity to prevent under-nutrition, specifically chronic malnutrition in children leading to stunting, and anemia in women, will be addressed through INVC interventions resulting in:

- Improved key nutrition-related behaviors (essential nutrition actions) within households.
- Increased access to diverse and quality foods among target populations through improved production, purchase, storage, and preparation of nutritious foods.
- Enhanced consumption of a nutritious and sufficiently diversified diet.
- Increased access to and utilization of key nutrition-related services among target populations, including community nutrition assessment/surveillance, bi-directional referral with clinic services, and support for vulnerable populations to access appropriate care at the community or clinic level.

INVC interventions are aligned to the national programs i.e. the special 1000 days and Scaling Up Nutrition (SUN) policies and programs.

In keeping with the overall INVC implementation framework, all interventions in the target districts focusing on improving community capacity to prevent under-nutrition will be channeled through INVC implementation partners. Below, we present INVC's nutrition program elements, which will be introduced. INVC will ensure that all implementing partners understand that INVC's nutrition programs are to be delivered to all members of a community in each target district.

TASK 1: IMPROVE KEY NUTRITION-RELATED BEHAVIORS (ESSENTIAL NUTRITION ACTIONS) WITHIN HOUSEHOLDS

SUB-TASK 1: DETERMINE FACTORS THAT INFLUENCE NUTRITION AND FEEDING PRACTICES

Baseline to determine factors that influence nutrition and feeding practices has not yet been carried out. University of North Carolina (UNC) has been contracted by USAID to conduct a baseline survey on nutrition and health indicators for communities in the Zone of Influence. The study tools/questionnaires are in the process of being developed and is expected to be launched in March or April 2013.

Pakachere Institute of Health and Development Communication (PIHDC) was identified as a partner that will, on continuous basis, be conducting positive deviance inquiries (PDI) to determine factors that will inform development of specific messages for specific communities and households.

SUB-TASK 2: DEVELOP BCC STRATEGY

Draft Behaviour Change Communication Strategy (BCC) developed. The workshop to develop the draft BCC strategy was held from 29th to 31st October 2012 in Lilongwe where a total of 29 experts (14 females and 15 males) participated. The participants included 10 nutritionists, 6 communication specialists, 5 value chains specialists, 3 monitoring and evaluation (M&E) experts, 2 officers from agriculture policy body, 1 agriculture economist, 1 grants manager and 1 Country Director from Save the Children International.

The development of the strategy was informed by research findings from Consulting with Care Givers Trial of Improved Practices (TIPS) Study (2011) by Infant and Young Child Nutrition Project in collaboration with Bunda College of Agriculture; Malawi Demographic and Health Survey (2010); Integrated Household Survey 2010-2011: Household Socio-Economic Characteristics Report. It was also informed by a well research and documented messages, practices and behaviours from Malawi's Essential Nutrition Actions for Improving Women and Children's Nutrition Status (2009) under the Scaling-Up Nutrition in Malawi (SUN).

SUB-TASK 3: FACILITATE IMPLEMENTATION OF BCC STRATEGY

Implementation of the strategy not yet started. The activity awaits finalization of the BCC Strategy and funding of Pakachere Institute of Health and Development Communication (PIHDC) and Nkhoma Hospital. Proposals for Pakachere Institute of Health and Development Communication (PIHDC) and Nkhoma Hospital reviewed and final comments submitted to the partners for final incorporation.

TASK 2: INCREASE ACCESS TO DIVERSE AND QUALITY FOODS AMONG TARGET POPULATIONS

SUB-TASK 1: FACILITATE AND PROMOTE CULTIVATION OF NUTRITIOUS CROPS

Organizations that will facilitate and promote cultivation of nutritious crops and those that will enhance increased access to diversified and quality foods have been identified. The organizations are CADECOM, FUM, NASFAM and DAPP for Groundnuts and SOYAMA for Soya. Training manual has been drafted that includes module on guidelines on establishment of backyard and communal gardens. This has included the guidelines on production of various indigenous vegetables. The development of the training module included four consultative meetings with FAO, Department of Nutrition, HIV and AIDS (OPC) and Ministry of Agriculture (Lilongwe DADO).

SUB-TASK 2: FACILITATE FOOD PROCESSING

At community level, food processing activities will be promoted by care group volunteers under Nkhoma Hospital. A seasonally adjusted INVC recipe book has been drafted to be used for promotion of food processing activities. Draft seasonal food calendars have been sourced for 4 districts: Mchinji, Lilongwe, Balaka, and Mangochi in order to guide food processing activities. The drafted INVC legume and dairy based recipe book has been compiled from Recipe Book for Malawi (2012), Community Nutrition Training Manual for Extension Staff (2000), Soy bean Recipes for Good Nutrition and Rural Enterprise Growth, IYCN Recipes for Malawian Children (December 2011), Nutrition Education Resource Kit for Malawi and Improved Complementary Foods Recipe booklet "Family Foods for Breastfed Children in Zambia." (2007)

Commercial food processing particularly of soya is being considered. Universal Farming and Milling Limited has submitted a proposal to process soya milk. Consultative meeting has also been done with Dairy Processors Association Limited and Lilongwe Dairy Board Limited for processing of dairy products.

SUB-TASK 3: FACILITATE FOOD FORTIFICATION

Consultations have been held with Department of Nutrition, HIV and AIDS in the Office of the President and Cabinet and UNICEF to establish status of home food fortification with

micronutrient sprinkles in Malawi. Currently sprinkles are not available in Malawi. There is also lack of national nutrition policy guidance on use of sprinkles despite being recognized as one of 13 cost effective interventions to be scaled up under the scaling up nutrition initiative. INVCs efforts in the next quarter will be to advocate for policy review to include sprinkles. Identification of effective approaches to support milk fortification in small packs continues with dairy processors and marketers. Lilongwe Dairies has submitted a proposal to include milk fortification as part of their program to contribute to rural nutrition improvement given that approximately 70% of their UHT milk is sold in rural markets.

TASK 3: ENHANCE CONSUMPTION OF A NUTRITIOUS AND SUFFICIENTLY DIVERSIFIED DIET

SUB-TASK 1: FACILITATE PROMOTION OF DIETARY DIVERSIFICATION

Nkhoma Hospital and Pakachere Institute of Health and Development Communication have been identified as partners that will promote dietary diversification and their grant proposals are being considered for funding. Promotion of dietary diversification will be through use of care groups, conducting cooking demonstrations, introduction of backyard vegetable gardens and consumption of the value chain commodities.

Training manual is being compiled from existing manuals in Malawi to include guidelines on backyard and communal gardens for production of diverse nutritious indigenous vegetables. In addition, an INVC seasonally adjusted recipe book is also being compiled to include “Multi Mix” principle consumption of value chain commodities (legumes and dairy).

SUB-TASK 2: PROMOTE MANAGEMENT OF ACUTE MALNUTRITION

Promotion of management of acute malnutrition will be conducted by Nkhoma Hospital. Nkhoma Hospital, once their grant is funded, will strengthen community screening for acute malnutrition and referral to government recognized institutions for management of severe acute malnutrition. Referral mechanisms will be developed and regular reviews of how the referral system is functioning have been planned.

SUB-TASK 3: PROMOTE HYGIENE AND SANITATION

Promotion of sanitation and hygiene will be conducted by community level workers in the Ministry of Health and care group volunteers under Nkhoma Hospital. Once Nkhoma Hospital grant is funded, all community level workers in the Ministries of Health and Agriculture will be trained together with care group volunteers to promote sanitation and hygiene in the rural communities of Mchinji and Lilongwe districts where the care group model is implemented. This activity will be on going in the coming quarters.

TASK 4: INCREASE ACCESS TO AND UTILIZATION OF KEY NUTRITION-RELATED SERVICES AMONG TARGETED POPULATIONS INCLUDING COMMUNITY SURVEILLANCE AND REFERRALS

SUB-TASK 1: CONDUCT COMMUNITY-BASED GROWTH MONITORING AND PROMOTION

Nkhoma Hospital, contingent on funding of their grant, will work hand in hand with the Ministry of Health community level workers to conduct community based growth monitoring and promotion. Care group volunteers will support health surveillance assistants (HSAs) to mobilize communities to participate in growth monitoring and promotion activities. One effective approach identified to mobilize strong community support for growth monitoring and promotion is use of community growth chart. Use of community growth charts enables

communities to visualize the growth of their children collectively. In addition, care group volunteers will work with individual care givers to help them understand and interpret growth pattern of their respective children. Care group volunteers will also use growth monitoring sessions to deliver nutrition education modules. This activity will be on going in the coming quarters.

SUB-TASK 2: PROMOTE VITAMIN A SUPPLEMENTATION AND DE-WORMING

INVC has identified Pakachere Institute for Health and Development Communication and Nkhoma Hospital to promote Vitamin A supplementation and deworming. Nkhoma Hospital will support Ministry of Health with logistics and supervision during Child Health Days and during other community-based campaigns.

SUB-TASK 3: SUPPORT/STRENGTHEN COMMUNITY SYSTEM/STRATEGY FOR REFERRAL OF CHILDREN

Nkhoma Hospital is expected to strengthen community system for referral of children to management of acute malnutrition services in Mchinji and Lilongwe districts. The referral system will include development of referral forms and coordination meetings between rehabilitation sites and communities. This activity will continue through Quarter 3.

COMPONENT 4: INVESTING IN INNOVATION

The \$2 million “Investing in Innovation Fund” (IIF) is an integral element of INVC’s programming across Components 1, 2, and 3. The fund is open to private and non-governmental entities, and public-private partnerships which are able to demonstrate that proof-of-concept interventions can be tested in one growing or marketing season or less. Proposals must demonstrate a clear business case for scaling that is built upon end-market analysis and a financing plan. The \$9 million “Implementation Support Fund” (ISF) cuts across Components 1, 2, 3 and 4. It is intended primarily to support the refinement and scaling of partner programs that align very closely with INVC objectives in value chain competitiveness, productivity, and community nutrition activities. ISF grants will also enable INVC to build partner capacity to meet the objectives of USAID’s FORWARD Policy.

Progress in the quarter has been good rather than outstanding; 7 proposals were forwarded to USAID for its concurrence which was given to 6. Two (2) grants were signed and 1 grant advance made to a grantee. Work continued on the other 4 ‘concurred’ grantees, and we expect to sign them by the end of January/early February 2013.

The primary reason that more grants were not signed was that INVC staff had to spend substantial amounts of time assisting grantees to re-structure and to re-write their proposals. The initial proposals and first revisions met neither the INVC standard for submission to USAID nor USAID concurrence standards. One of their major shortfalls was that their draft budget did not often align with their proposed activities, making it difficult to assess the value proposition on offer

The Pre-Award Surveys revealed that grantees needed capacity building in areas such as conflict of interest, code of ethics, USAID regulations and procurement procedures. These areas will need to be addressed when capacity building interventions begin next quarter.

TASK 1: FUND DESIGN

The basic DAI Grants Manual was adapted to INVC needs by the Grants Manager during the last quarter of FY2012. . Feedback was received from both DAI Washington and USAID. After incorporation of the feedback, USAID approved the Grants Manual on 13th September 2012. No design modifications were found to be necessary during the first quarter of FY2013.

TASK 2: OPERATIONALIZE FUNDING MECHANISM

SUB-TASK 1: ESTABLISH GRANT REVIEW AND MANAGEMENT PROCESS

Table 5 below shows the cumulative progress to date in INVC grant review, USAID concurrence and signature.

Table 5: Cumulative Progress on Grant Review

Components	Concept Notes	Proposals	Total received	Grants concurred by USAID in current quarter	Grants signed in current quarter
Advancing value chain competitiveness	13	6	19	2	1
Improving productivity	6	7	13	4	1
Improving community capacity to prevent under –nutrition	2	2	4		
Investing in innovation	0	2	2		
Developing local capacity	4	1	5		
Grant Total	25	18	43	6	2

A Financial Capability questionnaire was sent to all 6 applicants for completion as part of the evaluation process. The names and contact details of 3 referees were also obtained from each of those 6 applicants. Referees were contacted by the Grants Manager to obtain their opinion on the capacity of the relevant applicant to successfully execute a grant-funded program aligned with INVC expectations.

Two committees were set up within INVC for evaluation of the grant submissions. These are the Grant Proposals Evaluation Committee (GPEC) and the Grant Proposals Review Team (GPRT). GPRT provides its feedback to the Grants Manager who then obtains the comments of the GPEC members, consolidates the responses and communicates with the applicant. Once the final revisions to the proposal are received, the GPEC scores the proposal,. Those who make a passing grade and who are judged to provide best value for invested grant funds are recommended to USAID. The Grants Manager sends a rejection communication to applicants who fail to meet the minimum score or who show less value per grant fund dollar than other applicants. The Grants Manager worked closely with each of the 6 USAID ‘concurred’ applicants to prepare and substantiate the logic of their budgets in an INVC formatted Excel spreadsheet. Once that was done, the Grants Manager requested quotations and/or accounting practice justifications for each budget line item. These were by most applicants but turn-around times were often longer than expected.

The following three challenges slowed anticipated progress in signing the grants:

- The quality of the original proposals submitted was poor and this remains a significant challenge for the two INVC grant funds. It is the applicants’ weakness in converting a concept note into a well thought-out and clearly written proposal that was the main challenge.
- Another challenge experienced was that the proposal and budget did not always tie in with each other. Activities included in the proposal weren’t always included in the budget and even then, not always costed well enough to determine their reasonableness.
- Applicants had difficulty understanding the concept and valuation of an in-kind cost-share, increasing the time taken to agree on the cost-share element.

Once USAID concurrence was received, the Grants Manager compiled a Negotiation Memorandum for each grant for the attention of the Chief of Party, as part of the Grant preparation process. The grant was then submitted to DAI Headquarters for review by our Contracts Office, the documents were printed and the grant was signed jointly by the grantee and INVC.

Two (2) grants were finalised and implementation began in the quarter. They are those for the Agricultural Commodity Exchange for Africa (ACE) and National Smallholder Farmers Association of Malawi (NASFAM). ACE submitted its first grant funding request and received payment.

A USAID regulatory compliance issue that needs to be highlighted is the interpretation of seed procurement that requires USAID regional or Washington approval for the procurement of agricultural commodities. DAI has received different interpretations of this requirement following the changes made under the 'restricted commodities provision' of ADS 312 in early 2012. INVC had hoped that Mission research would lead to a decision that supported the interpretation that only food commodities bought for food distribution or monetization programs was subject to BFS review. Indecision on this resulted in a month's delay in signing one of the grants. We will now proceed to request blanket approval for all seed procurements and hope to avoid future delays.

SUB-TASK 2: MANAGEMENT OF POST-GRANT AWARD ACTIVITIES

Six (6) grant applications received concurrence from USAID. Two (2) grants were signed in the month of December 2012. A further 6 are expected to be signed in the months of January and February 2013; this total includes 2 applications to be submitted to USAID for its concurrence.

TASK 3: DEVELOP SUSTAINABILITY MECHANISMS FOR FUNDS

SUB-TASK 1: CONDUCT ORGANIZATIONAL CAPACITY ASSESSMENTS

INVC carried out Pre-Award Surveys of selected applicants who appeared likely to qualify for a grant from INVC. The organisations with whom a Pre-Award Survey was completed in this quarter were:

- Agricultural Commodity Exchange for Africa (ACE)
- Episcopal Conference of Malawi (also known as CADECOM).
- International Institute of Tropical Agriculture (IITA)
- International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), and
- Nkhoma Nutrition Project.

During the course of the Pre-Award Survey the following areas were found to have weaknesses with regard to the following policies and procedures:

- Code of Ethics
- Procurement procedures
- Knowledge of USAID regulations and requirements, and
- Conflict of interest policies.

INVC will use the Feed the Future- mandated Organisational Capacity Assessment Tool (OCAT) to design institutional strengthening programs in those areas.

A filled up Financial Capability Questionnaire was obtained from:

- Malawi Milk Producers Association (MMPA)
- National Smallholder Farmers Association of Malawi (NASFAM) (Pre-Award Survey carried out in the quarter ended September 2012).
- Farmers Union of Malawi (FUM)

- Agricultural Commodity Exchange for Africa (ACE),
- Episcopal Conference of Malawi (also known as CADECOM). and
- International Institute of Tropical Agriculture (IITA)

SUB-TASK 2: DEVELOP INDUSTRY BUSINESS PLANS

Due to the challenges INVC faced as mentioned in Tasks 1 and 2 above, the evaluation of Business Service Provider applications was postponed to next quarter.

We expect that the challenges in converting concept to acceptable proposal will be similar to those we experienced with the Implementing Partners and Technical Service Providers. Initial evaluations of BDS applications showed the same tendency to towards mission drift. Applicants' concept notes sought to crowd into the market space of implementing parties, and sometimes into the market space of the target beneficiaries themselves, rather than to build a proposal around their mission and core competency as service providers to value chain actors.

SUB-TASK 3: SURVEY AND ASSESS THIRD-PARTY FUND MANAGERS AND DONOR/INDUSTRY INTEREST

Due to the challenges INVC faced as mentioned in Tasks 1 and 2 above, this task was pushed into the next quarter. The INVC COP and VC Competitiveness Specialist have held preliminary conversations with financial institutions and some companies involved in the soy bean value chain.

TASK 4: INCREASE INVESTMENTS IN AGRICULTURE AND NUTRITION-RELATED ACTIVITIES BY PRIVATE SECTOR ACTORS

SUB-TASK 1: FACILITATE PUBLIC-PRIVATE PARTNERSHIP RELATED TO AGRICULTURE AND NUTRITION SECTORS

Due to the challenges INVC faced and highlighted in Tasks 1 and 2 above, this sub-task, which is particularly applicable to the Innovation Fund, is expected to be expanded beyond the current 2 proposals in the next quarter. We have received 2 proposals that fit in with the objectives of the Innovation Fund. One such proposal (ACE) has been given a grant and is operational.

SUB-TASK 2: INVESTMENT PROMOTION TARGETING INVC VALUE CHAINS

A Business Development Services provider has been requested to focus on providing the required business plans pertaining to this sub-task. The activities were expected to take place in this quarter but had to be postponed to the next quarter due to issues highlighted in Tasks 1 and 2 above.

On Innovation Grant Facility, of the 3 proposals which INVC received, only the Agricultural Commodity Exchange for Africa (ACE) has received a grant. The proposal presented by Farmers Forum for Trade and Social Justice (FAFOTRAJ) titled "Youth integrating nutrition in the agriculture value chains" is expected to receive consideration once the Technical Service Providers' final proposals have been evaluated along with the total exposure of the 2 grant funds. The third proposal received, from the Archdiocese of Lilongwe was rejected mainly because it would be one that was more attractive to financing from the private sector. There was also substantial construction involved which is not possible under INVC. INVC also expects more interest for funding from this fund, once the Business Development Service providers produce business plans that will be marketed to the private sector to attract investment in the three value chains.

COMPONENT 5: DEVELOPING LOCAL CAPACITY

INVC's approach to capacity building will follow a three-stage course of action consisting of:

- **Assessments**, to determine status and needs
- **Alliances**, to maximize performance and benefits accrual within the value chain, and
- **Capacity building** of all the associated actors.

TASK 1: DEVELOP MALAWI'S CAPACITY GOING FORWARD

SUB-TASK 1: UPGRADE/IMPROVE ORGANIZATIONAL CAPACITY TO MANAGE GRANTS

During the quarter INVC reviewed project proposals for 8 partners namely; ACE, NASFAM, MMPA, CADECOM, IITA, FUM, Nkhoma and Pakachere of which two (NASFAM and ACE) have been given grants for 10 months project implementation. The review exercise has been rigorous and at the same time building capacity of the partners in developing USAID funded projects. INVC will carry out the organizational capacity assessment for CADECOM, IITA, NASFAM and ACE in the next quarter. The assessment will aid in capacity building initiatives tailored to address specific identified gaps within the partners.

SUB-TASK 2: BUILD ORGANIZATIONAL CAPACITY

INVC through the Groundnut Value Chain Coordinator attended a 5 day workshop organized by USAID on Integrating Low-Cost Video Production into Agricultural Projects at US Embassy – Public Affairs Section auditorium at City Centre in Lilongwe. The workshop had 12 participants (3 females and 9 males) drawn from Ministry of Health, Ministry of Information, USAID, Peace Corps, ACE Africa, Pakachere, Land o' Lakes, IITA, RUMARK, MMPA and INVC. Low- Cost Video Production training was designed to augment the traditional agricultural development activities and extension services which these organizations are providing.

So the purpose of this training was to enable practitioners to develop a more systematic approach to using low-cost video as one of the media through which they share information with farmers. The other thing is that these videos, which can be created in the field by own staff, will lower the cost and turnaround time than it would be using a professional videographer. The training session took place from 10th to 14th December 2012 in Lilongwe. Two short sample video clips were produced as products of the training.

45 Employees of Save the Children International (15 female and 30 male) were oriented on behavior change concepts, behavior change communication theories, approaches and to design/develop effective BCC interventions on nutrition and agriculture value chains. The orientation took place in Liwonde, Machinga on 11th October 2012.

Three officers (1 male and 2 males) were recruited to facilitate implementation of nutrition component. The officers are one Nutrition Specialist and two District Nutrition Coordinators one to be based in Mchinji and two in Lilongwe (one to be responsible for Lilongwe north and one Lilongwe South).

Twelve Agriculture officers from NASFAM, FUM and government attended a two day workshop in Dedza on Agriculture best Practices. The officers were taken from various EPAs in Mchinji and Lilongwe districts in which INVC partners are going to implement INVC project. The workshop was arranged under the auspices of Michigan State University (MSU).

TASK 2: ENHANCE HUMAN AND INSTITUTIONAL CAPACITY DEVELOPMENT WITHIN VALUE CHAINS

SUB-TASK 1: DELIVER NEW TECHNOLOGIES AND MANAGEMENT PRACTICES TO ORGANIZATIONS

RUMARK and MIM are the two training institutions that could provide and deliver new technologies and management practices to other organizations. The two institutions submitted their proposal for funding and INVC reviewed their proposals and now awaiting feedback from RUMARK and MIM.

SUB-TASK 2: DELIVER NEW TECHNOLOGIES AND MANAGEMENT PRACTICES TO FARMERS

Consultations are underway with implementing partners on the best bet technologies and management practices that could be delivered to farmers. In the next quarter, training material reviews will be done to ensure cost effective technologies and management practices are delivered and adopted by smallholder farmers. In case of legumes, since the planting season has passed, INVC will ensure timely delivery and application of crop management practices and marketing initiatives for optimum economic benefits by the smallholder farmers.

SUB-TASK 3: FACILITATE POLICY REVIEW AND ADVOCACY SUPPORT

INVC has played a significant role in the dairy sector through the facilitative role in setting up the Dairy Industry Development Platform. The platform met during the quarter and an end market analysis of dairy sector was presented in which the key policy issues were prioritized as highlighted in Component 1 (competitiveness). CISANET has taken up the policy issues raised into their 2013 Annual Plan. Consultations will continue during the next quarter on areas that require advocacy support.

SUB-TASK 4: CONDUCT TRAINING IN VALUE CHAIN AND NUTRITION SPECIFIC TOPICS

Internally, INVC organized a workshop on value chain and nutrition for its 16 members of staff (4 females, 12 males) on 12 to 13th November, 2012 at INVC Offices. The workshop aimed at orienting members of staff of the five INVC inter-related components to harness the production and commercial potential of smallholders so that they are better-enabled to accelerate their march towards prosperity and healthful living. A similar training workshop will be held in the next quarter targeting implementing partners, technical service providers and business service providers. A similar training is planned for implementing partners, business service providers and technical service providers in the next quarter.

On another front, institutions that have potential to conduct training in value chains and nutrition specific topics were mobilized and have submitted proposals for possible funding. Proposal review process will continue in the next quarter. Apart from MIM and Trade-line, Umodzi Consulting was also identified as a potential service provider for INVC.

In collaboration with USAID Mission and FHI360, INVC co-facilitated training workshop for low video production on agriculture value chains where 12 officers from 8 INVC partners attended. At the end of the training session, two sample low cost video documentaries were produced and circulated to partner organizations.

SUB-TASK 5: STRENGTHEN AND FACILITATE GROWTH OF SERVICE PROVIDERS

Consultations are being done with various organizations to identify effective approaches to strengthen rural based SME development and to support trade organizations and businesses. Consultations will continue during the next quarter.

One M&E training workshop was conducted whose main objectives were to review indicators in the INVC PMEP, brainstorm on the most effective approach for continuous monitoring, and on how to conduct impact evaluation of the project. A total of 48 people (35males and 13 females) attended the workshop. Participants came from the following partners: MMPA, NASFAM, FUM, CADECOM, Pakachere, MIM, Nkhoma Hospital, Umodzi Consulting, IITA, ACE, Tradeline Consulting and Malawi-INVC.

Data entry on the Feed the Future Monitoring System (FTFMS) commenced during the quarter. Data entered was from the Quarter 4 of FY12 and also data on targets for the FY13, FY14 and FY15.

Three (3) M&E coordinators were recruited during the quarter. One coordinator will be responsible for dairy, one soy bean and the other groundnuts. The recruitment of the M&E coordinators has enhanced quality data collection, timely reporting, and systematic documentation and dissemination of progress made to USAID and partners.

M&E Team started preparations for M&E training workshop to be done early next quarter (January-March, 2013). The objective of the workshop will be to orient implementing partners on the final agreed indicators, indicator definitions, reporting guidelines and responsibilities.

SUB-TASK 6: M&E WORKSHOP AT LILONGWE HOTEL

INVC invited all implementing partners together with the business and technical providers to a one day M&E workshop on 6th December, 2012. 48 Participants attended (35 males and 13 females). The workshop shed more light on the responsibilities of partners on which indicators they will be tracking. At this workshop partners were informed about the findings of the Impact Evaluation Assessment which was conducted by the UNC team.