

**STDF PROJECT PREPARATION GRANT (PPG)
APPLICATION FORM**

The Standards and Trade Development Facility (STDF) provides Project Preparation Grants (PPGs), up to a maximum of US\$50,000, for the following purposes (or a combination thereof):

- application of SPS-related capacity evaluation and prioritization tools;
- preparation of feasibility studies that may precede project development to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or
- preparation of projects proposals that promote compliance with international SPS requirements, for funding by the STDF or other donors.

Applications that meet the STDF's eligibility criteria are considered by the STDF Working Group, which makes the final decision on funding requests. Complete details on eligibility criteria and other requirements are available in the *Guidance Note for Applicants* on the STDF website (www.standardsfacility.org). Please read the *Guidance Note* before completing this form. Completed applications should be sent by email (as Word documents) to STDFSecretariat@wto.org.

PPG Title	Capacity building for aflatoxin management and control in groundnuts in Malawi
Budget requested from STDF	US\$50,000
Full name and contact details of the requesting organization(s)	Ministry of Industry and Trade, P. O. Box 30366, Lilongwe 3, Malawi; +265 (0) 1 770 244
Full name and contact details of contact person for follow-up	1. Christina Chatima, Deputy Director of Foreign Trade, Ministry of Industry and Trade, P. O. Box 30366, Lilongwe 3, Malawi; chatimachristina@yahoo.com , +265 995 217 978 2. Isaac Briandt Gokah, Trade Advisor yesubaike@gmail.com +265 992 701 811

I. BACKGROUND AND RATIONALE

1. What is the purpose of this PPG? Explain whether it is requested to: (i) apply an SPS-related capacity evaluation or prioritization tool; (ii) prepare a feasibility study (prior to project development) to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or (iii) prepare a project proposal for consideration by the STDF or other donors?

The purpose of this PPG application is to prepare a project proposal for consideration by the STDF and/or other donors. Basically, this PPG would be used to prepare a proposal for programme that takes stock of existing government and donor-supported activities to address aflatoxin contamination in Malawi, addresses key existing gaps and priorities, and encompasses and coordinates all relevant existing and planned initiatives.

The proposed programme would establish a coordination mechanism, based on full consultation and agreement among relevant stakeholders, to synchronize all activities in this area so as to avoid duplication and ensure maximum impact. Initial thoughts are that ongoing initiatives would be clearly marked as a component of this larger aflatoxin control and management programme to be developed. It is envisaged that the Oil Seed Sub-Committee, under the National Export Strategy, which is being transformed into a technical working group under the Industry, Trade and Private Sector Development Sector Wide Approach might serve as the body to oversee this coordination mechanism.

Past, existing and planned initiatives to address aflatoxin contamination include:

- the UNIDO-implemented project (financed by ComMark Trust) in aflatoxin management and control aimed at training farmers in applying good agricultural practices (GAPs) as well as awareness creation;
- EU SQAM Project aimed at building the laboratory infrastructural capacity of Malawi Bureau of Standards;
- Rural livelihoods and economic enhancement programme (RLEEP) is a broader programme aimed at improving linkages of farmers to value chains by establishing more efficient production, transport, storage, processing and marketing systems for target commodities;
- Integrated Nutrition in Value Chains (INVC), Malawi also plans to educate farmers on applying GAPs during harvesting, post harvest handling, on-farm storage as well as creating awareness on the health implications of consuming contaminated nuts;
- DFID's Global Poverty Action Fund (GPAF) project "Safe peanuts: improved smallholder livelihoods in Malawi" plans to focus on

improving household income through increasing the volumes of aflatoxin-free nuts for four of National Smallholder Farmers' Association of Malawi (NASFAM)'s Association Management Centres (AMCs).

Already some duplication can be seen across these projects and activities, which requires better coordination and harmonisation and streamlining in implementation. One key objective of the programme to be developed through the PPG would be to ensure that the limited resources available from the government budget and donors are most efficiently allocated to address the aflatoxin problem.

Some consultations have taken place during the preparation of this PPG application regarding the proposed programme and possible donor support for it. During the PPG implementation process, a more rigorous consultation would be carried out with all the concerned public/private stakeholders and international partners and donors, and a concerted effort would be made to secure the commitment of all key stakeholders involved in all relevant initiatives to the coordination mechanism.

The Food and Agriculture Organisation (FAO) has carried out a bio-security assessment in Malawi. One major recommendation of this assessment is the need to improve the planning and coordination of the country's bio-security situation through a collaborative approach.

Potential donors that the Ministry has been discussing this proposal with include:

- **EIF/Malawi**

This proposal has been fully discussed with the EIF Coordinator at the Ministry, Mrs. Bridget Kauma, who was also involved in the MCDA study. The EIF coordinator has confirmed that any project/programme that emerges from the PPG would be submitted to the EIF board for consideration for a tier II funding.

- **DFID/Malawi**

DFID/Malawi is interested in the groundnuts sector and specifically in aflatoxin. They have discussed this in the past with USAID and with the Ministry of Industry and Trade. As part of that they have been looking at proposals for support to the groundnut (and potentially broader oil seed) sector, linking in to the National Export Strategy, which has identified this as a priority sector. DFID is also looking at ways to develop economic uses for infected groundnuts.

- **USAID/Malawi**

USAID has funded the MCDA. Preliminary discussions with some officers have received positive indication that the agency might fund any project related to aflatoxin controls and management.

- **Others**

The Ministry is also considering other sources of funding such as the Partnership for Aflatoxin Control in Africa (PACA), the Common Fund for Commodities (CFC), etc. The modalities for these funding windows are currently being investigated.

2. Explain the key SPS problems and/or opportunities to be addressed. Clarify why these issues are important, with attention to market access and poverty reduction. Describe, if relevant, how these issues relate to SPS priorities in the Enhanced Integrated Framework's Diagnostic Trade Integration Studies (DTIS), the findings of SPS-related capacity evaluations, national poverty reduction strategies, sector development strategies or policies, etc. See Qn. 7. (b) – (d) of the Guidance Note.

Aflatoxin is a potent human and animal carcinogen that contaminates a wide range of agro-produce and is therefore a global food safety and quality issue and consequently a barrier to trade. Aflatoxins are amongst the most important part of a larger group of toxins referred to as mycotoxins, which are metabolic by products of different fungi species that grow on agro-commodities under suitable conditions of humidity and heat. Aflatoxins are a major concern because of their acute and chronic health effects on humans and domesticated animals. Maize and groundnuts are most prone to aflatoxin contamination through infection by toxin producing strains of the fungus *Aspergillus flavus* along the production chain. Maize is the number one staple food to Malawi whilst groundnuts are widely consumed in Malawi providing nutritional security to many households, as a rich source of protein and vitamins, supplementing the main diets of maize, rice, and cassava.

A recent study by ICRISAT (Malawi; in Press) has revealed high incidences of aflatoxin contamination in groundnuts (i.e., ≥ 20 ppb) across the country. The study results shows that 46% and 23% of the total samples from 2008 and 2009, respectively had aflatoxin contamination levels greater than 4 ppb whereas those above 20 ppb ranged from 8–21%. Contamination of maize/groundnuts with aflatoxins may occur during pre-harvest or post-harvest handling. The main factors leading to aflatoxin contamination include:

- Use of damaged and loose shelled kernels as seed
- Drought stress during the growing season
- Delayed harvesting after physiological maturity
- Retention of high quantities of moisture in harvested pods
- Inadequate protection during storage from rain and pests.

The MCDA report noted that the death rate from liver cancer (hepatocellular carcinoma (HCC)) in Malawi is one of the highest rates in the world as compared to countries such as South Africa and Brazil with similar climate as a result of good mycotoxin management systems. It is estimated that the use of the atoxigenic strain could result in a significant decline in the HCC rate in

Malawi. To reduce the public health risk from consumption of contaminated foods and feed, constant monitoring of the toxins in food and feed is thus essential along the commodity value chain. Many developing countries including Malawi lack the capacity to monitor and to regulate mycotoxin levels in foods.

In the late 1980s, incidences of aflatoxin contaminated groundnuts rejected in the export market resulted in the loss of lucrative export markets by Malawi, especially to the European market. Efforts have been made to reduce incidences of aflatoxin contamination in Malawian groundnuts being exported to such lucrative export markets, however, cases of contaminated groundnuts are still being detected. For example, 42% (by volume) of groundnuts from Malawi exported to the European market in 2005 was rejected due to aflatoxin contamination (Diaz-Rios and Jaffe, 2008). A UNIDO border rejection study documents the extent of rejections of Malawi's nut exports to the EU between 2002 and 2008¹.

In light of this, so many government policies and programmes have identified the issue as of national priority. A Diagnostic Trade Integration Study (DTIS) conducted by the Integrated Framework and published in February 2004 for Malawi had recommended the promotion of sanitary and phytosanitary (SPS) issues in agricultural crops for improved market export performance. In particular, the requirements of importing nations as regards aflatoxin contamination levels in three main products important for export diversification, namely groundnuts, paprika and maize were highlighted.

UNIDO with funding from ComMark Trust² implemented a project for aflatoxin management and control in groundnuts in Malawi from 2009 to 2010. The project evaluation report (published in June 2012) and preliminary consultations with stakeholders have clearly indicated huge gaps that must still be addressed. While a second phase of this project as planned (focused on a national media campaign), this was not implemented following the closure of ComMark Trust, and the inability of TradeMark SA (which replaced ComMark Trust) to provide funds

The independent evaluation of the ComMark/UNIDO project identified several limitations with respect to its scope and effectiveness. The ComMark/UNIDO project was limited in scope in that it focused only on training of extension officers and members of NASFAM and the Grain Traders and Processors Association. There are also clear indications that equipment procured under the UNIDO project is a bit mismatched with its purpose and

¹ Spencer Henson and Edward Olale (2011); what do Border Rejections tell us about Trade Standards Compliance of Developing Countries? Analysis of EU and US Data 2002-2008 (UNIDO Working Paper)

² A South African based organisation that is funded by the United Kingdom Department for International Development (DFID)

the skills level of its users. There is clear indications from stakeholders during the Multi Criteria Decision Analysis (MCDA) consultations that aflatoxin remains a major problem both as a health issue and a barrier to trade.

The main objective of the proposal to be developed through this PPG is therefore to facilitate market access for groundnuts and value added groundnut products into the EU and other advanced markets, as well as regional markets. South Africa in particular is a major market for Malawian nuts but has similar restrictions to the EU. Another key objective is to protect the health of Malawians, many of whom are innocently consuming these health-risked nuts.

The proposal would address and implement the recommendations from the independent evaluation of the ComMark/UNIDO project, particularly by addressing challenges related to ownership weaknesses and implementation inefficiencies. The key reason why the Ministry of Industry and Trade is currently spearheading the development of an overarching programme is to address this ownership weakness which culminated from UNIDO's initial project design, in which the Ministry was less involved. In addition, to avoid this ownership weakness it is proposed that instead of engaging only the international consultant to develop the proposal, key technical officers from the Ministry of Industry and Trade, NASFAM, research institutions (such as DARS and ICRISAT) and other relevant stakeholders be fully involved in the proposal development and design. It is expected that the proposal would clearly map out what each initiative seeks to achieve along the value chain, as well as define and establish a clear coordination mechanism and allocate responsibility to ensure easy monitoring.

3. Which government agencies, private sector, academic or other organizations support this PPG request? Letters of support from each of these organizations would be advantageous (Appendix 1). See Qn. 7. (e) of the Guidance Note.

1. Department of Agricultural Research Services (DARS), the Ministry of Agriculture and Food Security
2. Malawi Bureau of Standards
3. ICRISAT/Malawi
4. African Institute for Corporate Citizenship (AICC)/Legumes Development and Trade Association
5. National Smallholder Farmers' Association of Malawi (NASFAM)
6. Grain Traders & Processors Association
7. Farmers Union of Malawi
8. UNIDO

4. How does this PPG complement and/or build on past, ongoing and/or planned national programmes and/or donor-supported projects? See Qn. 7. (f) of the Guidance Note.

Aflatoxin management and controls for groundnuts is one of the top-four options prioritized under the Multi Criteria Decision Analysis (MCDA) study recently completed in Malawi based on its impacts on trade, income and poverty reduction, as well its contribution to nutrition such as HIV/AIDS patients. The option is also very important for the government of Malawi due to its direct link with the government's project, "Promotion of Legume Production". Government has already allocated about K1.6billion (US\$5.7million) for this project which is to be used for legumes production, processing, storage and utilization for this fiscal year. Furthermore, legumes and particularly groundnuts falls under the oil seed cluster, which is one of the four key prioritized product clusters under the National Export Strategy (NES) that have economic spill-over that is to drive the building of Malawi's productive base. One of the key objectives of the NES is to facilitate market access of groundnuts and value added groundnut products, which at the moment is being constrained by aflatoxin contamination.

This PPG would seek to build on past experiences and recommendations of the UNIDO project evaluation. Also, DFID has indicated the existence of key feasibility studies which could inform the gaps and areas of achievements. This PPG as mentioned above would also complement existing initiatives such as EU SQAM project under the 10th EDF which seeks to build the infrastructure capacity of Malawi Bureau of Standards. The project would also collaborate strongly with DFID's Global Poverty Action Fund (GPAF) project "Safe peanuts: improved smallholder livelihoods in Malawi" as well as intended projects by USAID in this area.

5. [Have you discussed this PPG request – or funding for the project proposal which would result from it – with any potential donors \(bilateral, multilateral, Enhanced Integrated Framework, etc.\)? If so, provide details below and indicate potential sources of funding for the resulting project. See Qn. 7. \(g\) of the Guidance Note.](#)

Discussed with:

- STDF
- Enhanced Integrated Framework
- DFID

Other Potential Sources:

- USAID
- Common Fund for Commodities
- Partnership for Aflatoxin Control in Africa (PACA)

II. IMPLEMENTATION & BUDGET

6. [Who will take the lead in implementing this PPG? If particular national experts and/or international consultants are proposed, attach a copy of their Curriculum Vitae and record of achievements \(Appendix 2\). If no names are provided, the STDF will provide a shortlist of consultants if the PPG request is approved.](#)

We propose that STDF engage only one International Consultant (possibly a UNIDO consultant with past experience in designing / implementing the previous aflatoxin management and control project) who would collaborate with a team of five technical officers from the Ministry of Industry and Trade, NASFAM, research institutions such as DARS and ICRISAT to develop the proposal. This is to ensure maximum ownership and efficiency in implementation of the project to emerge. The budget line below takes into account this consideration. The main UNIDO contact person is Mr. Ali Bandarneh (a.badarneh@unido.org).

7. In the table below, briefly describe the main activities to be carried out under this PPG and specify who would be responsible. Provide an estimate of the budget required (e.g. for national/international expertise, travel and DSA of consultants, stakeholder meetings or workshops, general operating expenses, etc.).

Activity	Responsible	Estimated No. of Days	Estimated Budget (US\$)
Expertise <i>Hiring of International Consultants and Local Support Team</i>	STDF Secretariat and Ministry of Industry & Trade	A total of 25 days for International consultant and 25 days for support team	27,000
Travel <i>International flights for international consultant (economy class), in-country travel by Consultant & Support Team, Daily Subsistence Allowance, etc.</i>	International Consultant and Ministry of Industry & Trade		10,000
Technical Working Group Meetings Refreshments and DSAs for three technical working group meeting	Ministry of Industry and Trade	3 days in total	3,000
Validation Workshop <i>Hire of venue, DSAs, etc.</i>	Ministry of Industry & Trade		8,000
Other costs (describe) <i>Printing of documents, telephone calls, photocopying, etc</i>	International Consultant and Ministry of Industry & Trade		2,000
Total			50,000

Appendixes

Appendix 1: Letters of support from each of the organizations supporting this proposal.

1. Department of Agricultural Research Services (DARS), Ministry of Agriculture and Food Security
2. Malawi Bureau of Standards
3. ICRISAT/Malawi
4. African Institute for Corporate Citizenship (AICC)/Legumes Development and Trade Association
5. NASFAM
6. Grain Traders & Processors Association
7. Farmers Union of Malawi
8. UNIDO

Appendix 2: Curriculum Vitae and record of achievements for any consultants proposed to implement this PPG.