Redesigning the Affordable Inputs Program to Diversify and Sustain Growth

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Why the subsidy program was introduced

- Slow and erratic agricultural growth – averaging about 3% in the last decade
- Frequent food insecurity,
  - Malawi ranked 81/116 countries on a Global Hunger Index (GHI) score
- Low nutrition status
  - Undernourishment in the population still around 17%
- High poverty rates – 51.5%

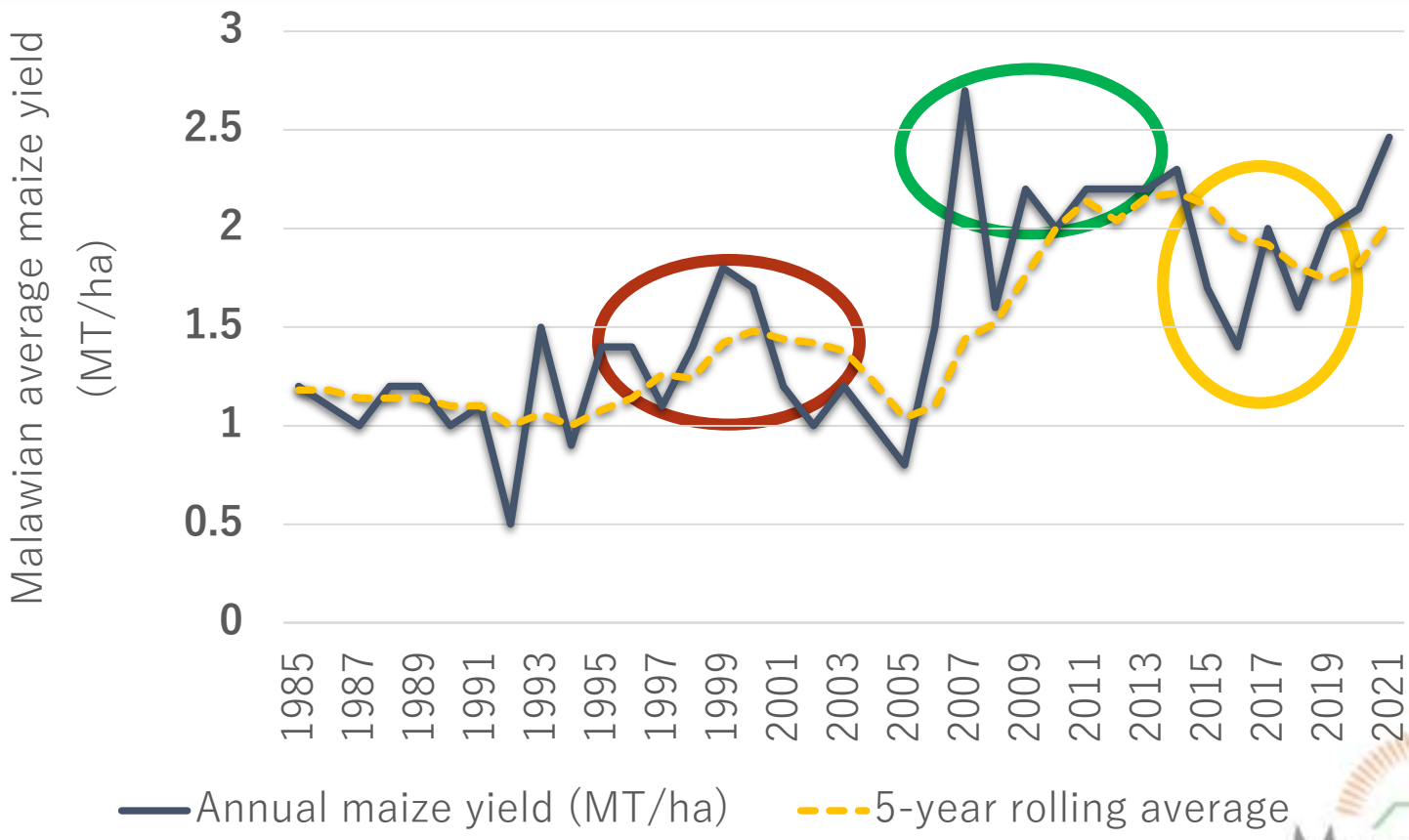
Achievements of previous subsidy programs

- Improved the total output of grain legumes
  - CG-7 groundnuts from roughly 900kgs/Ha to 1.12MT/Ha
  - Soya and Pigeon peas from roughly 800kgs/Ha to 1.22MT/Ha
- Improved food security
  - The GHI score has dropped from 33.5% in 2006 to 21.3%
- Improved child nutrition at household level
  - Low height for age (stunting) dropped from 52.5% in 2005 to 37%
  - Low weight for age (child wasting) dropped from 6.3% in 2005 to 2.7%
- Thus, it has been maintained by successive administrations – with varying designs and scales of coverage

Achievements of previous subsidy programs

- Lauded as a suitable and appropriate response to persistent food crises

- Average household maize yields increased over 60% from 1.3 MT/ha (1995-2004) to 2.1MT/ha (2005-2014)
- Yields are slightly lower and volatile to external shocks (e.g., rainfed as in 2015)



Source: APES and FAOStat

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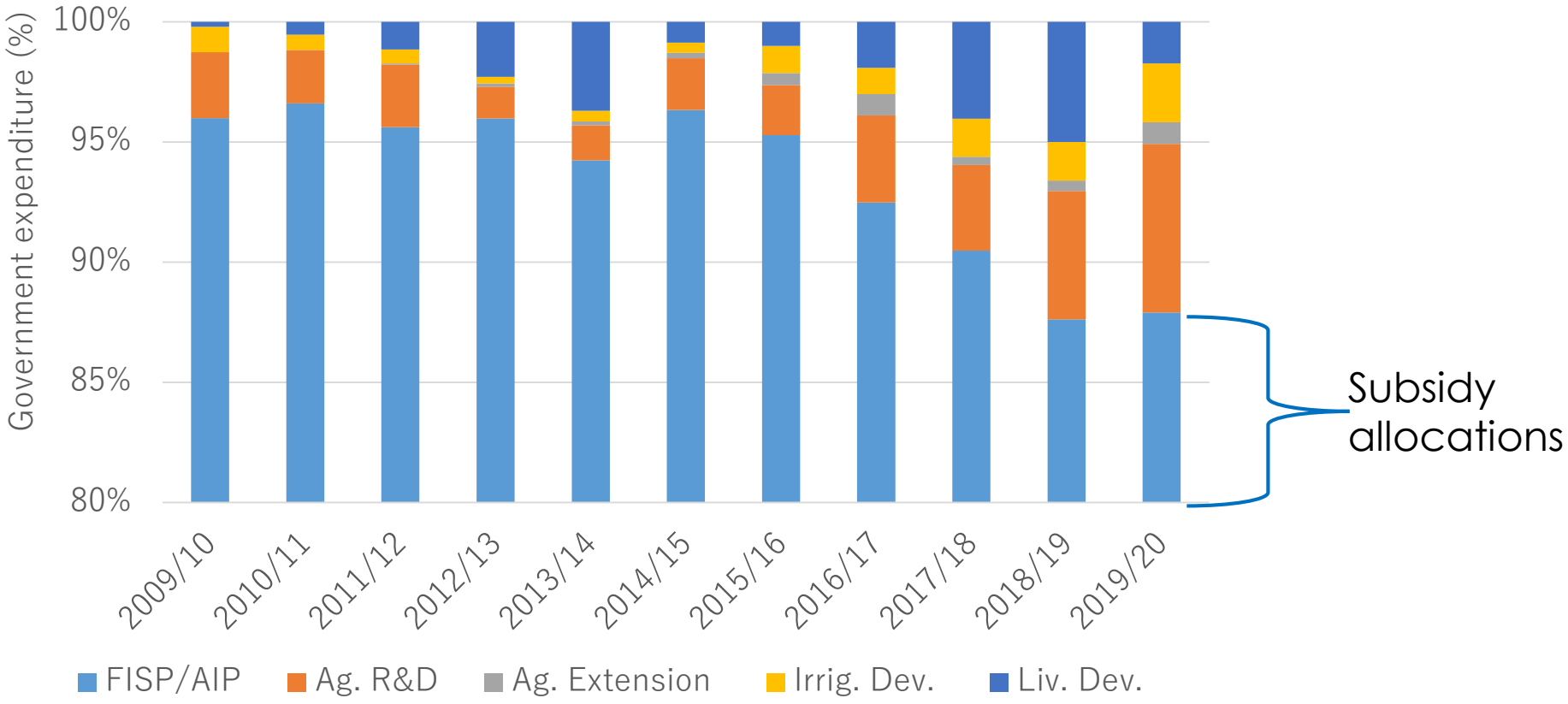
Why previous subsidy programs may have underachieved

- Ineffective targeting of beneficiaries due to comingling of objectives
- Displaced private sector commercial sells by 15 – 21% prior to 2020/21 season
- Financially unsustainable – subsidy allocations averaging roughly 65% of MoA budget

Why previous subsidy programs may have underachieved

- Crowded other agricultural investments out of the MoA budget to be updated

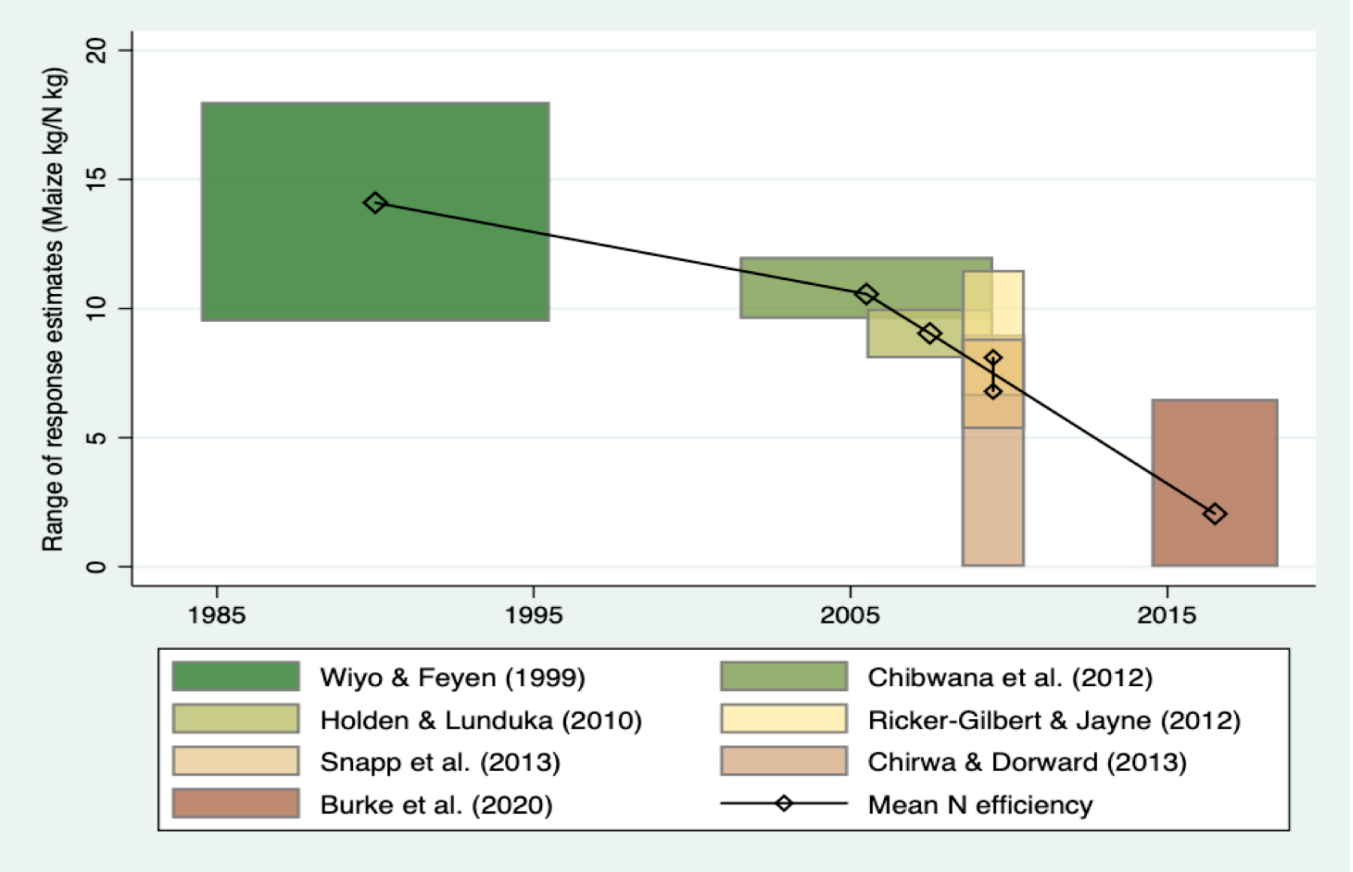


Source: GoM Budget Documents

Why previous subsidy programs may have underachieved

- Low - possibly declining - maize yield response to nitrogen fertilizer

Yield response to N on farmer-managed fields over time (1984-2018) in Malawi



For more details on each study see Burke et al. (2021), "Sustainable Intensification in Jeopardy: Transdisciplinary Evidence from Malawi" MwAPATA WP 21/07

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The need for reforming the AIP

- Already enshrined in the current national budget
- The need to focus on dietary and production diversity
- Agricultural diversification and commercialization already enshrined in the NAP and NAIP
- Recent adoption of the ten-year Malawi Implementation Plan for the long-term MW2063 calls for:
- Expressed desire by the His Excellency the State President for a progressive subsidy program
- Greater long-term payoffs from investing in infrastructure and social services

Short-term Interventions (1 – 5 years)

- Target productive resource poor farmers
- Add soil health and land management as part of AIP to maximize returns
- Introduce inbuilt flexibility and expand input zoning
- Strengthen Agricultural Research and Development (R&D) and Agricultural Extension services
- Adopt bidirectional extension and learning practices
- Improve the general on-farm management practices on smallholder farms

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Medium-term Interventions (5 - 10 years)

- Invest more in public infrastructure (e.g., roads, railway, electricity, etc.)
- Invest more in social services (e.g., health, education, nutrition, etc.)
- Promote dietary diversity through agricultural policy
- Promote public-private-partnerships that improve and sustain the country's food security status, wherever feasible

Long-term Interventions (10 years and on)

- Explore the possibility of manufacturing some of the fertilizers locally
- Anchor the reforms on a consistent, coherent, and enabling policy environment
  - Increase farmers land tenure rights
  - Streamline the regulatory barriers inhibiting commodity markets
  - Increase investments in irrigation to improve water control

Conclusions

- Redesign and diversify the subsidy program to sustain growth
- Soil fertility and conservation interventions may raise the productivity of subsidized inputs
- Streamline and make the subsidy program flexible and cost-effective
- Investing in infrastructure and social services has better long-term pay-offs than subsidies

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