Future Agricultures

www.future-agricultures.org

Briefing

Future Scenarios for Agriculture in Malawi: Challenges and Dilemmas. (ii) policy

This Briefing Paper examines challenges and dilemmas for Malawi's agricultural policy-makers, emerging from current policy processes as well as being rooted in past policies and outcomes.

Agricultural policy: an historical overview

Since Independence in 1964, Malawi's agricultural sector has experienced a series of policy changes, and a major discontinuity in the institutional setup with liberalisation in the 1980s.

Before liberalisation, smallholder sector policies were rooted in the late colonial period. Until the mid-1980s there was strong emphasis on self-sufficiency in food production. Food policies, however, had complex anti-poor and pro-poor elements. In terms of being anti-poor, food prices were often above import parity, meaning it could have been possible to supply cheaper food for deficit households.

The 'integrated rural development' (IRDP) model, a series of large aid-financed projects of the later 1960s onwards, was notably more pro-poor. Under IRDP, rural roads were greatly extended and a range of what had been crop-specific marketing boards were combined to form the agricultural marketing board ADMARC. This had a monopsony over most smallholder produce and was tied in with the smallholder credit system. It also had an effective monopoly over key inputs like seed and fertiliser. To a great extent this overcame market failures, notable in the credit market, while reducing risks for the minority of smallholder households who grew maize for the market as well as for subsistence.

In 1976, the IRDP was integrated into a nation-wide National Rural Development Programme (NRDP). It became apparent that substantial recurrent expenditures, such as salaries for key staff, and the credit system, had been sustained only by aid finance. When these expenditures were transferred to the domestically financed government budget, it triggered IMF and World Bank advice to cut these sharply. This led to government commitment to phase out fertiliser subsidies, with a substantial aid cushion through a fertiliser revolving fund.

Smallholder agricultural credit was commercialised by transferring it to the newly created bank, Malawi Rural Finance Company (MRFC). Lending at commercial rates, MRFC has managed to survive only by concentrating on a relatively small elite, mainly smallholder tobacco growers. Consequently, today more than 90% of smallholders cannot get agricultural credit.

Recent development strategies and government priorities

The challenges to Malawian smallholder policy since liberalisation have been more fundamental than simply managing with much lower levels of credit and input subsidy, and a fall in recurrent funding to government research and extension.

Since 1994 Malawi has developed at least five policy documents where agricultural development is critical in moving the country out of poverty. These include:

- Framework for Poverty Alleviation Programme (1995 -)
- Malawi Vision 2020 (1998 -)
- Malawi Poverty Reduction Strategy (2002 – 2005)
- Malawi Economic Growth Strategy (2004 -)
- Malawi Growth and Development Strategy (2005 -).

These policy documents have rarely been seen through to completion, and all have overlapped, creating uncertainties and difficulties in achieving policy coherence.

The Malawi Poverty Reduction Strategy (MPRS) emphasises the role of agriculture in poverty reduction. The core strategic pillar of the MPRS is sustainable pro-poor growth. This has two main goals: promoting sources of growth and creating an enabling environment. Six sectors are seen as potential sources of pro-poor growth: agriculture; natural resources; micro, small and medium enterprises; manufacturing and agro-processing; tourism and small-scale mining.

In agriculture, credit constraints on poor or smallholder farmers, extension services and access to markets are priorities. Two land policy issues are emphasised: security of customary land and voluntary

Future Agricultures, Institute of Development Studies, Brighton, BN1 9RE Tel: +44 (0)1273 877418 Email: fac@ids.ac.uk

redistribution of land to 3,500 households.

On the whole, strategies and policies have not been translated adequately into practice, and there is a lack of commitment to implementation. Resources allocated to pro-poor activities do not reflect MPRS priorities.

From poverty reduction for economic growth, to economic growth for poverty reduction

The Malawi Economic Growth Strategy (MEGS) overlaps with the MPRS. This responds to criticism of the MPRS focus on smallholders and small scale enterprises, which many stakeholders regard as incapable of generating the target growth rate of 6 percent per annum (GOM, 2004; Tsoka, 2006).

The basis of MEGS is growing the economy to bring about poverty reduction. Agriculture strategies focus on sectors identified as having greatest potential to generate growth, emphasising export-oriented agriculture by increasing productivity and commercialisation (GOM, 2004). Four agricultural crops are identified as growth sectors, including tobacco, cotton, tea and sugarcane. Only tobacco and cotton production involve a large proportion of smallholder farmers. Tea and sugarcane are dominated by large-scale commercial estates.

Following changes in the Government in 2004, there was uncertainty over which policy document would guide development in Malawi. Focus shifted to growth-led development and this placed more emphasis on the MEGS relative to MPRS. The process of integrating the MPRS and MEGS began in 2005 and will lead to the Malawi Economic Growth and Development Strategy (MEGDS).

Challenges and Dilemmas

The major challenges in development strategies are how to generate the capacity and political will to translate these strategies into policy actions. The agriculture sector faces a number of challenges both within the sector and with wider policy processes in order to achieve pro-poor agricultural growth. These include:
Land - Sizes, Fragmentation, Distribution and Tenure: how to integrate the land reform issue into a meaningful agricultural growth strategy;

Food Security: Food and Cash Crops Promotion: how to achieve self-sufficiency in food production, or increase food imports, ensuring an adequate national food balance;

Irrigation: how to fully utilise water resources for irrigation agriculture;

Infrastructure Services: how to develop adequate road, energy and telecommunications infrastructure from an incredibly low base;

Targeted Inputs and Subsidy: If fertilizer subsidies are the future of agricultural growth policy in Malawi, how to sustain such subsidy levels in the long-run given an economic environment with high transportation costs and a volatile exchange rate market;

Food and Cash Crop Services and Markets: how to coordinate complementary services, such as extension, to promote agricultural growth in a liberalised market where most markets are still thin and working imperfectly; how to develop the private sector and to ensure it operates efficiently; how to achieve scale in the product markets for export crops and the role of the state in the market; how to restore agricultural credit given the past repayment problems.

Food Security Policy Today

Food security remains central to the policy agenda, given the recurring food insecurity problems. This does not appear explicitly in the MPRS and MEGS, but recent policy actions on agriculture seek to increase food production, particularly maize. Since the late 1990s, the government supported by bilateral donors introduced a series of safety net programmes for resource poor smallholder farmers to increase food production. These include:

- *Starter Pack programme, which provided free inputs to resource poor farmers from 1998/99 – 1999/2000 (Levy, 2005)*
- *Agricultural Productivity Improvement Programme (APIP) which provides inputs on credit to resource poor farmers in 1998*
- *Targeted Inputs Programme (successor to Starter Pack) which provided free inputs to resource poor farmers including cereals seeds, legumes seeds and fertiliser. High default rates meant a sharp fall in beneficiary numbers*

In the 2005/06 agricultural season the government re-introduced a fertiliser subsidy through the voucher system giving 70 percent subsidy on fertiliser market prices at designated markets.

Ephraim W. Chirwa, Jonathan Kydd and Andrew Dorward

correspondence to: echirwa@yahoo.com