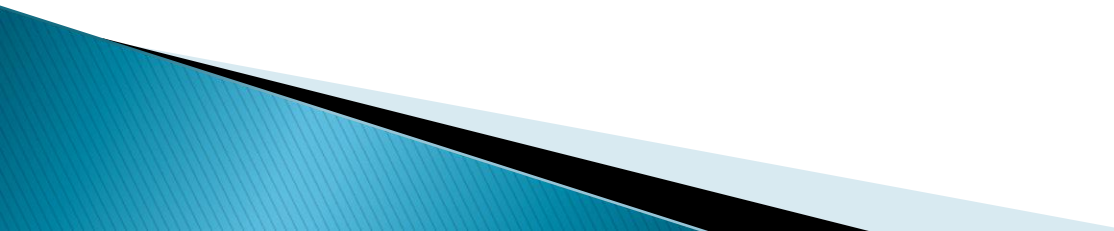


Political Economy of the Agricultural Input Subsidy Programme (AISP)

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Outline of the Presentation

- ▶ Setting the Context
 - ▶ Origins of the AISP
 - ▶ The AISP Initial Package
 - ▶ The Political Economy of AISP
 - ▶ Concluding Remarks
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Setting the Context

- ▶ The AISP is being implemented for the fourth consecutive time during the 2008/09 growing season
- ▶ Politics based on regional, ethnic and tribal loyalties has a long history but got rather deeply entrenched with the advent of democracy in May 1994
 - Malawi has three major regions: north, centre and south
 - Regional boundaries have coincided with the dominance of ethnic groups in each of the three regions
 - Until 2004, politics was dominated by three dominant regional parties: UDF in the south; MCP in the centre; and AFORD in the north

Setting the Context Cont'd

- ▶ The transition to democracy has not altered the fundamental nature and form of Malawi's neo-patrimonial politics centering around the president who uses power and resources of the state to dispense patronage to sustain political power
 - Banda relied on regulating access to estate agriculture to the elites and input subsidies to the smallholder farmers
 - Muluzi relied on regulating access to commercial interests but with limited success; resorted to mass patronage through different versions of input subsidy programmes (SP/TIP/ETIP) in response to the increasing fragility of rural livelihoods
 - Under Mutharika AISP has become a major tool for patronage to increasingly vulnerable rural population

Setting the Context Cont'd

- ▶ Food insecurity had until the 2005/06 growing season been an endemic problem the various input support programmes notwithstanding worsened by regular occurrence of severe bouts of droughts and adverse climate conditions
- ▶ In the new century alone, Malawi has experienced two devastating hunger crises in 2001/02 and 2004/05 growing seasons affecting 70–80% of the population
- ▶ Agriculture is the mainstay of Malawi's economy; contributes about 39% to GDP; 90% of export earnings; and employs over 85% of the rural population
- ▶ Malawi held the 2004 elections with substantially weakened technocratic policymaking capacity creating room for excessive donor dominance and inconsistencies in the policy processes

Origins of the AISAP

- ▶ AISAP featured as a key feature in the 2004 electoral campaign as a means to address the pervasive problem of food insecurity since the turn of the 1990s
- ▶ Major political parties put forward different versions of AISP that they would implement should they be ushered into power
 - Universal fertilizer subsidy for maize producers from MK 3000 to MK 1500 per 50kg (UDF and coalition partners)
 - Universal fertilizer subsidy for both maize and tobacco from MK 3000 to MK 1500 per 50kg (MCP and Mgwirazano coalition)

Origins of the AISAP Cont'd

- ▶ Winning party was expected to implement AISAP immediately but the UDF under new leadership hesitated in a bid to promote economic recovery to qualify for debt relief
- ▶ A combination of the 2004/05 hunger crisis (delays in provision of inputs under the ETIP and the incidence of drought) and political split (president ditching his party-UDF to form a new one- DPP) provided the opposition block in parliament with the opportunity to push for the adoption of the AISAP
- ▶ Passing of the 2005/06 budget was conditional on the government accepting to include a budgetary provision for the AISAP
- ▶ The 2005/06 budget provided for the AISAP to the tune of MK 5.1 billion

The Initial AISAP Package

- ▶ The composition and the pricing of the AISAP has evolved since it was launched four years ago
- ▶ The initial package included the following:
 - Urea and NPK fertilizers sold at MK 950 per 50kg and D Compound and CAN at MK 1400 per kg bag
 - Maize farmers were entitled to one bag of 23: 21: 0+4S and Urea while tobacco farmers 2 bags of D Compound and one bag of CAN
 - One pack of OPV maize at half of the price accessed without vouchers
- ▶ Subsidy programme has had tremendous positive impact on the food security situation to the extent that signals from policy makers are that AISP will be more or less a permanent feature of the agricultural strategy
- ▶ AISAP is designated as a priority intervention in the recently concluded Agricultural Development Programme (ADP) for the period between 2008 and 2012

The Political Economy of AISAP

- ▶ Contestation in the composition of the AISP package underlying the interest of political parties to carry along with them their constituencies
 - MCP pressed for the inclusion of tobacco when the initial proposal was to focus on maize only
 - Plans are underway to extend the subsidy to tea and coffee farmers next year (in the spirit of diversification???)
- ▶ Contestation about the design of the AISP
 - Universal or targeted?
 - Access to inputs through vouchers or farmers' clubs

The Political Economy of AISAP Cont'd

- ▶ Donors fiercely opposing the AISP as going against fundamental liberal economic forms
 - Competing perspectives of food security between the government and donors (own production versus food access through the markets (food imports); subsidizing production versus subsidizing consumption???)
 - Donors initially refused to support AISP (GoM went it alone)
 - Success of AISP prompting donors to engage with various elements of the programme (diversification and involvement of the private sector)
 - Three groups of donors can be distinguished: 1) those entirely supportive; 2) those willing to engage (searching for smart subsidies); and 3) those entirely opposed to AISP
 - Most donors have however softened their initial positions resulting in GoM reclaiming at least leadership in agricultural policy processes that has culminated into the formulation of the ADP as a blueprint for the agricultural sector the next three years

The Political Economy of AISAP Cont'd

- ▶ Changes in the patterns of distribution of inputs
 - The initial AISAP excluded the private sector in the distribution of inputs to beneficiaries (done by two parastatals: ADMARC and SFFRFM) (nervousness about relying on the private sector???)
 - Private sector incorporated in the distribution of inputs in the 2006/07 and 2007/08 AISP
 - Private sector excluded this season except in the distribution of seeds
 - Election year? Planned distribution for southern region considered as stronghold of the governing party is higher than the last three years (44% of total sales destined to southern region compared to 41% and 14% for the centre and north respectively)
 - Excluded Logistics Unit from printing and distribution of vouchers (MoAFS taking full responsibility of almost all key elements of the AISAP)

▶ Exclusion of the private sector involvement affected farmers' access to inputs (long distances to distribution centres and overcrowding at distribution centres) yet this did not attract any outcry from the opposition. Why?

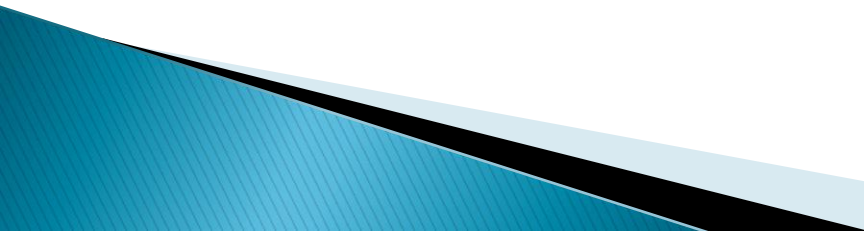
The Political Economy of AISAP Cont'd

- ▶ Instrument of patronage by the ruling party?
 - AISAP has experienced substantial cost over runs on yearly basis
 - Often two rounds of vouchers with the second one involving cases of political functionaries (MPs and Ministers) presiding over the distribution
 - Targeting politically important constituencies and districts???
- ▶ Constructive engagement with the AISP is less tolerated
 - How can one question a programme that has delivered on food security?
 - AISAP is considered as a magic wand to the pervasive problems of food insecurity and therefore virtually beyond reproach
 - Lack of responsible and constructive opposition as parties are outbidding each other who would offer the most generous subsidy programme???
- ▶ Lack of clearly articulated objectives of the AISP

Concluding Remarks

- ▶ Malawi's AISP experiences demonstrate that political context does affect the policy choices that politicians make:
 - Food security is the most sensitive public policy issue in Malawi
 - Malawi's politics is maize politics. Legitimacy of the government is closely linked to the availability of maize
 - Food security is predominantly equated with own production
- ▶ Politicians have tended to push for versions of the AISP that would best respond to the needs of their respective constituencies since the commitment to deliver food security is at the centre of Malawi's political economy

Concluding Remarks Cont'd

- ▶ Malawi's experiences further demonstrates that government's ownership leads to institutionalization and at least policy consistency
 - ▶ Lack of concrete government policy positions lead to partners changing their strategies as when they please and in a variety of ways (at least partners have rallied around the AISP of course negotiating with on some of the key elements)
 - ▶ Domestic political economy context matters to the extent that unique circumstances of each country have to be considered on their own merits in implementing programmes of this nature
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Thanks

