

# 2023 MALAWI AGRICULTURAL PRODUCTIVITY & COMMERCIALIZATION CONFERENCE

## PRACTICAL WAYS OF CREATING AN ATMOSPHERE FOR PUBLIC-PRIVATE SECTOR ENGAGEMENT

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**“Diversified agricultural value chains for improved trade balances & foreign currency reserves”**



# Outline

- Why public-private partnership?
- Strategic Issues
- State of Agriculture Sector in Malawi
- Role of Private Sector
- Policy Considerations
- Recommendations



# Public Private Partnerships

## Public Private Partnerships

- Shared Risks

- Initial financing by private Sector

- Shared Ownership  
private party owns the business  
Govt. owns the infrastructure

## Pure Private Sector

- Private sector finances and owns the infrastructure
- All risks are with Private sector.

## Pure Public Sector

- Traditional Procurement
- Govt finances and owns
- All risks with Public Sector

# WHY GOVERNMENT SHOULD CONSIDER PPPS?

1

PPPs introduce private sector **technology & innovation** for improved service delivery

2

**Value for Money (VfM)**

3

Mobilization of **private sector capital**

4

Reduced life costs because of private sector **efficiencies and better allocation of risk**

5

Allows for **performance-based management**

6

**Enhanced public management**; government focused on its core business

# Strategic Issues

- **Agriculture remains the driver of Malawi's Economy**
  - Main source of economic growth and foreign exchange earner
  - Most Malawians rely on farm incomes
  - Critical for reducing rural and urban poverty
  - Sector generated 22.4% of GDP in 2021/2022
  - Contributed 64% of employment
  - The Russia/Ukraine war has had a profound effect on the sector due to escalating costs of fertilisers.



# State of the Sector

- Government continues to invest heavily in the agriculture sector
- Budgetary allocation has consistently surpassed 10% CAADP Malabo target
- AIP taking up 60% of the budget
- However, growth rate stagnated at 3.2%, short of the 6% target
- Productivity remains low. In 2022 maize productivity was 2.0 MT/Ha against a target of 4.0 MT/ha
- Sector very vulnerable to climate change shocks and natural disasters.



# State of the Sector

- Smallholder/subsistence farming is a major factor in persistent rural poverty.
- The arable land for Malawi's rural population was 0.19 ha in 2020.
- Most rural farmers therefore have to rely on other non-farm income.
- Government commitment to commercialization of the agriculture sector will therefore require out-grower schemes.
- This then means large scale agriculture investment will be necessary as anchor farms to support the subsistence farmers.



# Role of the State in the Sector

- Government has over the years invested heavily in the sector
- Apart from AIP, state organs have received massive resources from Govt.
- Role of ADMARC has been under scrutiny for decades, receiving Govt bailouts almost on a yearly basis
- Is ADMARC relevant in this economy? What role should it play?
- Track record of other state investments has not been impressive either.
- ***Perhaps Government should focus on its areas of competency: policy making, research and extension service***





# New Initiatives – Possible Partnerships

- **Mega Farms**

- Presents an opportunity to revitalize productivity in the sector
- Need to learn lessons on why large scale farms have failed in the country
- Are supportive policies to ensure success of mega farms in place?
- What about role of Government intervention in output markets?
- Linkages with smallholder farming community around these farms will be important – must serve as Anchor farms
- A huge scope for public-private partnerships exist



# New Initiatives – Possible Partnerships

- **Shire Valley Transformation Program**

- A World Bank/AfDB/Gom irrigation infrastructure project in Chikwawa and Nsanje
- Over 40,000 ha of land to be under gravity fed irrigation
- The design has taken into consideration on failures of past irrigation projects
- Private sector operation and maintenance operator is being recruited to ensure sustainability of the infrastructure
- Various value chains and offtaker options being considered



# New Initiatives – Possible Partnerships

- **Export Contracts negotiated by Government**
- Government deals with countries such as South Sudan, India etc will not be fulfilled without strong partnerships with private sector producers
- Lessons from the current arrangements will be critical in shaping future arrangements.
- **Other potential export deals**
- There are always pockets of grain shortage within the region.
- This is an opportunity to support private investment to take advantage of these export opportunities.



# Policy Considerations

- Need for a consistent framework for supporting private investment in the sector
- Market interventions by Government in output markets needs to be reviewed – Price controls; pan seasonal and pan territorial pricing;
- Private sector needs consistency and predictability in the market
- Should Government continue bailouts of ADMARC? Should ADMARC support be confined to where there is market failure?
- Given the huge capital outlay needed to revamp ADMARC, is there scope for a public-private partnership arrangement?



# Policy Considerations

- AIP 2.0 as pronounced by HE the President is an opportunity to realign the budgetary allocations to the agriculture sector
- What role can the private sector play in AIP?



# Conclusions and Recommendation

- As the driver of economic growth in the country, public and private sector partnerships in the agriculture is critical
- The public sector must focus on its areas of expertise
- The private sector must carry the agri-business because they are more efficient
- For private sector to thrive, policy consistency is critical
- The coming in of mega farms presents an opportunity for increased private investment in the sector
- Public Private Partnerships in state organs such as ADMARC must be considered in order to bring efficiency



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