



# POLICY PERSPECTIVES

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## Rethinking Agricultural Input Subsidy Programs and the Role of Agricultural Extension: Lessons for Future Programming

Input subsidies are one of the strategies for addressing poverty, inequalities, vulnerabilities, and food insecurity in both developed and developing countries including in the Sub Saharan region. In Malawi, subsidy programs have been implemented since the 1960s to increase access to external farm inputs and their adoption by the resource poor smallholder farmers, with the desire of stimulating production, increasing farmers' incomes, and spurring economic growth. The subsidies have covered the span from universal to targeted programmes. The universal subsidies existed up to the early 1990s (ADMARC's implicit taxation and the Starter Pack). Targeted subsidies started in the late 1990s and continue to date, including the Targeted Farm Input Program (TIP) and the Farm Input Subsidy Program (FISP). The new Government has just announced the Affordable Inputs Program (AIP), which is universal in nature since it targets about 4.3 million farming households in the 2020/21 growing season (roughly all farming households in Malawi). The subsidies, especially the FISP, have been heralded as successful despite implementation challenges related to corruption, conflict, poor distribution and access, reselling inputs by poorer farmers, elite capture by large scale farmers, diversion from intended crops and cross-border leakages. Many technocrats argue that subsidy programs still fail to address the questions about their effectiveness and efficiency, their contribution to the broader impacts, and their sustainability. The many issues and questions around the subsidies necessitate a rethinking of the subsidy programs and the role of extension. In this paper, I reflect on the old subsidy programs to draw important lessons for the design, implementation, monitoring and evaluation of the new agricultural input support program. I also discuss key issues surrounding the nexus between subsidy programmes and agricultural extension and propose options for making the programs relevant to complex farming systems and social-economic development of Malawi. These lessons form the basis for a dialogue among policy makers, technocrats, private sector players, farmers and researcher

### Issues

There are four key issues to discuss: 1) the need to broaden the scope of the input subsidy programme, 2) the need to streamline the role of extension workers in the subsidy programs, 3) the

need to use an inclusive monitoring and evaluation (M&E) system, and 4) the need to address issues of sustainability of the program and the environment.

### ***Broadening the Scope of Input Subsidy Programs: From Maize to Food Diversification***

The objectives of input subsidy programs in Malawi have revolved around achieving national food security by supporting smallholder farmers' access to inputs for improving productivity of rain-fed crops. Since the 1970s the programs have mainly focussed on supporting maize production. The subsidy programs of 2005/06-2019/20 also included some legumes, namely soybean, common beans, pigeon pea and groundnuts, but were still skewed toward maize production.

The focus on maize is reflected in the measurement of the subsidy program performance where emphasis is placed on farmer adoption of maize related technologies and changes in maize production volumes and productivity. In addition, the emphasis of the programs on production only has limited the attention on building agricultural output markets. This narrow scope is in contrast to efforts to diversify agricultural production and value chain development as stipulated in the national agricultural policy.

The narrow scope of the subsidy program is a concern because farms and farming systems in Malawi are diversified: farmers operate throughout rainy and winter seasons, and cultivate neglected and underutilised crops such as millet, Bambara-nuts and Amaranthus for food and nutrition security. Moreover, input requirements vary across the different agro-ecological zones (Low, mid and high altitude). A case in point is that the crops, varieties, and fertilizer requirements for Chikwawa (low altitude) and Chitipa (high altitude) districts are altogether different. The focus on maize continue to influence the narrow themes pursued by research and extension organisations in the country.

### ***Proposed solutions***

It is important that agricultural input support programs are aligned with agricultural and food diversification policies and interventions. This is in line with the narrative and empirical evidence that household food and nutrition security is attained through agricultural and food diversification, and in contrast with the popular wisdom that sufficient maize is equal to food security. In this light, agricultural extension services should not only promote maize production but also equip farmers with the right knowledge and skills for food diversification and value chain development. I propose subsidies and strengthening extension for winter and irrigation farming as well as farm diversification.

### ***Streamlining the Role of Extension Workers in the Administration of Agricultural Input Subsidies***

The state and public extension services have been involved in the administration of subsidy programs since the post-colonial government. For example, from the 1970s to the 80s, financing, procurement and distribution of inputs was the responsibility of the government and state-owned institutions such as ADMARC (Agricultural Development and Marketing Cooperation), Smallholder Farmer Fertilizer Revolving Fund of Malawi (SFFRFM) and the public agricultural extension services structures (ADDs, RDPs, EPAs and Sections). The public extension system played a critical role in organising farmers into clubs and training them on how to use the inputs. They were central in determining and aggregating inputs demands required in the specific areas. In the Starter Packs program, TIP and extended TIP of the 1990s to early the 2000s, government remained the major player in financing and procuring subsidized inputs. This was despite changes in the political-economic context and the agricultural extension policy that allowed more players to deliver extension and distribute farm inputs. This trend was sustained in the Farm Input Subsidy Programs (FISP) since the 2004/05 growing season. Even though there were efforts to engage parastatals (i.e., ADMARC and SFFRFM, which had been restructured into parastatals) and the private sector (seed companies, transporters and agro-dealers) in the distribution of the inputs, the public extension services remained central in farmer identification and facilitating procurement of inputs by farmers.

The administration of subsidy programs has been marred with malpractices, and the direct involvement of the public extension workers in subsidy programmes has served to distort their functionality and image in the eyes of the farmers. The notable malpractices include providing fake seeds, underweight and adulterated fertilizer, and distributing to farmers who were not intended beneficiaries. These things were done through collusion between better-off farmers, profiteers, politicians, and unscrupulous extension agents with direct and indirect access to subsidized inputs, particularly fertilizers. Cumulatively, these malpractices have affected the work relationship of extension workers and farmers. Furthermore, involvement of extension workers in identification of farmer beneficiaries limits their productive time for their core duties of equipping farmers with knowledge and skills for advancing agricultural productivity and value chains.

#### ***Proposed solutions***

I propose the use of District Agricultural Extension Services System (DAESS) subcommittees (e.g., Village Agricultural Committees and Agricultural Stakeholder Panels (ASP) in the administration of the subsidy input programs. The agricultural technical committees could play the roles of targeting, distribution, and facilitation of input procurement. The involvement of technical subcommittees

reduces corruption and collusion with the elites. These problems have been common in targeting, distributing and facilitating input procurement, especially when selected individual officers or non-technical local structures are used (e.g., Area Development Committees that do not have knowledge in agriculture) are used.

The proposed DAESS structures are also appropriate for monitoring access, quality and utilisation of seeds and fertilizers. With the reported threats on the manipulated national registration system, the DAESS structures would ensure stability and equity in the preparation of the participants' list. The use of committees at the district, EPA and community level would ensure transparency and accountability during the vetting of beneficiaries and actual purchase of the inputs. Further, the structures provide an appropriate environment for pulling all extension services providers who should provide knowledge and skills needed in utilising the inputs. I recognise that a good number of the DAESS structures currently require improvements in their capacity to play the suggested roles in the subsidy program. Therefore, I further propose that instead of extension workers engaging directly in the subsidy program, their role should be to build capacity of DAESS structures to coordinate agricultural programs.

### ***The Need for an Inclusive Monitoring and Evaluation System for the Input Subsidy Program***

The M&E of the subsidy programs in Malawi has taken a conventional approach that is periodic and depends on the Planning Department of the Ministry of Agriculture and consultants who take charge of the entire process (designing, implementing, reporting and disseminating the results). The conventional approach fails to engage multiple stakeholders in the agricultural sector and does not facilitate learning which should result into the desired changes in behaviour among actors interested and affected by the subsidy program.

The conventional approach in monitoring and evaluating input subsidies has focused on the generation of quantitative data and information for planning purposes at central government level as well as addressing the interests and requirements of development partners and academia. There has been limited learning among stakeholders at all levels from the community to the national level, about how to improve the administration and performance of the program in totality.

M&E assignments have overemphasised indicators for tracking progress and effectiveness of the subsidy programs on production, ignoring the reciprocal interactions of the programs and associated human capacity development, social-cultural and agro-ecological conditions. For example, the subsidy program could affect and/or be affected by soil parameters, household nutrition, food traditions, gender, power relations, as well as knowledge and skills of various stakeholders.

In terms of extension services, the procedures involved in conventional M&E burden the extension agents. For example, a typical monitoring requires extension workers to collect data for crop estimates. This exercise involves visiting a representative sample of farmers, physically measuring the sizes of the fields, estimating the crop stand and yields of each field while accounting for the husbandry practices followed, weather situation including rainfall pattern, and soil conditions. This is done three times in a season (i.e., the first, second and third crop estimates), thereby taking away time for extension workers to engage with farmers on core agricultural extension activities. Moreover, the volume of work involved in this process makes it difficult for most extension workers to follow the laid-out procedures, resulting in compromised data reliability and validity.

### *Proposed solutions*

Our proposal is that multiple stakeholders should jointly be involved in monitoring and evaluating input subsidy programs. This is based on the understanding that a good M&E system should involve all stakeholders in a participatory manner, and lead to learning. In the agriculture sector, DAESS provides ideal platforms for M&E of the subsidy program. The multiple stakeholders in DAESS offers a multi-disciplinarily advantage by bringing together diverse knowledge, skills and interests, which is crucial for monitoring and evaluating agricultural programs which are inherently multi-dimensional in terms of social cultural issues, productivity, ecosystems, political-economy, human capacity development among others.

By having multiple stakeholders, DAESS offers an opportunity for promoting accountability and transparency; addressing multiple interests; fostering ownership; strengthening stakeholder participation; and enhancing the feedback loops. DAESS platforms also offer spaces for social learning among different actors which lead to changes and re-enforcing the right attitudes and practices of farmers; researchers, extensionists and policy makers; private players; development advocates and practitioners; development partners and academicians.

Unlike the periodic approach dominant in the conventional M&E, the nature of M&E being proposed is one that is continuous. The DAESS has structures which are permanently responsible for coordinating agricultural activities, hence making it the right system for conducting continuous assessment of the program. The role of extension workers is to build capacity of DAESS structures organise and use information from M&E. The Directorate of Planning and the ADDs should play the roles of resource mobilisation, defining standard indicators, supervision, capacity building, consolidating and building a management information system. For an effective participatory M&E to be operationalised, there is need to strengthen the human capacity and financial resources at EPA, district, ADD and national level.

### *Unlocking the sustainability puzzle of subsidy programs*

The debate about sustainability of the subsidy programs in Malawi has been political and economic in nature. On the one hand, Governments have politically maintained the subsidies to please the electorates and on the other hand, subsidies have been maintained by the objective of ensuring low food prices, especially in urban areas. What is ignored are environmental, institutional and social sustainability, and economic empowerment of the smallholder farmers. With regards to environmental sustainability, the subsidy programs promote the use of inorganic fertilizers and pay less attention to organic fertilizers. This poses a threat to environmental sustainability as inorganic fertilizers only contribute to improvements in soil chemical properties and not the physical and biological properties. Organic fertilizers are important as they improve the soil structure, water holding capacity, and increase macro and micro-organism activity in the soil. Farmers that integrate organic materials, such as maize bran and other crop residues (e.g., pigeon peas, groundnuts, soya beans) they do not experience higher crop failure due to drought or dry spells. Moreover, crop yields are better where farmers apply inorganic fertilizers to the fields where there is more organic matter than where it is less. Scientific evidence shows us that the fields which have lost organic matter have minimal returns for inorganic fertilizer investment even when applied with the right amounts of inorganic fertilizer. What this means is that subsidy programs would be efficient only if they are combined with organic technologies such as compost manure. Environmental sustainability is also compromised by the maize dominance in the subsidy programs, which undermines biodiversity that is important for building both the soil health and human nutritional security.

Institutional and social sustainability is another issue handled with less regard by the subsidy programs and there has been no idea on how to deal with it. Institutionally, the programs target individual farmers and pay less attention to mobilising them into organizations such as clubs, associations and cooperatives that could in the long run become key stakeholders in designing, implementing and evaluating agricultural programmes. These institutions are critical platforms for defining the farm inputs that are suitable to specific agro-ecological zones and demanded by farmers, the identification of program participants, facilitating access to inputs by the identified participants, monitoring of the quality of the inputs, and providing farmer to farmer extension services for proper use of the inputs. Failure to involve farmer organizations has resulted into lack of ownership of the subsidy programs at grassroot level. In addition, marketing of agricultural produce has remained a challenge because farmer organisations are not strong. It is the responsibility of extension to build the capacity of farmer organizations as they implement subsidy programs. Socially, targeting issues in the subsidy programs leave societies in turmoil. It is common to see conflicts between chief and their subjects, divisions and splits among the villages, hate and accusations between extension

workers and those not targeted. The universal subsidies are meant to solve these social issues. The role of extension is to build transparent and accountable institutions that should respond to farmers' needs and, in the future, be able to manage and provide subsidies to farmers at the local level.

Economic empowerment is a critical issue for the sustainability of the input subsidy programs. Usually, the focus has been on achieving maize productivity, while ignoring the need for broader rural livelihoods strategies, which extend to off farm income and wider rural economy. With this narrow focus the input subsidy program are not seen as capital injection for livelihood interventions such as winter cropping, village savings and loans associations, livestock production, small business endeavours for income generating and development of agricultural markets. The role of extension in this process is to motivate and train farmers to take up subsidy as a means to diversify into off-farm activities.

### *Proposed solutions*

In light of the dilemmas of sustainability, I propose that the subsidy programs should embrace sustainability, which involves households' ability to graduate into more resilient situations. The various forms of graduations the farmers can take include:

*Inputs graduation:* here the farmers have to graduate from one hundred percent inorganic fertilizer to a combination with organic fertilizers. The agro-ecologies will be seen to be more efficient at the farmers who use less external inputs and more internal inputs. Extension workers should help farmers form the right attitudes and build their capabilities in various forms of integrated inorganic and organic fertilizers such as compost manure, farmyard manure, incorporation of crop residues, agroforestry technologies, minimum or zero tillage, mulching just to state a few.

*Institutional graduation:* the farmers that are targeted by subsidy programs are not organized. As a result, they lack capacity to access good markets for their produce and the inputs. The farmers need to be organised into clubs, that should eventually graduate into associations and cooperatives. These farmer organizations are important for local ownership of the program. They are also important for strengthening the marketing of the farm produce and enables farmers to access inputs on their own. In this case the role of extension should be to promote formation of functional farmer groups such as clubs, associations and cooperatives. Extension should also prepare farmers to manage their groups to engage into high value crops and value addition.

*Farmer transition:* most of the farmers targeted by subsidy programs are poor, vulnerable and always dependent on external assistance in the form of safety-nets. These farmers need to graduate

from lowest levels of poverty to productive levels where they can produce and support themselves. This transition would provide a fiscal space on the national budget as it would help the design of the program to have farmers under a free subsidy program and farmers under a credit input program. Such a graduation would trigger an agricultural sector that should be able to produce beyond domestic consumption for food security but also to feed into industrialisation that would produce the much-needed export processed products, hence creating jobs for the youth.

*Graduation into off-farm activities:* the subsidy programs should graduate farmers from on-farm to off-farm activities. Extension should provide, in addition to knowledge and skills for crop production as per the subsidy programs, services for promoting the diversification of income generating activities among smallholder farmers.

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