



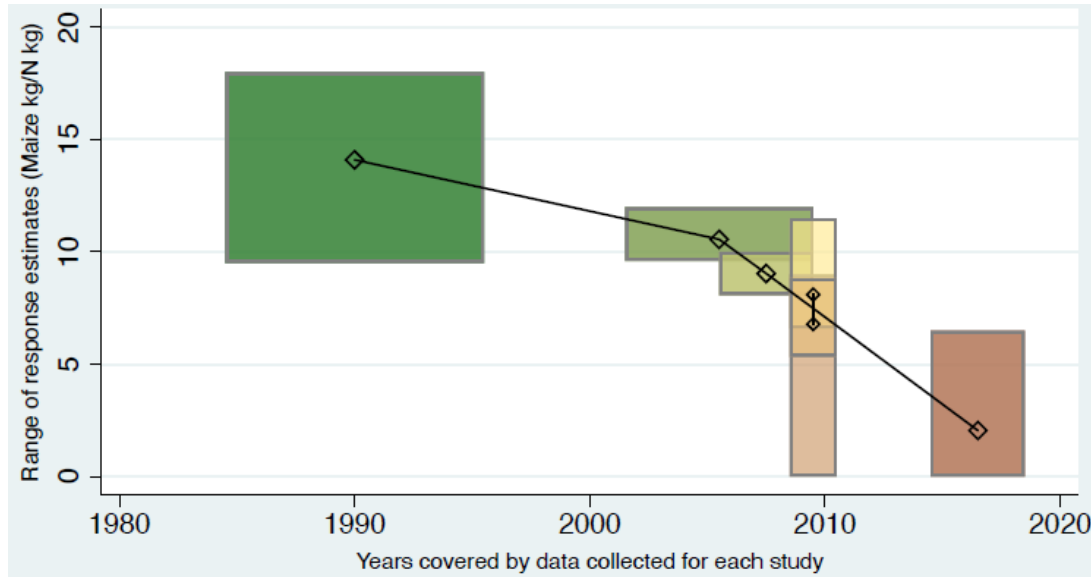
Redesigning the AIP to diversify and sustain growth

Discussion

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Why have subsidies underperformed? Fertilizer response



Source: Burke et al. (2021), "Sustainable Intensification in Jeopardy: Transdisciplinary Evidence from Malawi" MwAPATA WP 21/07

- 50 kg Urea + 50 kg NPK → 72.5 kg maize
- K 60k (ForEx) → K 15k
- Subsidy impact less because it crowds out private sales:
- K 40k of subsidy → K 12k of maize
- Only with good rains and good practices
- Investment in irrigation, R&D and extension needed

Why have subsidies underperformed? Conflated objectives

- Food security – Increasing agricultural production
 - Target productive farmers
 - Input subsidies may be effective when combined with other policies (investment in irrigation, R&D and extension)
- Poverty alleviation – Assisting the poor
 - Target poor households
 - Unproductive farmers with insufficient land or labor
 - Input subsidies are ineffective, social protection more appropriate

Targeting: What does not work

- Existing mechanisms are problematic
 - Community based targeting (CBT)
 - Expensive, time consuming & easily captured by local elites
 - Proxy means testing (PMT)
 - Expensive & time consuming
 - Unified Beneficiary Registry (UBR)
 - Incomplete, out of date & expensive to update

Targeting: What could work

- Short-term: Self-targeting
 - Choice between higher amount to spend at agrodealer and lower amount in cash
- Long-term: Administrative data
 - Targeting based on government databases (births & deaths, land, etc.)
 - Improved, digitized, seamlessly updated
 - Integrated with National ID system

What about the unproductive poor?

- No labor: social protection
 - (Labelled) cash transfers
- No land: off-farm employment
 - Investment in infrastructure & human capital
 - Reliable and affordable electricity → production of goods
 - Good roads & railway → connection to domestic and foreign markets
 - Improved education & health services → ability to take advantage of new opportunities

Conclusion

- AIP ineffective due to
 - Low crop response to fertilizer
 - Lack of targeting
- Needed reform:
 - Target productive farmers with subsidy, unproductive households with (labelled) cash transfers
 - Complement AIP with investment in soil quality, R&D and extension
 - Invest in infrastructure and human capital
- Great benefits if reforms implemented right, costly if not
 - Pilot, evaluate and revise before full-scale implementation

Thank you

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